Global Talent Management

Second Edition

EDITED BY DAVID G. COLLINGS, HUGH SCULLION AND PAULA M. CALIGIURI

Global Talent Management

The second edition of *Global Talent Management* (GTM) offers a state-of-the-art overview of the key areas of talent management in theory and practice. Drawing on contributions from the leading global contributors to talent management research, the book is structured around three key sections. Section one provides a contextual overview of talent management. The second section explores in depth some of the core areas of GTM practice, which includes the meaning of talent in the global context, internal talent identification, developing leadership talent, employee turnover, employer branding and the role of the corporate HR function in GTM. The final section considers three key contemporary issues in GTM, namely, data analytics in GTM, managing virtual talent and managing globally diverse talent.

The chapters in the volume provide advanced undergraduate or postgraduate students with an interest in global talent management with a cutting-edge overview of the key topics in the field. It is also an invaluable resource for the reflective practitioner looking for an overview of key research in this important area of practice.

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Routledge
Taylor & Francis Group
NEW YORK AND LONDON

First published 2019
by Routledge
711 Third Avenue, New York, NY 10017

and by Routledge
2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN

Routledge is an imprint of the Taylor & Francis Group, an informa business

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library

Library of Congress Cataloging-in-Publication Data
Names: Collings, David G., editor. | Scullion, Hugh, editor. | Caligiuri, Paula, editor.
Title: Global talent management / edited by David G. Collings, Hugh Scullion and Paula M. Caligiuri.
Description: 2nd edition. | Abingdon, Oxon ; New York, NY : Routledge, 2019. | Series: Global human resource management | Includes bibliographical references and index.
Identifiers: LCCN 2018024438 | ISBN 9781138712447 (hardback) | ISBN 9781138712454 (pbk.) | ISBN 9781315200170 (ebook)
Subjects: LCSH: International business enterprises—Personnel management. | International business enterprises—Employees.
Classification: LCC HF5549.5.E45 G627 2019 | DDC 658.3—dc23
LC record available at https://lccn.loc.gov/2018024438

ISBN: 978-1-138-71244-7 (hbk)
ISBN: 978-1-138-71245-4 (pbk)
ISBN: 978-1-315-20017-0 (ebk)

Typeset in Times New Roman
by Apex CoVantage, LLC

In memory of my father, John, my inspiration.
Paula

In memory of my parents, William and Elizabeth.
Hugh

To my mum, for always challenging us to be our best and for her unconditional love and support.
Dave

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Foreword

Global HRM is a series of books edited and authored by some of the best and most well-known researchers in the field of human resource management. This series is aimed at offering students and practitioners accessible, coordinated and comprehensive books in global HRM. To be used individually or together, these books cover the main areas in international and comparative HRM. Taking an expert look at an increasingly important and complex area of global business, this is a groundbreaking new series that answers a real need for useful and affordable textbooks on global HRM.

Several books in this series are devoted to human resource management policies and practices in multinational enterprises (MNEs). Some books focus on specific areas of global HRM policies and practices, such as global leadership, global compensation, macro talent management, talent management and global labour relations. Other books address special topics that arise in MNEs, such as managing HR in cross-border alliances, managing global legal systems, and the structure of the global HR function. There is also a book of global human resource management cases. Several other books in the series adopt a comparative approach to understanding human resource management. These books on comparative human resource management describe HRM topics found at the country level in selected countries. The comparative books utilize a common framework that makes it easier for the differences in findings across countries.

This book, the second edition of *Global Talent Management* by David G. Collings, Hugh Scullion and Paula M. Caligiuri, focuses on a wide variety of global talent management practices and issues that MNEs use and confront as they try to make their global talent management more globally relevant and effective. It describes in great detail the phenomenon of global talent management, providing detail and examples of global talent practices such as developing global leaders, global mobility and global talent analytics. In addition, it describes global talent management issues such as employer branding and corporate reputation management, the meaning of talent in the world of work and new challenges for the corporate HR function. While Collings, Scullion and Caligiuri have prepared a significant portion of the book, they have also brought together an impressive set of expert contributors for several individual chapters.

As with all the books in the *Global HRM* series, the chapters are based upon the most recent and classic research as well as numerous examples of what MNEs are doing today. This second edition contains numerous updates and revisions that make the book even more relevant and useful to the reader, whether university student or practitioner. More material has been put into tables and exhibits to help summarize a lot of information, thus making it more quickly accessible and more interesting for the reader.

This Routledge series is intended to serve the growing market of global scholars and practitioners who are seeking a deeper and broader understanding of the role and importance of

human resource management in companies that operate throughout the world. With this in mind, all books in the series provide a thorough review of existing research and numerous examples of companies around the world. Mini company stories and examples are found throughout the chapters. In addition, many of the books in the series include at least one detailed case description that serves as convenient practical illustrations of topics discussed in the book.

Because a significant number of scholars and practitioners throughout the world are involved in researching and practicing the topics examined in this series of books, the authorship of the books and the experiences of the companies cited in the books reflect a vast global representation. The authors in the series bring with them exceptional knowledge of the human resource management topics they address, and in many cases the authors are the pioneers for their topics. So we feel fortunate to have the involvement of such a distinguished group of academics in this series.

The publisher and editor have played a major role in making this series possible. Routledge has provided its global production, marketing and reputation to make this series feasible and affordable to academics and practitioners throughout the world. In addition, Routledge has provided its own highly qualified professionals to make this series a reality. In particular, we want to indicate our deep appreciation for the work of our series editor, Lucy McClune. She has been supportive of the *Global HRM* series and has been invaluable in providing the needed support and encouragement to us and the many authors and editors in the series. Lucy, along with the entire staff, especially Judith Lorton, have helped make the process of advancing this series an enjoyable one. For everything they have done, we thank them all. Together, we are all very excited about the *Global HRM* series and hope you find an opportunity to use this second edition of *Global Talent Management* and all the other books in the series.

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July 2018

Section 1
The Context of Global Talent Management

1

Global Talent Management

An Introduction

David G. Collings, Hugh Scullion and Paula M. Caligiuri

Talent matters, and organizations globally are increasingly recognizing the challenges of managing talent effectively in delivering on their strategic agendas (Collings et al., 2017; McDonnell et al., 2017). Indeed, a recent study of CEOs in the US identified managing talent, operating in the global marketplace and regulation and legislation as the top three challenges they faced (Groysberg and Connolly, 2015). It is equally clear that organizations continue to struggle in managing talent effectively. One indicator of this failure is the fact that over 70% of CEOs globally identify a lack of availability of skills and capabilities as a key threat to the growth prospects of their organizations (PWC, 2017). As Groysberg and Connolly's study of CEOs highlighted, the added complexity of managing in the global environment increases the challenge of managing talent on a global basis. Equally, the global political landscape has the potential to significantly impact on global talent management (GTM) practice. At the time of writing (May 2018), the negotiation around Brexit raises significant questions for organizations planning on moving employees to the UK and indeed creates many uncertainties for EU citizens currently living and working there. Similarly, in the US under the Trump administration, there is considerable uncertainty around the H1-B visa programme, which was central to facilitating the movement of key talent from abroad to the US for work purposes, and broader concerns around the talent landscape in the US (Horak et al., 2018). A key example of the outcome of this uncertainty in the US context was Microsoft's decision to open a new office in Vancouver, Canada, as a means of accessing the available talent in the Canadian context and somewhat mitigating the challenges in the US.

This introductory chapter has four main aims. First, it seeks to review some definitions of global talent management and to consider the particular challenges of talent management in the global context. Second, it examines the main factors associated with the growing importance of GTM. Third, it outlines the distinctive contribution of this volume, which seeks to critically review important theoretical and empirical developments in the area of GTM over the last decade. The final section provides a brief summary for each of the chapters in the book to help the reader to quickly identify the main themes and issues covered in each of the chapters.

Defining Global Talent Management: Exploring the Conceptual and Intellectual Boundaries of Global Talent Management

In the ten years since the first edition of this volume was published, the literature on talent management has expanded considerably. In the introduction to the last volume, we argued that despite a decade of debate around the importance of talent management for success in global business, most of the literature in this field had remained practitioner or consultancy based (e.g. Bryan et al., 2006; Guthridge et al., 2008), not well grounded in research and often over-dependent on anecdotal evidence. This led to considerable criticism of the concept of talent management as lacking adequate definition and theoretical development, particularly in the global context. One of the key challenges which we identified in establishing the academic merits of talent management at that time was the unresolved issue around its conceptual and intellectual boundaries (Lewis and Hackman, 2006; Collings and Mellahi, 2009; Scullion et al., 2010). As Lewis and Hackman (2006: 139) concluded at around that time, there was "a disturbing lack of clarity regarding the definition, scope and overall goals of talent management".

While we certainly don't have answers to all of the questions which emerge in the context of talent management, it is clear that the literature has moved on significantly in that time. Indeed, a recent review demonstrated that over 85% of articles on talent management were published between 2010 and 2015, when that review was conducted (Gallardo-Gallardo et al., 2015; see also McDonnell et al., 2017). This reinforces the importance of the timing of the previous volume of this text in the evolution of global talent management and in providing an excellent platform for the discussions which the author team pick up on in the current revision.

Broadly, the literature identifies a number of different ways in which talent management tends to be used in the literature. In their seminal review, Lewis and Hackman (2006) identified three key streams of thinking with regard to what talent management was. The authors aligned with the first stream appear to be largely substituting the label talent management for human resource management, often limiting their focus to particular HR practices such as recruitment, leadership development, succession planning and the like. A second stream emphasizes the development of talent pools, focusing on "projecting employee/staffing needs and managing the progression of employees through positions" (Lewis and Hackman, 2006: 140), typically building upon earlier research in the manpower planning or succession planning literatures. The third stream focuses on the management of talented people. This literature argues that all roles within the organization should be filled with "A performers", referred to as "topgrading" (Smart, 1999), and emphasizes the management of "C players", or consistently poor performers, out of the organization (Michaels et al., 2001).

Collings and Mellahi (2009) identified a further stream which emphasizes the identification of key positions which have the potential to differentially impact the competitive advantage of the firm (Boudreau and Ramstad, 2007; Huselid et al., 2005). More recently, Vaiman et al. (2012) identify the theme of the use of data and analytics in making more informed decisions around talent as a fifth key theme in the talent management literature. A final area which is emerging as a key theme in talent management of late is the management of non-employees in organizations. This can refer to freelancers operating in the gig economy but also includes arrangements such as talent sharing between companies through secondments, or other non-traditional means of engaging talent (Cascio and Boudreau, 2016).

As yet there is certainly no single definition of or approach to talent management which has become universally accepted, and multinational enterprises (MNEs) approach talent in a range of ways. That said, global talent management has been defined in broad terms as an organization's efforts to attract, select, develop and retain key talented employees on a global scale (Stahl et al., 2012). A key aspect of this definition is the focus on a key group of core employees, rather than the MNE's entire human capital pool (see also Becker et al., 2009;

Boudreau and Ramstad, 2007; Collings and Mellahi, 2009). This is premised on the idea that the management of the MNE's core workforce will have the greatest impact on value creation and sustainable competitive advantage (Collings et al., 2018; Delery and Shaw, 2001). This definition emphasizes an international focus and emphasizes the role of MNEs' internal systems in ensuring key strategic employees are attracted, retained and deployed to best meet the organization's strategic priorities.

However, as noted previously, a separate stream of literature (Boudreau and Ramstad, 2007; Collings and Mellahi, 2009; Huselid et al., 2005) emphasizes the importance of the positions which these talented individual employees fill in the context of talent management systems and argues that this should be the point of departure for talent management systems. This is premised on the idea that there are many positions in organizations where top-performing employees have limited potential to deliver additional value beyond an average employee. Hence, a high performer's capacity to deliver high performance may be constrained by being in the wrong role.

Building on this literature on pivotal positions, we adopt Mellahi and Collings' (2010: 143) definition of GTM (see also Collings et al., 2018). This definition builds on Collings and Mellahi's initial work on talent management and extends it into the global context. The initial definition has been identified as the most widely adopted definition of talent management in the academic literature (Gallardo-Gallardo et al., 2015), and hence represents a useful starting point for our consideration of GTM. They define global talent management as:

> The systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage on a global scale, the development of a talent pool of high potential and high performing incumbents to fill these roles which reflects the global scope of the MNE, and the development of a differentiated human resource architecture to facilitate filling these positions with the best available incumbent and to ensure their continued commitment to the organization.

This definition positions GTM more broadly than leadership succession, which is often the focus for many executives. It highlights key positions which have the greatest potential to impact on differential value generation in the organization. These positions are distinguished by two key factors. Firstly, they are central to the organizational strategy. Secondly, the potential for significant variation in performance exists when the quality or quantity of people in the roles increases. Once these positions are identified, the definition emphasizes the importance of creating a pipeline of talent to fill these positions. In the MNE context a key consideration is how the membership of the global talent pool maps to the geographic footprint of the MNE. In other words, how should the talent pool membership look in terms of relative numbers of headquarters (HQ) employees, or parent country nationals versus subsidiary employees, host country or third-country nationals? This decision will be strongly influenced by the MNE's strategic orientation (Collings et al., 2018). Finally, in contrast to earlier approaches to HR which emphasized standardized approaches to HR in organizations, the definition advocated differentiating the HR system for members of the talent pool and critical roles. Hence, it is reflective of wider trends in the HR literature which recognize the limitations of an overly simplistic perspective on investments in human capital and questions the value of a single "optimal" HR architecture for managing all employees (Collings, 2017; Lepak and Snell, 1999). In fact, the notion of differentiation recognizes that a single set of "best" HR practices can actually destroy value in organizations, hence advocating greater differentiation in decision making (Bonabeau, 2004). However, the global context makes implementing a differentiated approach to talent management particularly challenging (Collings et al., 2018). The challenges of aligning talent management programmes with MNE strategy are explored in detail by Collings et al. (2018).

Collings et al. (2018) advocate a contingency approach to global talent management where the GTM system is aligned with the MNE strategy. However, their analysis is focused on endogenous influences (factors internal to the MNE), and we also point to the importance of exogenous influences (factors external to the MNE) on the operation of GTM. Thus, it is equally important that we gain increasing understanding of differences in how talent management is defined and conducted in different national contexts. This comparative understanding will also be important as the field matures. Such an understanding should help to counteract an overly ethnocentric or Anglo-Saxon conceptualization of talent management gaining hegemonic dominance, which is not reflective of practice. Comparative studies which consider how talent management systems operate in different national contexts is also hugely valuable. This theme is explored in two recent volumes in the Global HRM Series (Vaiman et al., 2018a; 2018b) and also in King and Vaiman's chapter in the current volume (see Chapter 2).

Factors Influencing the Growth of Global Talent Management

In considering the current state of GTM research and practice, it is useful to consider the factors which explain its emergence as a key strategic issue for MNEs. Some of these have been outlined by Scullion et al. (2010) and are developed as follows:

- The effective management of human resources is increasingly recognized as a major determinant of success or failure in international business. In this regard, there is a growing recognition both of the critical role played by globally competent managerial talent in ensuring the success of MNEs reflecting the intensification of global competition and the greater need for international learning and innovation in MNEs (Bartlett and Ghoshal, 1989). Indeed, there is a growing recognition that the success of global business depends most importantly on the quality of top management in the MNE (Black et al., 2000; Collings et al., 2007; Cascio and Boudreau, 2016; Scullion and Starkey, 2000).
- However, shortages of international managers have become an increasing problem for international firms and have been a significant constraint on the implementation of global strategies (Scullion, 1994; Stahl et al., 2012; Farndale et al., 2010). Indeed, shortages of managerial and professional talent have emerged as a key HR challenge facing the majority of MNEs (Bjorkman and Lervik, 2007; Collings and Isichei, 2018; Sparrow et al., 2014), and research highlights that shortages of leadership talent are a major obstacle facing many companies as they seek to operate successfully on a global scale (Bird and Mendenhall, 2016; Caligiuri and Dragoni, this volume, Chapter 7; PWC, 2017; Scullion and Brewster, 2001; Stahl et al., 2012).
- Competition among employers for talent has shifted from the country level to the regional and global levels (Sparrow et al., 2004; Vaiman et al., 2018a, 2018b). There is a growing recognition that MNEs need to manage talent on a global basis to remain competitive and that talent may be located in different parts of their global operations (Ready and Conger, 2007; Caligiuri and Bonache, 2016). This requires MNEs to coordinate their talent pipelines at the regional and global levels. However, in practice many MNCs compete for the same global talent pool and face considerable challenges in recruiting and retaining the leadership and managerial talent required to effectively run their global operations (Collings et al., 2018; Stahl et al., 2012).
- Talent management issues are becoming increasingly significant in a far wider range of organizations than previously due to the rapid growth in internationalization of small and medium-sized enterprises (SMEs), and the emergence of "micromultinationals" in recent years (Dimitratos et al., 2003; Krishnan and Scullion, 2017) highlights the importance

of developing a global mindset among SME leaders who seek to compete in the global marketplace SMEs.

- Demographic trends also influence the nature of the talent management challenges facing organizations (Tung, 2016; McDonnell et al., 2017; Vaiman et al., 2018a, 2018b). Declining birthrates and increasing longevity are the key demographic trends driving a rapid shift in the age distribution of the general population and also the supply of labour (Taylor and Napier, 2005). In addition, the baby boom generation are ageing, with Europe and Japan facing the most dramatic shift in population profiles and old age dependency ratios (Beechler and Woodward, 2009). Research has highlighted rapid shifts in the demographic profiles of many countries. For example, many European countries face rapidly ageing populations and changing demographics, and countries such as the US, Germany, Italy and Japan will experience a significant decline in the number of workers aged 35–44 years old over the next decade (Stahl et al., 2012). The US will soon have a population dominated by immigrants or second-generation young people with a non-European background.
- Another factor impacting on GTM is that companies operating in a globalized environment increasingly face the challenge of managing highly diverse employee groups (Tarique et al., 2016; Kucukaltan and Özbilgin, 2019), and it has been argued that the level of ethnic, cultural, generational and gender diversity of individuals working within organizations is increasing (Beechler and Woodward, 2009). For example, there is increasing gender diversity, with female labour force participation rates increasing significantly across the world (Woszczynski et al., 2016). However, research highlights that women continue to be seriously underrepresented in senior management positions (ILO, 2008; Linehan and Scullion, 2009), despite research which shows the performance benefits of having women in senior management positions (The Diversity Scorecard, 2016; McKinsey Company, 2012).
- Global talent management is also influenced by the increasing mobility of people across geographical and cultural boundaries, which results from globalization and lower barriers to immigration and emigration (Tung, 2016; Tung and Lazarova, 2007). These flows of labour are also stimulated by large differences in levels of economic development among countries and large differences in real wage rates. The trend towards greater mobility is higher amongst professionals and highly skilled workers (flows of such people are known as "brain drain"), as these talents have much larger emigration rates than for medium-skilled workers (Tung and Lazarova, 2007). The greater integration of labour markets across the world, which is largely driven by foreign direct investment, also increases global labour flow (ILO, 2008).
- Research suggests that reverse migration is becoming more significant in recent years, with many countries seeking to encourage returnee immigrants due to their international management experience and networks as well as their social capital in the domestic market (Tung, 2016; Tung and Lazarova, 2006). Countries which have traditionally been exporters of skilled workers are increasingly seeking to convert "brain drain" into talent flow by proactively encouraging reverse migration (Carr et al., 2005). This offers an opportunity to both foreign-owned and indigenous firms in these economies to recruit from this pool, which may have significant expertise and potential.
- Researchers have highlighted a trend where people with special talents show little loyalty to country or region, often living outside the country of their birth and are comfortable crossing cultural and geographical boundaries. It has been suggested that such people tend to relate more to other people of similar skills and talents than to a particular country regardless of setting or ethnic background (Taylor and Napier, 2005). This new global elite have been described as "cosmopolitans" (Kanter, 1995) or "global souls" (Iyer, 2000), and due to their global connections and worldview they have little in common

with the majority of their fellow citizens. It has been argued that this trend towards more people who are comfortable crossing borders results in a "talent divide", with a growing number of talents spanning national borders, and at the same time, a large pool of people who are denied the opportunities to be globally mobile due to discrimination, lack of access to education and career opportunities (Taylor and Napier, 2005).

- The move to knowledge-based economies is another factor impacting on global talent management. The shift from product-based to knowledge-based economies and the dominance of the service sector in developed economies has been widely reported. For example, more than seven in ten of all jobs in the EU are reported to be in the service sector, and service economies shift investment towards intangible and human assets (ILO, 2008). Consequently, there is a growing need by companies to hire high-value workers in more complex roles, which requires higher levels of cognitive ability. The retention and motivation of these knowledge workers is a key talent management challenge for many organizations (Johnson et al., 2005; Beechler and Woodward, 2009).
- The growth of the emerging markets has considerable implications for global talent management, which has shifted the balance of economic power from developed to developing countries (Doh et al., 2014; Howitz and Budhwar, 2015). This has resulted in an increasing demand for a distinctive type of managerial talent, which can operate effectively in these culturally complex and geographically distant markets (Li and Scullion, 2006; Scullion et al., 2007; Vaiman et al., 2018b). And while the demographics are more favourable in countries like India and China, the inability of these countries to produce graduates of the quality needed by multinational companies has resulted in acute skill shortages in key areas (Doh et al, 2014; Farrell et al., 2005; Farrell and Grant, 2007; Farndale et al., 2010). The evidence suggests there is still a scarcity of high-level knowledge talent in these countries and that the demand for such talent remains high despite the slowing growth rates in some countries (Simon and Cao, 2009; Cuervo-Cazurra et al., 2016; Teagarden et al., 2008; Lane and Pollner, 2008; Li and Scullion, 2010).
- The growth of emerging market multinational companies (EMNCs) from countries such as China, India and Brazil has intensified the competition for talent among foreign-based multinationals, local players and the emerging EMNCs, and their entry into the global market has presented challenges in terms of direction of global growth and foreign market entry models. Recent research suggests that talent issues and, in particular, global leadership talent issues are a major issue for some EMNCs due to limited experience in international markets (Cuervo-Cazurra et al., 2016).

Notwithstanding the aforementioned trends which point to the significance of GTM in the multinational company, it is apparent that while the rhetoric of maximizing the talent of individual employees as a unique source of competitive advantage for MNEs has been central to the discourse surrounding strategic human resource management (HRM) in recent years, the extent to which organizations effectively manage their human talent—especially on a global scale—continues to fail to live up to expectations (Collings et al., 2018; Cohn et al., 2005; Scullion and Collings, 2006). Research has suggested that MNEs are frequently unable to identify who their most talented employees are and where they are located around the world (Collings and Isichei, 2018). We argue that the talent management agenda is increasingly driven by international dimensions, and this volume is intended to contribute to the development of our understanding of global talent management and to facilitate our understanding of the potential contribution of global talent management to organizational performance. In seeking to develop, in particular, an understanding of the globalization of the strategic talent management agenda, this book brings together a number of contributions by leading researchers on different aspects of global talent management from

different cultural contexts around the world. New empirical and theoretical insights into global talent management are explored in the different contexts of Europe, Asia and North America.

The Distinctive Contribution of the Book

The book is based on leading-edge research which goes beyond the prescriptive approaches which dominate other writing on global talent management. The author team comprises many of the leading global experts on their respective topics, and our authors come from schools in over ten countries spanning the globe and represent many more nationalities than that. Through their research they bring a cutting-edge understanding of a number of the key challenges in global talent management.

The book will be useful to advanced undergraduate students in business and management seeking to develop their understanding of the international dimensions of HRM and talent management. The book should appeal, in particular, to master's-level students majoring in international business, international management, business administration and HRM.

The Organization of the Book

The book is divided into three sections and seeks to develop an integrative approach. Taken together we think the three parts present a coherent and comprehensive overview of the key areas of global talent management. Our readers will be the judge.

Section One: The Context of Global Talent Management

In contrast to several other chapters of the book, where considerable attention is paid to the operational aspects of GTM, Section One focuses more on global talent management at the macro level. Following this introductory chapter, Chapter 2 by Karin King and Vlad Vaiman outlines a macro perspective on global talent management. They argue that the focus of talent management has largely been at the organizational level, resulting in only a partial understanding of global talent management. They introduce the area of macro talent management—that is, talent management which takes place at the national, country or regional level—which is a necessary and critical topic of inherent relevance to the study and practice of global talent management in organizations today. A key thread of their argument is that business and HR leaders should have the opportunity to examine how MTM contributes to or constrains organizational global talent management or local talent management practices. The chapter introduces the topic of MTM and reviews the current literature. In doing so, tensions which exist currently between global and macro talent management are presented, along with a discussion of the significance of MTM to global business and business managers today.

Section Two: Global Talent Management in Practice

This section explores in depth some of the core areas of GTM practice, which includes the meaning of talent in the global context, internal talent identification, developing leadership talent, employee turnover, employer branding and the role of the corporate HR function in GTM. These chapters position the contributions in the emerging research evidence in the respective areas and highlight many of the key challenges of managing GTM in practice.

In the first chapter in this section (Chapter 3), Eva Gallardo-Gallardo argues that the crusade for talent has proven to be extremely popular and highly resilient to the economic downturn across the world. She notes, however, as happens with many managerial terms, *talent* is a

captivating word that people seem to implicitly understand and often use but, actually, it is very problematic to obtain a single definition. The key question explored in the chapter is: what is it in that name—talent? Gallardo-Gallardo rightly notes that only by knowing what talent is can we begin to manage it effectively. In the chapter, she provides a critical review of the evidence on talent conceptualization and operationalization within the business realm. She further discusses how the different talent interpretations affect TM implementation (i.e., talent approaches and dilemmas around its operationalization). In taking a global stance, Gallardo-Gallardo develops a very useful framework for conceptualizing talent within the business realm and, also, an equation that can help us to operationalize it.

Chapter 4 by Almasa Sarabi, Monika Hamori and Fabian Jintae Froese looks at current organizational trends in managing global talent flows and the choices which organizations must make between internal and external hiring. The authors begin with an overview of the recent socio-economic developments that determine global talent flows. They then compare two types of talent flows into organizations: internal movement and external hiring. Focusing on internal talent flows, the chapter then reviews the burgeoning literature on global talent flows within organizations across countries. The authors argue that in line with increased globalization, MNCs have increasingly assigned expatriates from the headquarters to manage foreign subsidiaries, and they also increased the flow of staff from foreign subsidiaries to the headquarters. The first part of the chapter thus focuses on the challenges, outcomes and possible HRM solutions of global talent flows between headquarters and foreign subsidiaries. The chapter then addresses external mobility flows and pays particular attention to executive search firms, an important recruiting source for MNCs in foreign markets, and to online recruitment sources that have become the dominant means for employers to attract applicants in most countries.

Chapter 5 by Anthony McDonnell, David G. Collings and Ronan Carbery focuses on talent identification, which they argue is a fundamental element of effective talent management. They further note how challenging talent identification is, as there is often a lack of clarity in what organizations should be evaluating and how to do so. This builds on some of the debates introduced in the previous chapter. This challenge is all the more difficult for MNEs given the mix of cultural, relational and political factors that are involved and that complicate the process. The chapter reviews the key factors that MNEs consider in identifying talent and how to balance internal talent sourcing with external recruitment. The authors note the importance of the identification of talent being aligned with each organization's own strategy and the need to be cautious in using off-the-shelf talent management systems because these will fail to strategically consider their own idiosyncratic requirements.

Chapter 6 by Elaine Farndale, Paul Sparrow, Hugh Scullion and Maja Vidovic examines the challenges facing the corporate HR (CHR) function in managing talent globally. The authors highlight the changing role of the CHR function, emphasizing the importance of context. In the chapter, context is considered broadly from multiple contingency perspectives, including: the chosen capability strategy of the firm, nuanced strategizing within the firm, political influence and control mechanisms, and regional coordination mechanisms. Applying role modelling to the emerging markets context specifically, the author team identify a framework of strategies for managing employees in MNC subsidiaries. Moreover, they apply their framework to understand how the CHR function can support the achievement of these strategies by adapting their role between being champions of processes, guardians of culture, network leaders and managers of internal receptivity. The chapter provides a critical review of recent conceptual and empirical work in the area, highlighting future areas for research, including the importance of emerging markets and changing patterns of global mobility. In concluding the chapter, the authors argue that the aim of MNCs is to build a core competence of being able to transfer talent capability across multiple countries, which involves monitoring the implementation of relevant

policies and practices, encouraging an appropriate corporate culture, establishing the necessary networks and ensuring all parts of the organization are sensitive to the needs of international staff. This implies a formal role for both the CHR function and senior leadership.

In Chapter 7, Paula Caligiuri and Lisa Dragoni argue that developing culturally agile leaders who can effectively lead in different countries and people from different cultures is a critical issue for global talent management. They demonstrate that global leaders share cross-cultural competencies related to self-management, relationship management and business management. Building on their own and others' research in this area, they argue that these competencies are developed through an aptitude × treatment interaction, whereby leaders' individual factors, such as openness and learning agility, interact with cross-cultural training and cross-cultural experiences to produce a different developmental gain in cross-cultural competencies. Furthermore, they show that cross-cultural experiences, including international assignments, short-term international assignments and global project teamwork, can be crafted to make leaders more developmentally rich. In providing guidance to organizations they suggest that organizations should attend to crafting cross-cultural experiential opportunities with certain characteristics (e.g., novelty, social learning). This chapter posits that from the perspective of GTM, leaders with certain individual characteristics should be given the opportunities for developmentally rich cross-cultural experiences. Collectively, these practices would accelerate the development of effective global leaders in multinational organizations.

The topic of global talent turnover is considered in Chapter 8. In this chapter, Ilka Verena Ohlmer, Nicky Dries and Anders Dysvik argue that talent retention is one of the main reasons why organizations set up and invest in talent management programs. They demonstrate that organizations allocate considerable amounts of resources to prevent talents from voluntarily leaving the organization. The chapter argues that while extensive empirical research exists on voluntary employee turnover, research focusing specifically on talent turnover and distinguishing it from voluntary employee turnover is scarce. The authors note that while it is reasonable to assume that the broadly established antecedents and consequences of voluntary employee turnover also hold for talent turnover, the situational aspects and the distinct characteristics of talents could change the relevance of specific boundary conditions as well as the magnitude of consequences. In reviewing existing literature on talent turnover and discussing talent status awareness, psychological contract modification, career and learning opportunities, financial rewards and compensation, as well as perceived and actual employability as potential moderators of the relationship between talent characteristics and talent turnover, the authors further compare consequences of voluntary employee turnover and talent turnover and discuss how they might relate differently to firm performance, replacement costs and social capital loss.

In Chapter 9 Graeme Martin and Katie Sinclair combine ideas from HRM, marketing, organizational theory and communications in considering the topic of employer branding in the global context. The chapter aims to show how employer branding might work in theory and practice in MNEs. In so doing, the authors narrow the research–practice gap in this field by showing how employer branding has become an essential element in GTM. Martin and Sinclair amend and develop an earlier previous context, content and process framework of employer branding, by linking it to signalling theory and incorporating new ideas on organizational identity and employee engagement. They illustrate certain features of their revised framework, drawing on a case study of employer branding in the global motor vehicles industry. The case shows how Volvo Cars is developing a sophisticated approach to employer branding and talent management by drawing on subtle story-telling through social media and evaluating its impact using "big data". The conclusions for theory and practice in the field of talent management in MNEs is to highlight the importance of signalling theory and identity theory as important frameworks for developing more sophisticated models of HR and GTM.

In the final chapter in the section (Chapter 10), Michael Isichei and David G. Collings argue that relative to companies which operate in a single country, MNEs have a greater ability to source talent globally and to transfer talent internally to meet staffing needs. They argue for the development potential of international assignments in this regard and consider how MNEs can use global mobility to meet their global talent needs. They demonstrate that the landscape of global mobility has shifted significantly in recent years with the emergence of several alternatives to the traditional long-term international assignment, meaning the nature of global mobility is more complex. They further argue that the growing significance of these alternative types of international assignments has over the last number of years increased the relevance of global mobility for GTM. More than ever before, MNEs have a greater number of options when providing high-potential employees with the international experience necessary to prepare them for higher positions. The chapter argues that despite the inherent ties between global mobility and GTM, in practice, the level of integration between both functions has remained poorly developed. The chapter considers many of the benefits of greater integration as well as the reasons why integration is not as common as one might expect. The chapter also outlines some ways in which the level of integration can be increased.

Section Three: Contemporary Challenges in Global Talent Management

This section brings together three chapters which focus on three key contemporary challenges in global talent management. This contrasts with the final section of the previous edition of the volume, which focused on talent management in key areas of the globe. In this revision we recognize that these country and regional-level questions have been advanced by other volumes in the *Global HRM Series* and refer readers to Vaiman et al. (2018a, 2018b).

In Chapter 11, Dana Minbaeva and Sara Vardi focus on the important issue of global talent analytics. This area is quickly becoming a key focus for talent leaders globally, but many organizations are not yet delivering effectively on it. The authors set out to explain the ways in which the use of data and analytics can help inform decisions around organizations' talent management efforts. Specifically, the authors argue that talent analytics has the potential to (1) allow for better evidence-based decisions, (2) enhance the value of talent management programs and (3) build and sustain a performance culture. The chapter argues that these benefits are achieved through three central activities: (1) identifying pivotal or strategic positions, (2) finding talent to fill those positions and (3) monitoring and managing their retention. Minbaeva and Vardi provide guidance on how to succeed with talent analytics in order to advance both practice as well as research.

Chapter 12 by Berk Kucukaltan and Mustafa F. Özbilgin considers the very important question of managing diverse talent in the global context. They argue that effective management of diversity and talent have often been considered as imperative for competitiveness and longevity of organizations, but that talent and diversity are frequently studied in separate silos. In demonstrating the utility of considering talent and diversity together, rather than as mutually exclusive constructs, they examine management of talent and diversity in a global context. In so doing, they first investigate the concept of talent in its historical context, identifying a number of reasons for the prominence it has gained in management circles in recent decades. Subsequently, the authors turn to the global context of talent management, reviewing the theory and practice of talent management and scrutinizing its scope and definitions. They conclude by exploring the management of talent and diversity in order to show how a focus on diversity can help improve our understanding and management of talent.

In the final chapter of the volume (Chapter 13), Angelika Zimmermann considers the contemporary challenge of managing virtual talent. Zimmermann argues that today's MNEs tend to rely on high performers who are dispersed across the globe, creating the need to manage

"virtual talent". She refers to virtual talent in this context as high-potential or high-performing employees in strategic roles who are part of a virtual collaboration, namely a collaboration that spans geographic boundaries and relies to a significant extent on electronic communication media. The chapter highlights the specific challenges and levers of managing talent involved in global virtual collaborations in general, with special attention to distances, boundaries and perceived proximity. The author further elaborates on particular, important issues of managing global virtual talent within MNEs. Zimmermann draws insights from case study evidence on onshore-offshore collaborations, and the chapter concludes with a brief outline of the emerging practices of managing "virtual contractors".

Conclusion

There is little doubt that effectively managing global talent is one of the key challenges for C-Suite executives and HR teams alike. However, as of yet, few organizations believe they are delivering on the potential of global talent management. While we do not have answers to all of the questions which MNEs face in managing GTM, we hope that the contributions to this volume highlight some of the key challenges in this regard.

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2

Macro Talent Management

What It Is and Why It Is Important to Global Talent Management

Karin King and Vlad Vaiman

Introduction

Talent management has emerged in the past fifteen years or more as a topic of much attention in the business world and indeed is viewed as one of the most strategic issues faced by managers today (Mellahi and Collings, 2010). The critical importance of an organisation knowing its pivotal talent (Boudreau and Ramstad, 2005), its "A" players (Huselid et al., 2005) and its experts (Idinopulos and Kempler, 2003) and being able to build star teams (Mankins et al., 2013) to achieve increased performance such as improve service delivery quality (Aryee, Walumbwa et al., 2016) has been of critical focus to management in recent years. Yet despite the intense executive focus on talent as an organisational strategy, persistent challenges exist. Ranging from the insufficient supply or apparent shortage of talent (Cappelli, 2015) to suggested solutions including how to spot talent (Fernández-Aráoz, 2014), how to access talent just-in-time or on-demand (Cappelli, 2008b), how to systematically grow and develop talent internally (Ready and Conger, 2007) and how to retain talented employees once employed in an organisation (Lawler III, 2008), the perception of talent as a critical priority is well evidenced. With the added complexity of the highly competitive and dynamic global business environment and the continuing forecasts of crucial and substantial skills and labour shortages (Dobbs et al., 2012), the relentless struggle to attract and manage talent effectively seems almost inevitable. However, closer examination of the macro-level external context and factors within which global talent management (GTM) takes place helps to explain the wider set of influences in the GTM system and to illuminate potential intervention points, where both research and management can invest in addressing these GTM issues, extending beyond an organisational focus of GTM to understand talent in the national or regional context.

As introduced in the preceding chapter, GTM is concerned with how organisations which operate in a global environment systematically use international human resource management (IHRM) strategy and practices to attract, develop and retain individuals who possess, or are in the process of acquiring, high levels of the human capital required for the strategic priorities of the business (Tarique and Schuler, 2010). At its core, the focus of GTM is to systematically identify and develop a pool of high-performing, high-potential employees for performance in critical roles in the organisation, managed through HR practices and systems which are

differentiated from the overall workforce management (Collings and Mellahi, 2009). These descriptions of global talent management present a systematic approach at the organisational level which apply a necessarily differentiated HR architecture (Collings and Mellahi, 2009). However, to be effective, GTM must not overlook the macro level and external influences with which the organisation must contend on a regular basis.

Global talent management is expected to create value (Sparrow and Makram, 2015) through management of human capital (Becker, 2008) as a strategic resource of the firm (Barney, 1991; Barney et al., 2001) coordinated through strategic HRM decisions (Vaiman et al., 2012) and practices (Wright et al., 2001). This focus presents a significant source of value for a firm (Huselid and Becker, 2011), but for GTM to be effective, firms must not only manage talent in the context of the firm but also examine, understand and influence the wider external context in which talent is created, developed and managed at the macro level, beyond the immediate reach of the firm. For instance, government policies that promote investment in the quality and volume of the national supply of talent and the country-specific institutions which influence the quality of skills and education of employees in the country's labour pool are just two examples of macro-level factors and processes which influence how and to what extent a firm may access talent for its own business priorities. These external macro-level influences are illustrations of the central elements of macro talent management (MTM), which is the topic in focus of this chapter.

This chapter presents an introduction to the topic of MTM and situates the topic within the wider context of the management of talent by organisations in today's global business context, as one chapter within this integrated volume on GTM. To do so, the remainder of this chapter is presented in four parts. First, macro talent management is introduced, and a definition and framework for the study of MTM is presented. Second, the three primary components of the framework—the context and environmental factors which influence MTM, the core functions and processes involved in MTM, and the outcomes of MTM—are then reviewed in detail. Third, the topic of MTM is critically reviewed, and limitations and future research opportunities are presented. Fourth, the significance of MTM to global business and business managers today is examined, followed by conclusion of the chapter.

This chapter will present four main learning points. First, MTM is a necessary and critical topic of inherent relevance to the study and practice of GTM, and it has resulting implications for each of three stakeholders: (1) the individual and their access to education, work and careers in organisations today; (2) the organisation and its effective practice of global talent management; and (3) society, through MTM outcomes of education, economic development and jobs (Khilji et al., 2015). Second, MTM can be conceptualised and studied by examination of its three core components: (1) the context and environmental factors which shape MTM, (2) the core processes and functions which underpin MTM, and (3) the outcomes which result from MTM (Khilji et al., 2015). Third, tensions exist in the current literature, such as the need for greater understanding of the role of learning and talent flows in the increasingly global and mobile labour markets (Khilji et al., 2015), which present opportunities for further academic study. Fourth, business and human resources managers in organisations today require knowledge and understanding of MTM as one element of GTM in order to effectively design and implement GTM practices to achieve the expected competitive advantage and value through talent.

Introducing Macro Talent Management: What Is It and Why Is It Important?

Global talent management is a topic of significant importance to organisations today, and it continues to be a central focus of management (Cappelli, 2008a) to which a significant

proportion of firm resources and management time are directed (EIU, 2006), and to which a differentiated HR architecture is applied (Collings and Mellahi, 2009). Context is inherently relevant to GTM (Schuler et al., 2011) and influences how organisations access and deploy human capital resources in service of the business priorities through development and retention of talented employees and talent pools. GTM has been of increasing importance to firm recovery following the global financial crisis (Heidrich and Struggles, 2015) and garners direct CEO attention and involvement from strategy (PwC, 2017) through to individual talent development (EIU, 2006).

However, a range of factors exist which are external to the organisation exist that influence the extent to which a firm's GTM strategy and practices can achieve the expected results. These external factors therefore require management attention and consideration. For example, the global supply of talent and migration of skilled employees are influenced by multiple factors such as national education and immigration policies, which exist outside the firm's internal talent system but influence the cross-national flows of talent and talent quality, upon which a firm is at least partly dependent for access to talent. Such factors are examples of what is referred to as macro talent management. Talent remains a critical component of the long-term competitiveness not only of businesses but also of countries (Heidrich and Struggles, 2015). Indeed, not only organisations compete with one another for talent, but also the governments of countries and regions within which they operate globally (Schuler and Khilji, 2016). The study of MTM then is of central importance to understanding the complexity of GTM today. MTM has been defined as:

> *Factors such as the demographics, the economic, educational, social and political conditions of countries and the policies, programs and activities that are systematically developed by governmental and non-governmental organizations expressly for the purpose of enhancing the quality and quantity of talent within and across countries and regions to facilitate productivity, innovation and competitiveness of their domestic and multinational enterprises for the benefit of their citizens, organizations, and societies for long term advantage*.
>
> (Schuler and Khilji, 2016)

MTM is therefore concerned with the multiple inter-related and interactive factors at play within a given country context, which directly or indirectly influence the availability, quality and mobility of people, skills and knowledge. Although MTM has only recently been defined in the literature, the topic is of central relevance to global management of talent in organisations today, despite the relative lack of empirical study of MTM as yet. The study of MTM is increasingly relevant to the study and practice of GTM because the activity of GTM is inherently existing and occurring within the wider context of the MTM system. As such, MTM is expected to influence GTM effectiveness, although the empirical analysis of the impact of macro-level influences on GTM such as institutions (Sidani and Al Ariss, 2014) has been limited to date. Furthermore, macro human capital trends such as rapidly changing technology and new models of work continue to challenge existing GTM assumptions (Deloitte, 2017). The characteristics of a country's macro-level governmental, political, economic and educational systems influence to what extent a country may demonstrate "country competitiveness" (WEF, 2012). Selected components of country-level competitiveness specifically relate to competitiveness "for talent", such as labour market efficiency and education (WEF, 2012), which in turn influences an organisation's global management of talent.

To present a detailed review of MTM to the reader, this chapter adopts an adapted version of the MTM framework introduced by Khilji, Tarique and Schuler (Khilji et al., 2015) to illustrate the three core components of MTM (Figure 2.1). They are (1) the environmental and contextual factors which shape MTM; (2) the core processes and functions of MTM; and (3) the outcomes

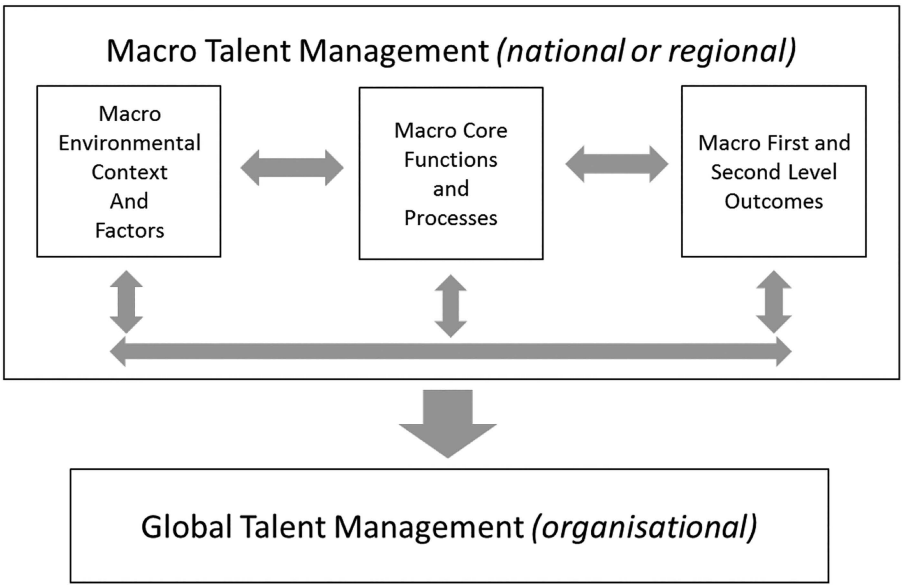

Figure 2.1 The Relationship Between Macro Talent Management (MTM) and Global Talent Management (GTM)
Source: Adapted from Khilji et al., 2015

of MTM (Khilji et al., 2015). In the following section of the chapter, we review each of these three components in detail.

MTM Context and Environmental Factors

Major forces exist which shape talent management and its resulting challenges, and hence, a consideration of context is extremely important (Schuler et al., 2011). GTM occurs within a wider context which is external to the organisation and is shaped by contextual and environmental factors (Khilji et al., 2015) including national and regional factors at what is called the macro level, as opposed to the firm or individual employee level. The environmental factors and national or regional contexts which shape talent management at the macro level influence an organisation's opportunity to access, manage and develop talent effectively within the organisation but are often not considered in the current focus of GTM at the individual and organisational levels. The MTM framework (see Figure 2.1) can be used to consider how the external macro context and environment shape internal organizational global talent management.

The MTM context and environment, as one of the three core components of the MTM framework, consists of four factors:

- Integrated human development agenda that comprises government policies and various non-governmental activities to attract, mobilise, develop and retain the talent nationally for innovation and competitiveness;
- Global mobility that includes cross-border talent flows;
- Brain circulation that incorporates diaspora mobility; and
- Country's national culture and institutions.

These institutional and cultural factors function to facilitate or hinder talent management activities within organisations in whatever jurisdiction they operate. This section now briefly explores each of these four factors and their possible implications for talent management.

Among other important factors, it is essential not only for organisational leaders but also for national policy makers to understand the realities of global demographic shifts, talent shortages and generational divides. In order to compete with other countries for top global talent, national governments need to create more integrated TM policies at the national level as well as to focus on capitalising on their own national strengths in ensuring high-quality societal learning, education and development of talent. When a government systematically creates practical opportunities for research, development, innovation and entrepreneurship, while maintaining national institutions free of corruption and unwanted external interference, this can enhance the flow of talent into the country and increase the country's attractiveness to talent and therefore its chances of flourishing through competitive advantage long term (Lanvin et al., 2016).

With regard to global mobility, it is important to mention that governments around the world have already or are now developing policies aimed at making their countries more competitive in the global talent market (Khilji et al., 2015). Good examples of such countries are Canada, Australia and New Zealand, each of which has created specific programs to bring in more talent through thoughtfully designed immigration policies. For example, applicants can directly assess and track their eligibility for immigrant status by recording their accumulation of points based on the education, profession, work experience, competence in local languages which the applicant holds, along with several other relevant indicators. When the applicant has achieved the minimum points required, he or she can then proceed with a formal application, which is then assessed and approved subject to the requirements which were outlined clearly to the applicant at the outset of the process. By contrast, some countries, such as South Korea, Taiwan, Malaysia and Singapore, are directing their main focus on education and all-around development of their own citizens, as opposed to relying on immigration (Lanvin et al., 2016).

In today's world, talent flows and networked learning are increasingly recognised components of effective global mobility. The mobility of talented individuals across the globe enhances knowledge creation, transfer and dissemination, and helps organisations and societies to access and benefit from the diverse experiences which mobile talent possess. Evidence from various sources demonstrates the importance of talent mobility and has shown that home countries gain knowledge from the return of the diaspora (Khilji et al., 2015). Countries which have significant emigration, such as China, whose nationals living abroad are estimated in 2014 to account for 40 million of the worldwide Chinese population (Chand and Tung, 2014), have been shown to create benefit through their diasporas, defined as a country's citizens living abroad. A good example of this is the case of India, which has experienced a significant global diaspora, estimated to be approximately 30 million in 2014 (Chand and Tung, 2014). As a result of the knowledge and networks access through Indian citizens living overseas and those returning, India has developed a distinct competitive advantage in the service sector (Kapur and Ramamurti, 2001).

This marked trend in increased mobility has long been behind strong economic growth in many countries around the world. Particularly in the recent era of globalisation, a nation's ability to establish connections between their national economy and international business has been an important factor in growth, and leveraging the value which diaspora offers has been a strategic lever in this growth. A good example of the powerful influence of a nation's diaspora is the case of India, where the knowledge and experience of its diaspora has helped to transform the city of Bangalore into an international information technology (IT) hub. Other country-level examples include China and Taiwan, which have large diasporas of nationals who left to study

and work in the West which are now the focus of talent attraction initiatives to bring international expertise and experience back to their home countries.

The fourth and final environmental factor that characterises and determines MTM is a country's national culture and institutions. We mention this factor separately because, in contrast to other factors mentioned previously, a country's deeply ingrained cultural traditions, along with its historical context, cannot be readily regulated or changed (at least in the short term) by government policies and activities. Nevertheless, the measurable aspects of national culture, such as described by the Globe Studies (Javidan et al., 2006), explain some of the cultural factors which influence talent management. They include, for example, how power and relationships are viewed in that cultural context and how other cultural factors vary such as levels of tolerance towards ambiguity, the centrality of work, the preference for structure and the society's orientation towards time. Cultural compatibility is also an important consideration in determining the fit and relevance of GTM policies and practices (Schuler et al., 2011).

Finally, a country's institutional factors, such as the size of the country, its infrastructure, demographics, wealth, natural climate, as well as the systems of politics, education, class structures and social relationships, affect how businesses operate and what resources and systems they may draw upon for competitiveness in a specific country context. These institutional factors therefore also play a role in the selection and definition of human resource and talent management strategies and practices which will be of most relevance and fit for a given nation (Vaiman and Brewster, 2015).

MTM Mini Case: Context and Environmental Factors

Singapore's national human development agenda

Country or Region:

— Singapore represents an exemplary case of how government and non-governmental organisations can define and coordinate coherent and complementary policies in order to develop and implement an integrated human development agenda aimed at maintaining and increasing the country's global competitiveness, attractiveness and innovation (Khilji et al., 2015).

Context:

— Singapore, an island nation with limited natural resources, places significant emphasis on developing its human capital (Osman-Gani, 2004).

Strategy:

— As a strategic priority to develop and maintain a globally competitive position, the Singaporean government implements policies and initiatives to ensure that the country's population benefits from a completely integrated infrastructure, corruption-free institutions and an education system that is geared to human development (Osman-Gani, 2004).

Outcomes:

— In addition to being among the top ranked in the list of the most competitive nations, Singapore has achieved first ranking amongst 190 nations in the past 11 of 12 years by the World Bank 2017 Ease of Doing Business Index (WorldBank, 2017). These achievements make this nation more attractive to outside investors, which in turn encourages more investment in talent development within the country (INSEAD et al., 2017).

MTM Core Functions and Processes

In addition to the external environmental and contextual factors which shape GTM at the macro level, talent management is also shaped by core functions and processes which occur at the macro level (Khilji et al., 2015). Core functions of MTM refer to the main functions associated with talent management at the macro level and refer to the way in which talent is planned for, attracted and acquired, developed and retained at the macro level in a national or country-specific context. Similarly, talent management is also shaped by core processes which occur at the country or national level. The MTM processes include, for example, learning and knowledge sharing. The MTM framework (presented earlier in Figure 2.1) illustrates how processes and functions interact with the macro environment and context factors and together influence the outcomes of MTM for a given country at a national level. Let's now look at these in closer detail.

The MTM core functions and processes, as the second of the three core components of the MTM framework, each consist of four factors:

Core functions:	Core processes:
• Talent planning	• Knowledge spillovers
• Talent acquisition	• Learning environment and educational leadership
• Talent development	• Institutional support
• Talent retention	• Corporate strategy and leadership

The core functions and processes of talent management at the macro level serve to help or hinder the effectiveness of the MTM environment, and subsequently, the efforts of the organisation which operate within it, in their management of talent for their business. Specifically, MTM core processes and functions have been shown to mediate or modify the impact of the first element in the MTM model, the environment and context, and its subsequent influence on the MTM outcomes (Tarique and Schuler, 2010).

Talent planning, as one of the core functions, is heavily dependent upon the national context and environment for MTM, and can be used to further leverage existing strengths in the MTM system context such as access to global labour markets or to mitigate existing limitations in the MTM system context such as limitations to global mobility or lower country competitiveness. For example, a country which actively applies planning processes to acquire talent internationally through structured visa programmes for targeted skills sets is one way in which a country's MTM processes can support organisations to mitigate a limited competitiveness or a demographic issue, either of which present skills shortages issues. Canada, for example, is a country which works collaboratively with business groups at the national level to specify and implement accelerated entry programmes for skilled migrants to ensure that businesses have access to the talent they require (Canada, 2017). These focused talent initiatives are undertaken as a result of macro-level planning, which has confirmed that demographics of the country itself cannot alone support the future need for skills and talent.

A further MTM core function is the facilitation of attraction and recruitment of talent for an organisation, known as talent acquisition. This can be constrained by the macro environment or context of talent in a given country or region (such as by a demographically ageing population), or alternatively, talent acquisition may be a strength which the MTM system can leverage, and through which organisations may readily access the talent they need. In the case of India, a country with one of the largest diasporas globally, second only to China (Chand and Tung, 2014), the external context of rapid economic growth became a significant limitation due to a shortage of skilled labour (Tymon Jr et al., 2010), so actionable processes, such as large-scale accelerated recruitment and training programmes coupled with the construction of vibrant hub technical cities, were required to attract sufficient talent to avoid limiting economic growth.

Core processes also play a central role in the dynamics of an MTM system and its outcomes for a given country or region. Knowledge spillovers, for example, may occur when diasporas transfer knowledge back to their home country through established cross-national social networks (Chand and Tung, 2014). This may provide much-needed knowledge to accelerate economic development, such as in the case of India's rapidly developed IT sector (Kapur and Ramamurti, 2001).

A closer consideration of talent development, as one of the core processes which influence MTM outcomes, indicates that there are tangible advantages to MTM outcomes when these processes are extended. For example, research has found that talent mobility influences country-level innovation performance (Schuler and Khilji, 2016). A study by Oettl and Agrawal (2008) has shown that diasporas facilitate knowledge flows, unrestricted to organisational boundaries, which contribute to performance through innovation as a competitive advantage for the companies to which they return and share their newly acquired knowledge (Oettl and Agrawal, 2008).

Finally, both institutional support and corporate strategy are also of relevance when considering how core processes of MTM may moderate or mediate the influence of MTM environment and context in generating outcomes from the dynamic MTM system. For example, institutional theory would argue that the institutional contexts in which organisations operate will inevitably shape their operational practices. This applies to talent management, as has been shown in the literature such that mimicking of talent practices across companies (Sidani and Al Ariss, 2014), known as *isomorphism* (DiMaggio and Powell, 1983), occurs within companies in a comparable institutional context.

MTM Mini Case: Core Functions and Processes

Institutional drivers of MTM in the Gulf Cooperation Council context

Country or Region:

— Gulf Cooperation Council Context: oil-producing companies in the Gulf region

Context:

— Rapid economic development required heavy dependency on internationally mobile experienced talent (up to 73% of the working population in 2013), leading to unemployment among the local populations (resulting from skills gaps between local population skill set and requirements of companies).

Strategy:

— Corporations worked with the government to implement a localisation strategy which requires replacement of a proportion of foreign staff with local staff over time.
— Supported by mandatory monitoring and significant governmental investment in local education.
— Mechanisms to identify and develop local talent are still developing: examples include the National Saudi Bank in Saudi Arabia and Abu Dhabi National Energy Company in the United Arab Emirates.

Outcomes:

— Over time, local talent is being educated, developed and identified, thereby reducing the overall dependence on expatriate talent. However, further effort is required to customise talent management to the specific nature of the region and further attention to gender diversity in talent development is recommended.

Source: (Sidani and Al Ariss, 2014)

MTM Outcomes

Finally, as with any complex system, the dynamic interaction of the main components of the system has a potential to generate a range of outcomes (Anderson, 1999). In MTM, the interaction of the contextual and environmental factors, together with the core functions and processes, result in a range of macro-level outcomes of GTM (Khilji et al., 2015). As societies and organisations are complex social systems which evolve over time (Anderson, 1999), the MTM system is also expected to be complex and dynamic in nature such that outcomes are multiple, varied and change over time as the system changes.

The outcomes of MTM may be thought of in two categories: first-level and second-level outcomes, which result from the interaction of the macro processes and functions within the context of the overall environmental factors that occur at the macro level for any given country or region. First-level outcomes, for example, include the level of education which individuals attain in a given country or region and the degree to which that country makes use of diaspora, and second-level outcomes may include the overall rates of productivity and innovation of a given country, the country's degree of attractiveness to talent and its overall competitiveness economically.

More specifically, the expected first- and second-level outcomes of macro talent management can be categorised as follows:

The MTM outcomes, as the third of the three core components of the MTM framework, has two levels, each of which consist of four factors:

First-level outcomes are those which directly emerge from the influence of MTM:

- Educational attainment
- Employment, jobs
- Mobility of talent
- Utilisation of talent diaspora

Second-level outcomes are those which emerge indirectly from the influence of MTM:

- Relative ranking of country attractiveness for business and talent
- Country productivity and innovation
- Economic development
- Country competitiveness

The MTM system, through interaction of the external factors and context together with the core processes and functions, establishes outcomes which are specific to a country or national context. These outcomes then describe the conditions within which national or regional organisations subsequently formulate and implement organisational GTM strategy and practices.

The particular configuration of MTM environment and context, such as the specific governmental policies and programs for education in a given country, will influence the level of education which the citizens of that country attain, on average. This education attainment is therefore influenced by MTM context factors, but may be influenced by talent functions or processes which are undertaken at the national or regional level, in order to support one of the MTM outcomes—employment. For example, the investment in education by the Gulf Cooperation Council governments as described earlier is designed to create employment for local citizens.

Countries vary in the degree to which they make strategic use of their diasporas. Diasporas have been shown to be important historically because they have the potential to contribute to the development of new cross-national businesses (Chand and Tung, 2014). Where diasporas exist as a contextual factor of MTM, countries can leverage the social networks and knowledge of diasporas to create advantageous outcomes (Chand and Tung, 2014) such as the second-level MTM outcome of innovation for competitive advantage, as described earlier.

MTM Mini Case: Outcomes of MTM

MTM underpins country competitiveness in "Talent and Technology" readiness

Countries:

— Top 10 ranking of countries "Ready for Technology" (listed in order from top): Switzerland, Singapore, the United Kingdom, Denmark, The Netherlands, Ireland, Canada, New Zealand, and the United Arab Emirates

Context:

— These countries and, more specifically, the cities and regions within them are strategically investing in infrastructure and environments supported by local processes (such as education) which create a brand or attractions for specific talent (such as talent ready for technology careers).

Outcomes:

— The 2017 Global Talent Competitive Index has ranked these nine countries as highest in the overall readiness of the populations in these countries as "ready" for performance in technology-enabled work and business futures, which is a measure of their competitiveness and attractiveness. This is one outcome of the MTM framework which is advantageous to a country or city.

Source: (INSEAD et al., 2017; WEF, 2012)

In the previous sections of this chapter, MTM has been introduced and defined, and its relevance to the study of GTM has been argued. In this section, a detailed review of the three core components of MTM—environmental and contextual factors, core functions and processes, and outcomes of MTM—have been presented. The following section presents a critical review of the MTM literature and its current limitations.

Critical Review of Macro Talent Management Literature and Limitations

Emerging from the literature review presented, there are three central limitations of the current MTM literature. First, the MTM literature is to date largely comparative of varying national contexts at the country level and has not yet sufficiently explored the integration of macro and micro talent management (Al Ariss et al., 2014), including the impact of MTM outcomes on GTM, nor how macro barriers to effective GTM can be overcome (Al Ariss et al., 2014). As a result, questions are still outstanding and could be examined using a multi-level model of GTM (Khilji et al., 2015) including MTM. One question for example: To what extent and by what specific MTM mechanisms does a nation or region's MTM context, functions, processes and outcomes contribute to or constrain GTM effectiveness of the organisations which operate within the nation or region?

Second, GTM is understood to be a literature-spanning topic with relevance to international business, strategy (Vaiman and Collings, 2014; Vaiman and Collings, 2013), human capital (Ployhart et al., 2014), innovation (Grigoriou and Rothaermel, 2014), mobility and marketing literatures (Bhattacharya et al., 2008). Likewise, MTM is also a topic which has relevance across multiple disciplines and domains of research, and as such, MTM research which bridges two or more domains is needed (Khilji et al., 2015). Multi-discipline MTM research would be valuable to establish a more holistic understanding of talent management as a phenomenon, which not only shapes the opportunities of organisations to access and engage skilled talent in a timely response to requirements, but also of the people who work within them or live in communities in which the organisations operate.

Third, tensions exist in the MTM literature related to the position of GTM relative to MTM and their spans across national, organisational and individual levels. As the scope and boundaries of GTM literature continue to evolve with further study (Mellahi and Collings, 2010), likewise, the scope and boundaries of MTM will continue to be shaped. Valuable future research and literature will identify theoretical foundations in GTM which provide helpful intersections for both measurement and intervention at the macro level to influence GTM effectiveness for each of the three main stakeholders—individuals, organisations and societies. This future research would benefit from a multi-level model of GTM (Khilji et al., 2015) including MTM, which is largely excluded from current models of GTM but which this chapter has argued are part of the same integrated system. This is consistent with calls in the literature for greater clarification of the micro-macro divide and associated empirical measurement (Molloy et al., 2011). Reflecting on the MTM framework and literature presented in this chapter, MTM can be viewed as "greater than the sum of its parts". By adopting a systems perspective, as supported by general systems theory (Boulding, 1956), the elements of extra-organisational MTM system reviewed in this chapter function interdependently, as indicated in the framework (Figure 2.1), as do the components within the intra-organisational SHRM (Lepak et al., 2006) and GTM systems (King, 2015). However, an organisation's strategic approach to and implementation of GTM occurs within the wider context of national, regional and global MTM systems. Therefore, natural tensions exist between the multiple levels encompassed by MTM, the national or societal, the organisational and the individual levels, which require further understanding in order for governments, educational institutions, organisations and their multiple stakeholders to be able to effectively influence and shape a national or even regional MTM context that supports valued outcomes at each of these levels. For example, to better understand how the nature of the national and global labour market influences firm value capture through talent (Molloy et al., 2011), examination of both the firm's human capital and talent strategies as well as the wider MTM context is required.

This final section in this chapter discusses how MTM theory fits with the needs of organisations today and how business managers can use insight from their understanding of MTM to effectively design and implement GTM practices within their organisations.

Macro Talent Management and Business Today

Organisations today require access to talent in the quality, quantity and diversity of talent as needed to meet and exceed their business strategic ambitions and seek to achieve this access in the context of a rapidly evolving global context, which demands flexibility and adaptability of systems, including their strategic positioning, processes and practices, if they are to compete successfully. HR practitioners are expected to expertly facilitate the business's navigation of complex talent management strategy development and implementation while acting as internal agents of the organisation, recognising that the firm's effectiveness in talent management is tangibly affected by this multitude of external MTM forces and influences. Yet CEOs today continue to report challenges with accessing sufficient talent for competitive growth (PwC, 2017), and despite varying arguments regarding shortages (Cappelli, 2015), the current talent shortages are expected to persist globally (PwC, 2017), such that demand will continue to outpace supply, even in developed countries where soft skills shortages are particularly evident (Heidrich and Struggles, 2015). Given the persisting challenges in GTM (Cappelli and Keller, 2014; CIPD, 2011) and the struggle CEOs and their organisations continue to report (PwC, 2017), scholars have argued that organisations are not well served by conceptualising the talent shortage as a "war for talent" (Pfeffer, 2001).

This chapter argues that understanding MTM and its complexities and complementarities with regard to the aims of GTM by firms today may provide a strategic opportunity for governments, together with businesses and societal stakeholders, to directly influence or even actively

construct macro talent management conditions which facilitate country competitiveness for talent, such that countries and their embedded organisations may be able to more effectively influence macro talent outcomes and intra-firm GTM effectiveness.

As discussed in this chapter, MTM comprises environmental factors, processes and functions which collectively generate outcomes that are evident for a given nation or region and that contribute to a given country's competitiveness overall (WEF, 2012), including competitiveness for talent, such as benchmarked in the Global Talent Index (Heidrich and Struggles, 2015) and Global Talent Competitiveness Index (INSEAD et al., 2017) reports. GTM, although largely focused on the intra-organisational and individual systems currently, must consider how macro-level factors and processes shape the national context, processes and functions which contribute to the first- and second-level outcomes of MTM which are of direct relevance to organisations seeking to compete strongly for performance and future growth. As a cross-disciplinary topic, knowledge of MTM can be used to inform an organisation's approach to its management of human capital management and GTM and is, therefore, of critical importance to business managers and HR practitioners in today's global organisations.

Business and HR leaders have the opportunity to examine how MTM contributes to or constrains organisational GTM or local talent management practices. Furthermore, business leaders and HR practitioners have the opportunity to influence how specific features of MTM support or impact the region or national context by influencing government policy, industry stakeholders, labour market mechanisms and industry groups, such as industry-education partnerships. Of particular note for business practitioners is that the central element of the MTM model, the core processes and functions, are somewhat more readily accessible to influence in the near term than the environmental factors and context, which may appear more long term in nature and require extended time to influence. Therefore, focusing on core processes and functions may allow management more opportunity to strengthen what is already a competitive national context or, alternatively, to moderate or mitigate the limitations of specific elements of the environmental context in order to improve desired MTM outcomes of national competitiveness and economic development. Adopting a systems perspective will support today's HR professionals in advising the business on talent strategies that not only consider global talent but also are designed to leverage, or conversely to mitigate, the macro environmental factors and processes which contribute to organisational talent management effectiveness or which risk constraining GTM effectiveness.

Conclusion

This chapter has introduced macro talent management and explained its relevance to global talent management undertaken by organisations today. MTM has been presented as a system of talent management at the national level, which comprises three main components that establish the context of talent at a macro level for a given country. They are the environmental factors, the core functions and processes, and the outcomes of MTM, which interact and collectively influence the available supply, quality and mobility of talent for organisations today and are therefore a crucial consideration of an organisation's approach to GTM.

MTM context and environmental factors continue to shape the setting within which organisations undertake intra-organisational management of their talent in a strategic effort to secure the competitive advantage associated with human capital. MTM processes and functions which underpin MTM influence the way talent is actually developed and managed in practice and limitations of practice in cases where macro contexts constrain organisational flexibility to access the talent they require. Finally, the outcomes of a given MTM system at a national level can be seen as indicators of both the capacity and effectiveness of the system and also as influencers which must be considered when designing and implementing GTM within the

organisation. Managers and human resource professionals in organisations today must be able to critically interpret, navigate and influence both the macro and the micro factors influencing talent management in order to implement effective GTM practices within their organisations and to predictably facilitate competitive advantage through talent over time.

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Section 2
Global Talent Management in Practice

3

The Meaning of Talent in the World of Work

Eva Gallardo-Gallardo

Introduction

The term *talent* is all around us. One only needs to take a look at the headlines of newspapers, journals and magazines, not to mention job advertisements and business reports, to see how often this term is actually used—a Google search reveals nearly 800 million hits. Moreover, a growing number of talent shows on television expose the world to hidden and extremely unlikely artistic performances (Pruis, 2011), such as *Got Talent*, *The X Factor*, *Idol*, *Dancing with the Stars* and *The Voice*. In fact, the British talent show *Got Talent* won a Guinness World Record for the Most Successful Reality Show after being commissioned in 58 countries around the globe (Wightman, 2014). Indeed, the crusade for talent has proven to be extremely popular and highly resilient to the economic downturn across the world. Talent is commonly associated with athletes (with exceptional skills), musicians (of extraordinary ability), singers (with incredible voices), gifted children (with amazing capabilities and skills) and successful business persons (with extremely unlikely abilities and/or charisma). But, *what is in that name?* Asking for a definition of *talent* would be "the equivalent of opening a can of worms" (Honey, 2004: 11).

If the concept of talent turns out to be problematic in artistic fields, "it is even more so in business" (Colvin, 2010: 31). Over the course of the last decade, talent has become a high-value corporate asset for organizations. The deliberate identification of talent is seen as crucial for maximizing organizational performance (Collings and Mellahi, 2009), and managing talent extremely well is considered to be an imperative for those organizations that want to 'succeed and excel' (Schuler, 2015). Indeed, talent management (TM) has become a crucial agenda item for senior managers (BCG, 2014; Skuza et al., 2013), and talent has been identified as a CEO's consistent top concern (Gardner et al., 2013; Groysberg and Connolly, 2015). With the Fourth Industrial Revolution upon us and having a significant impact on jobs (employment levels, skill sets needed and recruitment patterns) combined with a set of broader socio-economic, geopolitical and demographic developments, it is more important than ever for companies to focus on the talent required (World Economic Forum, 2016). In fact, a recent study by Mercer (Mercer, 2017) shows that in today's disruptive world, 92% of employers expect an increase in competition for talent this year. But, *what are they going to compete for? What does talent in the world of work mean?*

As happens with many managerial terms, *talent* is a captivating word that people seem to implicitly understand and often use but, actually, it is very problematic to obtain a single definition. Already in 2006, *The Economist* posited that "companies do not even know how to define 'talent', let alone how to manage it". In fact, several authors attributed the lack of clarity regarding the TM construct to the inadequate operationalization of talent (Garrow and Hirsh, 2008; Lewis and Heckman, 2006; Reilly, 2008; Tansley, 2011). Indeed, in most of the articles and books about TM, the term *talent* is usually taken for granted, and when it is not a cornucopia of meanings emerges since it seems that every writer has their own idea of what talent does and does not encompass (Gallardo-Gallardo et al., 2013). As the ongoing confusion around the meaning of talent in business is hindering the acknowledgement of effective TM theories, programs and practices, understanding how *talent* is defined and operationalized turns out to be one of the most prevalent topics in the field (cf. Gallardo-Gallardo and Thunnissen, 2016). In this chapter, I provide a critical review of the evidence on talent conceptualization and operationalization within the business realm and discusses how the different talent interpretations affect TM implementation. After all, only by knowing what talent is can we think of managing it properly.

Untangling Talent in the World of Work

The confusion surrounding the exact meaning of talent in the work context can be somehow explained by its etymology (see Figure 3.1 for an overview). Since the nineteenth century, talent has been not only associated with certain characteristics of people (i.e., natural abilities and faculties possessed by special people in a particular field; talent as 'object'), but has also been seen as something embodied in the talented (i.e., a person of talent; talent as 'subject')—full details are given in the Appendix for this chapter. Indeed, 'object' and 'subject' approaches to talent coexist in contemporary English dictionaries, as well as in other European languages (Gallardo-Gallardo et al., 2013; Tansley, 2011). Typically talent is first described as a natural aptitude or skill in a particular field or endeavor that makes people who possess, develop and use it achieve outstanding results—e.g., in German, talent is regarded as an "innate disposition to good achievements in a particular field" (Tansley, 2011), or in English it is seen as "natural aptitude or skill" (Stevenson, 2010). It is also sometimes described as a developable quality—e.g., in Portuguese, talent is understood as "an uncommon aptitude (innate or acquired)" (DICIO, n.d.), or in Japanese is seen as an accomplishment acquired through years of hard work striving to achieve perfection, which might be justified by cultural reasons (Tansley, 2011). Note that talent is associated with valuable and scarce characteristics, and it is often equated to excellent performance in a given domain. The second sense of talent found in contemporary dictionaries refers to people possessing exceptional skills or abilities—e.g., in Portuguese, talent can refer to "an ingenious individual who has extraordinary capacities or abilities" (DICIO, n.d.), whilst in English it is seen as "people possessing talent [natural aptitude or skill]" (Stevenson, 2010). In this form, talent implies segmenting the population into the haves and the have-nots. In fact, it is very common to see job advertisements all over the world in which talent refers to potential applicants (i.e., "talent wanted").

According to Gallardo-Gallardo et al. (2013) the above-mentioned dual conceptualization of talent—i.e., 'talent as object' and 'talent as subject'—is also present in the business realm. The coexistence of these two approaches leads to one of the most important debates—'tension' in the words of Dries (2013)—within the TM literature: *what* or *who* constitutes talent? In what follows, I will explain both approaches and reflect on their implications for TM practice (see Figure 3.2 for a summary).

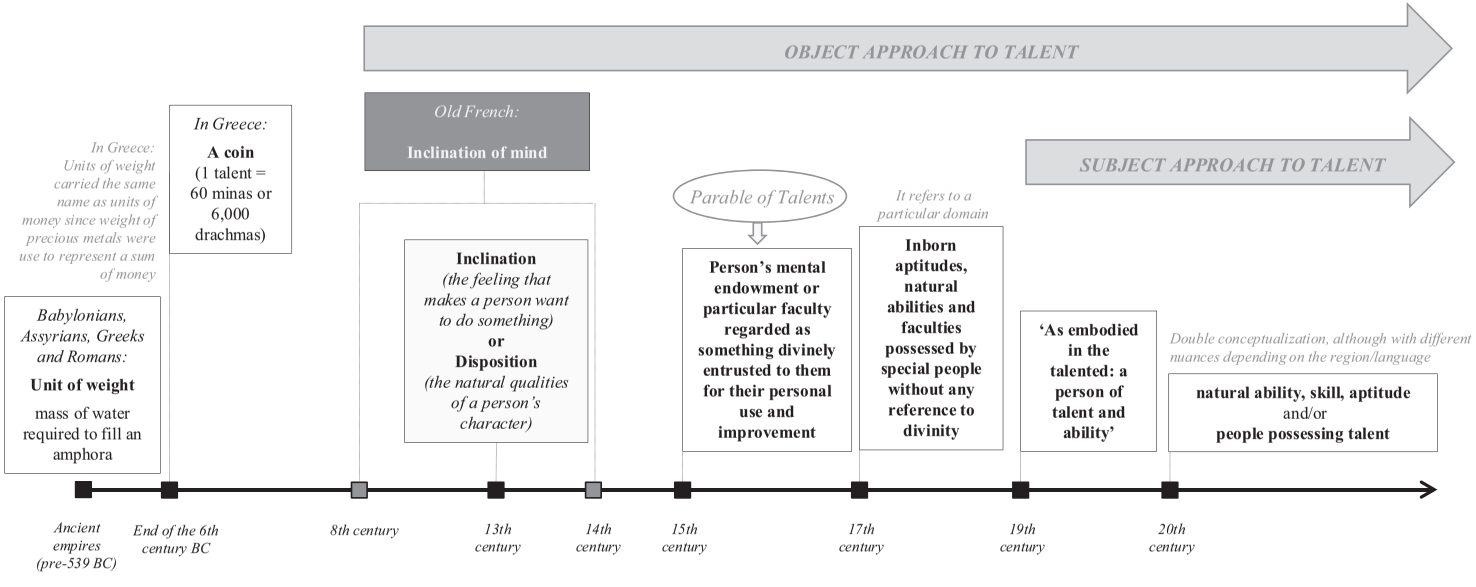

Figure 3.1 Historical Evolution of the Term *Talent*

What Is Talent?—Object Approach

Talent often is conceptualized as exceptional or special characteristics shown by employees. Michaels et al. (2001), for instance, consider talent to be "the sum of a person's abilities—his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes his or her ability to learn and grow" (p. xii). Similarly, Cheese et al. (2008: 46) consider it as "the total of all the experience, knowledge, skills and behaviors that a person has and brings to work", and Tansley et al. (2006: 2) refer to "a complex amalgam of employees' skills, knowledge, cognitive ability and potential". However, these definitions could be seen as a mere accumulation of troubled terms, intangible and very similar ones, and where some additional explanation is needed. Indeed, some authors (e.g., Buckingham and Vosburgh, 2001) emphasize the importance of differentiating among this mix of terms since they could lead managers astray. The truth is that there is not a unique way to describe talent as characteristics of people. The following section discusses the key different interpretations and the tensions that arise from them regarding talent operationalization.

Talent as Natural Ability

Most scholars in the business academic field and HR practitioners seem to believe that talent is innate—the so-called talent myth—mostly influenced by the giftedness literature in the educational psychology field (Meyers et al., 2013; Nijs et al., 2014). Giftedness designates "the possession and use of outstanding natural abilities, called aptitudes, in at least one ability domain, to a degree that places a person at least among the top 10% of age peers" (Gagné, 2011: 11). Gifts, and thus talents, are seen as untrained abilities with which the person is born and that make them stand out from the rest. So, their presence can only be determined by interpersonal comparison. Giftedness is usually linked to intelligence, which turns intelligence into an important talent component. In fact, it is a common practice to assess intelligence during hiring processes, promotion decisions and executive development (Briscoe and Hall, 1999), probably because general intelligence is considered to be the most valid predictor of future job performance (Schmidt and Hunter, 2004).

According to Meyers and van Woerkom (2014), considering talent as a natural ability or gift implies adopting a stable (inclusive or exclusive) talent philosophy, which has important repercussions for how talent can (and cannot) be managed. The inclusive/stable talent philosophy, which is rooted in positive psychology, considers that everyone possesses certain positive traits or strengths (i.e., talents) that allow individuals to be at their personal best (Seligman, 2002). In fact, Linley and Harrington (2006: 88) define strength as "a natural capacity for behaving, thinking, or feeling in a way that allows optimal functioning and performance in the pursuit of valued outcomes". Similarly, Buckingham and Vosburgh (2001: 21) refer to talent as "a person's recurring pattern of thought, feeling, or behavior that can be productively applied". Since talent is seen as impossible to teach, TM systems should enable talent by acknowledging the unique talents of all employees and aiming to capitalize on them (Buckingham and Vosburgh, 2001; Davies and Davies, 2010). In this regard, the following key TM practices emerge (Meyers and van Woerkom, 2014): identifying individual talents (strengths), increasing person-job fit in order to stimulate the use and refinement of talents and efficiently deploying talent (i.e., matching employees' talent with positions or tasks). Although more research is needed, there is evidence of the effectiveness of several strengths interventions in order to promote positive outcomes at the individual, team and organizational levels (see Ghielen et al., 2017).

On the other hand, the exclusive/stable talent philosophy considers talent to be scarce and genetically determined. So, few people possess these desirable traits. For instance, DeLong and

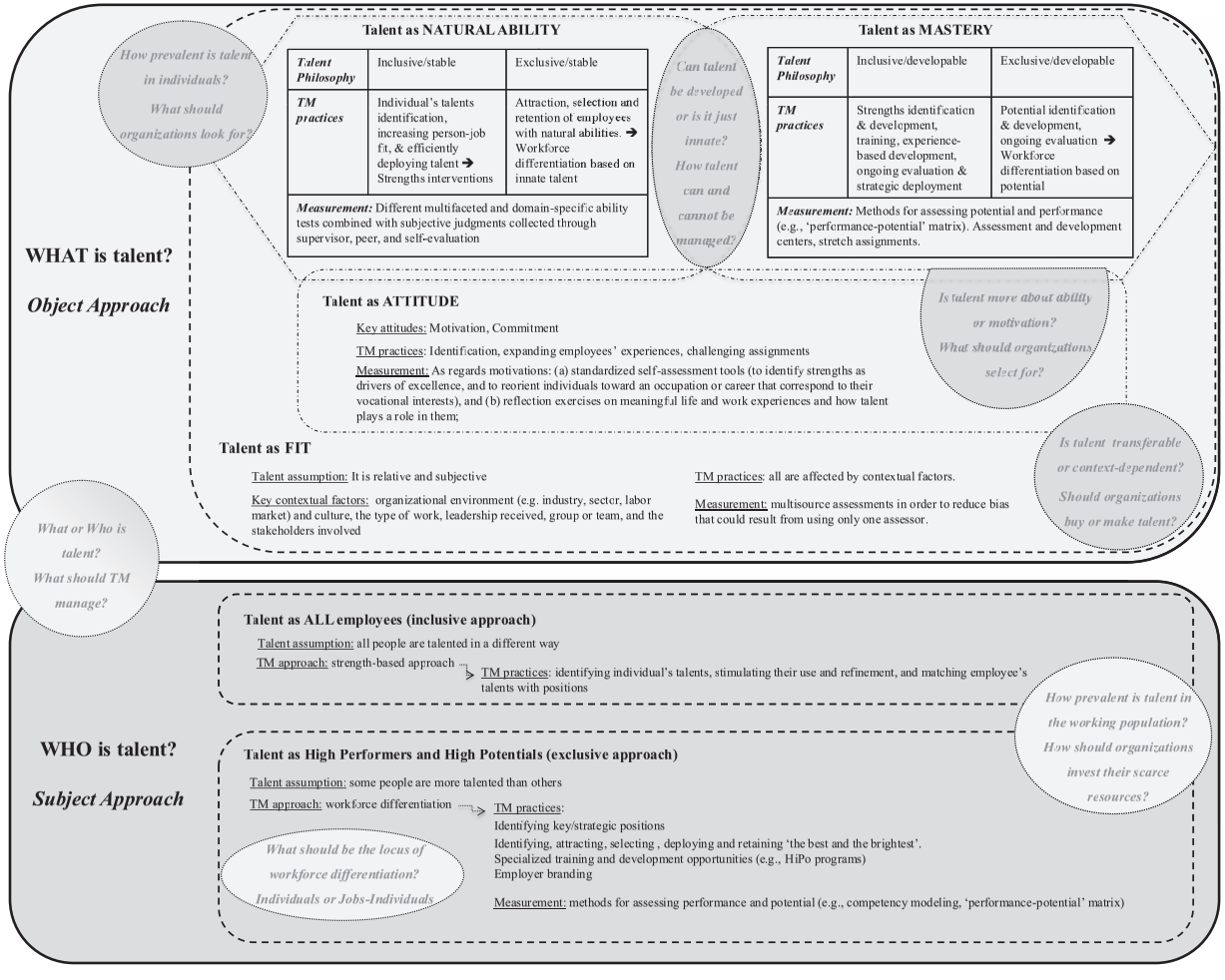

Figure 3.2 Framework for Talent Conceptualization and its Operationalization

Vijayaraghavan (2003) argue that 'A players' usually are seen as people with a particular combination of intelligence, personality and motivation. Thus, this talent conceptualization would lead to workforce differentiation based on the identification of innate talent, and to focus on the attraction, selection and retention of employees with natural abilities (Dries, 2013; Meyers et al., 2013). To identify such innate talent, different multifaceted and domain-specific ability tests—e.g., WISC-R, Wechsler Individual Achievement test, and Self-regulation and concentration test—together with other questionnaires—e.g., the Strengthsfinder, the values in action inventory of strengths (VIA-IS) or specific IQ tests—are often used (see Meyers and van Woerkom, 2014; Nijs et al., 2014). Furthermore, these tests are usually combined with subjective judgments (i.e., rating scales and nomination forms) collected through supervisor, peer and self-evaluation (Nijs et al., 2014).

Talent as Mastery

In contrast to the natural ability approach are those conceptualizations of talent that emphasize elite performance by means of deliberate practice. For instance, Pfeffer and Sutton (2006) assert that 'natural talent is overrated' since exceptional performance depends heavily on exceptional effort. However, the most extreme current exemplar of the mastery approach is Ericsson's position regarding deliberate practice and the development of expertise (Ackerman, 2014). It is fair to summarize Ericsson's theory (Ericsson, 2007; Ericsson and Lehmann, 1996; Ericsson et al., 1993) as stating that 'expert performance' is always made by means of lengthy—what Gladwell (2008) dubbed the "10,000 hour rule"—deliberate—focused on improving performance, challenging, and offering opportunities for repetition, correction of errors and informative feedback—and motivated practice. He found that unique and innate abilities have a small, even negligible, influence on individual superstars' performance. In his own words, "the development of expert performance will be primarily constrained by individuals' engagement in deliberate practice and the quality of the available training resources" (Ericsson, 2007: 4). Similarly, Gladwell (2008) states that the accumulative learning opportunities individuals have determine their maximum level of performance.

The nature and nurture determinants of talent is a longstanding debate when it comes to individual differences (for an in-depth discussion, see Detterman, 2014; Meyers et al., 2013), and highlights another 'tension' in the operationalization of talent (Dries, 2013). Adopting one or the other approach will lead to different TM practices—the so-called make or buy talent decision (Cappelli, 2008). Research has shown that most organizational decision makers believe that talent is, mainly, inborn (see Dries, 2013). However, in Ackerman's own words: "extreme positions on this controversy are fundamentally silly" (2014: 6). The commonly held view nowadays is that talent is nature shaped by nurture (Ackerman, 2014; De Bruin et al., 2014; Fiest, 2013; Meyers et al., 2013). Wai (2014), for instance, states that every expert is first born, then developed (made). Similarly, Nijs et al. (2014) consider talent to be "systematically developed innate abilities", and Pfeffer and Sutton (2006: 93) state that "even allegedly inherited abilities—like IQ and other 'smartness' measures—improve markedly and continuously when people work hard, have good coaching, and believe they will keep getting better". Nevertheless, the distinction between innate and learned abilities is seldom made in organizations (Silzer and Dowell, 2010), which represents a more pragmatic approach to managing talent.

The mastery approach to talent also implies a need for evidence—i.e., should be "demonstrated by measurable, consistently superior performance" (Ericsson et al., 2007: 117). Gagné (2011), in which is one of the most-cited definitions, refers to talent as "the outstanding mastery of systematically developed abilities, called competencies (knowledge and skills), in at least one field of human activity to a degree that places a person at least among the top 10%

of age peers who are or have been active in that field" (p. 11). Even in HR practice, Dries and Pepermans (2008) found that most organizations were unwilling to label employees as talented until after two or three years of tenure at the company, since they wanted to observe how they performed within their specific organizational setting first. A possible issue with this type of approach is that it defines talent *by its outcomes*, leading this way to a tautological statement (i.e., one that is true by logic; a conceptual loop). Priem and Butler (2001) advise to conceptualize independently characteristics and outcomes in order to produce a synthetic statement (i.e., one can know to be true only after investigation).

Talent as mastery conceptualizations involve adopting a (inclusive or exclusive) developable talent philosophy (Meyers and van Woerkom, 2014). The inclusive/developable stance grounds on the assumption that all people not only have the capacity to adapt, change and grow but also the inner need to do it (Dweck, 2012; Maslow, 1954). Meyers and van Woerkom (2014) discern two interpretations within this philosophy: (a) everyone has the potential to become excellent in a specific domain depending on their specific strengths (see Yost and Chang, 2009), and (b) everyone can become a top performer in almost any domain (see Ericsson's work). The first interpretation will focus on talent development initiatives that help employees to understand and use efficiently their own strengths, while placing them in adequate positions to deploy and expand their potential; whereas, the second interpretation will focus on the need for learning from experience (i.e., experience-based development). Swailes et al. (2014: 5) state that a fully inclusive talent management involves "the recognition and acceptance that all employees have talent together with the ongoing evaluation and deployment of employees in positions that give the best fit and opportunity (via participation) for employees to use those talents". We will return to the fit and opportunity issues later. Meyers and van Woerkom (2014) also refer to the possibility of assuming an exclusive/developable talent philosophy—i.e., talents (usually identified as potential) can only be detected in a few people. In such a case, TM practices will focus on identifying and developing the potential of those employees who have it.

The HRM field uses a number of methods to measure these acquired abilities that mainly rely on assessing potential and performance (Nijs et al., 2014). For instance, HR practitioners often use the 'nine-box matrix' (or 'performance-potential matrix'), since there are nine possible combinations of performance and potential ratings (Silzer and Church, 2009). Only those who show a high level of performance and a high level of potential within a given functioning domain are considered talented (performance/potential assessment issues are further discussed later). Assessment and development centers together with stretch assignments are crucial to evaluate the amount of knowledge and skills employees have systematically developed and are capable of further improving (Nijs et al., 2014).

Talent as Attitude

Since the 1980s, a wide range of studies discuss the importance of the unique and behavioral dispositions to achieve excellent performance (Bailey and Morley, 2006; Gagné, 2010). Indeed, talent is seen as related to perseverance, motivation and passion (e.g., Weiss and Mackay, 2009). Einstein, considered a genius, once wrote: "It's not that I'm so smart, it's just that I stay with problems longer" (Mayer and Holms, 2015). In fact, Nieto et al. (2011) posit that talent implies a successful completion of an activity that others would abandon or never start. According to Pruis (2011), an individual is talented in something at which he or she perseveres. He claims that talent can be described as the intrinsic motivation that will drive to do one's utmost, and that directs focus, attention and dedication. Although underexplored in the theories discussed to this point, motivation is seen as an important element to the development of elite performance since it influences people's willingness to engage in deliberate practice (Ackerman, 2014; De

Bruin et al., 2014; Meyers et al., 2013). For instance, Nijs et al. (2014) state that talent relies on the motivation that one has to invest energy in something that one likes and finds important. Literatures on 'passion' understood as the inclination toward an activity that one likes and finds important (Vallerand et al., 2003) and on loving one's job (Kelloway et al., 2010) could be a valuable point of departure for studying talent as motivation.

Talent has also been related to commitment—i.e., employees' will to give their discretionary energy to the firm's success (Ulrich, 2007). For instance, Ulrich and Smallwood (2012) defined talent as "competence x commitment x contribution", such that high scores on one element cannot compensate for low scores on another. Note that the alignment of personal and organizational goals can be seen as a necessary condition to invest someone's talents in the organization. In fact, the person-organization fit literature shows that the more an individual fits into an organization, the greater the organizational commitment and the more positive the performance (Kristof-Brown et al., 2005). Likewise, Jericó (2001) asserts that commitment is not only necessary to drive talented professionals to the maximum effort and give their best, but to ensure that they do not leave the organization.

Despite having been underappreciated in TM research and practice, the attitudinal approach to talent should be seen as complementary to the ability one (Dries, 2013; Gallardo-Gallardo et al., 2013). Interestingly, some recent definitions of talent illustrate this complementarity. For instance, Nijs et al. (2014: 183) describe talent as "systematically developed innate abilities of individuals that are deployed in activities they like, find important, and in which they want to invest energy. It enables individuals to perform excellently in one or more domains of human functioning", whilst Thunnissen and Van Arensbergen (2015) posit that talent is regarded as a multi-dimensional construct, specifically as a set of three interrelated components: outstanding abilities, intrapersonal characteristics (i.e., motivation, commitment, perseverance, passion and drive) and excellent performance. Indeed, the talent construct is much too complicated to permit simplistic, one-sided explanations.

According to Dries (2013), the important discussion about whether talent depends more on ability or motivation (i.e., attitude) defines another 'tension' in the literature regarding its operationalization. She argues that most companies solely focus on identifying talent by assessing ability (frequently operationalized as past performance) since it is 'less politically charged' than assessing motivational variables. Motivations and interests are frequently assessed by these two large groups of measures (Nijs et al., 2014): (a) standardized self-assessment tools (to identify strengths as drivers of excellence and to reorient individuals toward an occupation or career that correspond to their vocational interests), and (b) reflection exercises on meaningful life and work experiences and how talent plays a role in them. Indeed, instruments capable of measuring the affective component of talent are a necessary extension to ability measures when aiming to obtain a holistic view of the talents of employees due to the multi-dimensional nature of talent (Ericsson et al., 1993; Parker, 2002).

Talent as Fit

Most would argue that the one thing that scholars and practitioners can agree on about talent is the incredible impact that context has on the talent definition an organization subscribes to, which implies that the meaning of talent is relative rather than absolute. Talent conceptualization and operationalization varies according to the organizational environment—e.g., industry, sector, labor market—and culture, the type of work and the stakeholders (and their logics) involved (Pfeffer, 2001; Thunnissen and Buttiens, 2017; Thunnissen and Van Arensbergen, 2015). For instance, Thunnissen and Van Arensbergen (2015) conclude from their research in Dutch academia that the interpretation of talent depends on the position, responsibilities

and work experience of the different actors involved in TM, on the characteristics of the organization and on circumstances in the external environment. Note that the work environment (including preferences and views of people involved in that context) influences significantly the talent identification practices an organization will install, making them more likely for those individuals who fit in the organization's talent definition. In short, talent identification can be seen as selective and subjective by nature (Meyers and van Woerkom, 2014). So, multi-source assessments are recommended in order to reduce bias that could result from using only one assessor (Nijs et al., 2014).

The system in which the person works is critical when talking about achievements, since people can perform above or below their normal standards depending on their immediate environment, the leadership they receive and the group they work with (Iles, 2008). As Coulson-Thomas (2012) states: "individuals who shine in one context may struggle in another" (p. 431). Here we encounter another 'tension' regarding the extent to which talent is conditional on its environment (Dries, 2013). Talent-transferable perspectives assume that talented people will show their talent regardless of their working environment, whereas context-dependent perspectives assume important dependency between individuals and contexts in determining whether talent emerges and if it is recognized and acknowledged. Outside the HRM literature, some authors extolled the virtues of the transfer of talent from one domain to another; for instance, in athletes through cross-training, latent talents can be brought to the surface (Meyers et al., 2013). However, this literature stream fails to consider marked differences in performance of an individual doing the same role in different organizations (Collings and Mellahi, 2013: 324). According to Beechler and Woodward (2009: 277), individuals' performance depends on "the resources they have to work with, including the help they get from colleagues and the infrastructure that supports their work". In fact, Huckman and Pisano (2006) found that freelance surgeons' performance is a firm-specific phenomenon since the quality of these surgeons' outcomes at a given hospital was positively related to their familiarity with the physical and human assets at that hospital. Furthermore, research on star employees' portability proved that, in actuality, talent is not always transferable. Even sometimes hiring stars is a risky business since not only stars' performance plummets when they change organizations, but there might be a sharp decline in the functioning of the group they work with and even in the company's market value as well (Groysberg, 2010). Usually stars are bright in an environment in which their certain skill sets allow them to be effective. According to Groysberg (2010), when they leave this environment, not all their skills, most likely the company-specific ones (such as tacit knowledge about unique routines and procedures, experience with specific management systems), are transferable or relevant for the new job. That is why he advises hiring companies to assess the portfolio of human capital possessed by each candidate and the extent to which it will transfer and will be relevant to the new context. As Collings (2015: 250) infers, "performance is more complex than simply employing great talent".

Fit plays a prominent role in the ability-motivation-opportunity (AMO) model, which has become one of the dominant theoretical frameworks in exploring the HRM-performance link (Boselie et al., 2005). It posits that employees perform well not only when they are able (i.e., they possess the necessary knowledge and skills) and they have the motivation (i.e., they want) to do so, but also when their work environment provides them with the necessary support and opportunities for expression (Boxall and Purcell, 2003). Therefore, talent is not just about the quality of an individual's abilities and attitudes; it also depends on the quality of their job. In this respect, some authors (Becker et al., 2009; Boudreau and Ramstad, 2005a; Collings and Mellahi, 2009) stress the importance of matching positions to people, which feeds the strategic nature of TM. Allocating the most talented employees in those strategic jobs—also called 'key positions', 'A positions', 'pivotal roles', see Cappelli and Keller, 2014—with the greatest

potential to improve organizational performance, whilst placing good performers in support positions, and eliminating nonperforming employees and jobs that don't add value is called the portfolio approach to workforce management (Becker et al., 2009). This reflects the increasing need to concentrate talent efforts on those positions that provide above-average impact (Becker et al., 2009; Boudreau and Ramstad, 2005a). Approaches such as these facilitate a more deliberate exploitation of organizational resources that will lead to achieve an improvement in performance (for a critical analysis of the relationship between TM and performance, see Collings, 2015). All in all, it is a question of not only having the right talent but also having it in the place where it matters most.

Who Is Talent?—Subject Approach

The subject approach to talent centers on people. Both inclusive (i.e., talent as all employees of an organization) and exclusive (i.e., talent as an elite subset of an organization's population) perspectives can be found (Gallardo-Gallardo et al., 2013). According to Dries (2013), these two coexisting perspectives highlight another 'tension' that refers to the prevalence of talent in the 'working' population. As described in the following paragraphs, the practical implications of these two perspectives deal with the investment of scarce resources. As Cappelli and Keller (2014: 307) wrote: *Is development for everyone, or should the firm differentially invest in certain individuals or jobs?*

Talent as All People

Rooted in positive psychology, the inclusive subject approach is based on the belief that all employees have valuable strengths or talents, which, if correctly applied, can add value to the organization (Cappelli and Keller, 2014; Meyers, 2016). Accordingly, organizational success stems from "capturing the value of the entire workforce, not just a few superstars" (O'Reilly and Pfeffer, 2000a: 52). Although this reasoning might sound cliché, as reported by Peters (2006), there is no reason not to consider each employee as talented. In knowledge-based organizations, people are the crucial asset to generate profits and succeed (Cascio and Boudreau, 2016; Martin and Moldoveanu, 2003). Nowadays, mostly talent (not technology, not factories, not capital) can ensure profitable growth. Moreover, being that today's labor market is highly dynamic and constantly changing, predictions about specific talents needed in the future could be a 'long guess'; so considering different forms of talent across the workforce is seen as a more sensible strategy than just focusing in a few certain kind of talents (Meyers, 2016).

Thus, defining talent as the entire workforce is not unreasonable, especially in those corporations, namely in the service business, in which the whole business is defined by and around the people they employ. For instance, in luxury hotels frontline and behind-the-scenes employees play an equally important role when delivering high-quality service (Boudreau and Ramstad, 2005b). Also in public organizations, due to their internal organizational conditions and their concerns of potentially discriminatory practices, inclusive approaches to talent seem more suited (Boselie et al., 2011; Rainey and Chun, 2005). Powell et al. (2013), for instance, found that many actors in the British National Health System (NHS) favored a broader inclusive approach. Similarly, entities of the Flemish government take an inclusive approach, aiming to develop everyone and to achieve both organizational and individual well-being (see Thunnissen and Buttiens, 2017). A recent research by the Chartered Institute of Personnel and Development (CIPD, 2015) shows that over half of organizations include all staff in TM activities, rising to two-thirds when considering organizations with less than 1,000 employees. However, the largest organizations are increasingly interested in such an inclusive approach "triggered

by the idea that focusing on individual talents at work might positively contribute to both employee well-being and performance" (Meyers, 2016). Note that the shift towards a more inclusive approach has developed recently, possibly due to workplace regulations requiring equal treatment of employees (Cappelli and Keller, 2014) and also due to the scarcity of talent in the labor market (Fernández-Aráoz, 2014).

An inclusive approach to talent is believed to benefit from what is called the 'Mark Effect'—i.e., by treating everyone in the organization equally, a more pleasant, collegial and motivating work climate is created (Bothner et al., 2011). An egalitarian distribution of resources across all employees in an organization avoids loyal employees from becoming embittered since they are not given the same resources as newly hired stars (Groysberg et al., 2004). Indeed, inclusive approaches foment employee well-being, learning and performance throughout the whole workforce by giving everyone the opportunity to fully unlock their potential via participation (see Meyers, 2016; Swailes et al., 2014). Moreover, by showing concern for everyone, organizations might also have fewer difficulties to attract employees since people want to work for organizations that care about them (O'Reilly and Pfeffer, 2000b). In line with this, Yost and Chang (2009) state that organizations should try to help all of their employees to achieve their full potential rather than focusing investments (in terms of time, money and energy) on only an elite group of people within a limited set of roles, which would be a risky strategy looking at the projected labor market scarcities. Buckingham (2005) argues that identifying and activating employees' strengths is what great managers do in order to help them to excel in their own way. Thus, identifying an individual's talents, stimulating their use and refinement, and matching an employee's talents with positions become key TM tasks within this approach (Gallardo-Gallardo et al., 2013; Meyers and van Woerkom, 2014).

The win-win assumption for both individuals and organizations of this inclusive approach may be flawed because of the unnecessarily high costs in terms of HR investments (Lin, 2009). Similarly, Boudreau and Ramstad (2005b) argue that spending efforts to develop non-pivotal talent is tantamount to a waste of organizational resources. Nevertheless, the main criticism of this inclusive approach is that it makes differentiation between TM and other disciplines more difficult. When talent refers to everyone in the organization, managing talent 'simply' implies proper workforce management and development of all employees, which is not particularly helpful in specifying how TM is different from strategic human resource management (SHRM) (Garrow and Hirsh, 2008) or organizational development (OD) (Church, 2013). According to that, TM involves a collection of typical HR processes such as selection, development, training, performance appraisal and retention (Iles et al., 2010; Silzer and Dowell, 2010)—although some authors add that TM requires to execute them faster and/or better (see Lewis and Heckman, 2006). Referring to TM as traditional HR functions executed quickly not only makes its use 'superfluous' (Lewis and Heckman, 2006), but also ignores its less egalitarian and more elitist nature (Collings and Mellahi, 2009). Despite some attempts of giving a unique and differential definition of inclusive TM (Swailes et al., 2014), the reality is that the advantages of the inclusive approach to talent are not so clear.

Talent as High Performers and High Potentials

Deeply rooted in the resource-based view of the firm (RBV; Barney, 1991) and the architectural theory of HRM (Lepak and Snell, 1999, 2002), the exclusive subject approach to talent focuses on those who contribute a disproportionate amount of output and/or create disproportionate value to a firm's strategic success. It is based on workforce differentiation, building on the premise that some people are more valuable than others, and so deserve preferential treatment. Therefore, talent refers to an elite subset of the organization's population—i.e., "those

individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer-term by demonstrating the highest levels of potential" (Tansley et al., 2007: 8). That elite group is often known as the organization's talent pool.

Within this approach, talent tends to equal high performers—i.e., those that consistently demonstrate superior performance in relation to others (Aguinis and O'Boyle, 2014; Bish and Kabanoff, 2014). For instance, Silzer and Dowell (2010) defines talent as a group of employees within an organization who are exceptional in terms of skills and abilities either in a specific technical area, a specific competency or a more general area; and Williams (2000) defines it as those people who demonstrate exceptional ability and achievement in an array of activities and situations, or within a specialized field of expertise, on a regular basis. Since these top performers usually possess high internal and external visibility, they are called 'stars' or 'A players' (Becker et al., 2009; Groysberg et al., 2008; Oldroyd and Morris, 2012). Nevertheless, some authors operationalize talent as a select group of employees who demonstrate high levels of potential. In work environments, *potential* is defined as "the qualities (e.g., characteristics, motivation, skills, abilities, experiences etc.) to effectively perform and contribute in broader or different roles in the organization, at some point in the future" (Silzer and Church, 2009: 379). When seeking high potentials in the marketplace, HR professionals take into account different characteristics, such as intelligence and agility, engagement, readiness to step into various environments, ability to manage one's energy, a drive to excel and an enterprising spirit (see Posthumus et al., 2016). According to Ready et al. (2010), high potentials not only consistently and significantly outperform their peers in a variety of settings and circumstances but also exhibit behaviors that reflect the culture and values of their organizations in an exemplary manner and show a strong capacity to grow, develop and succeed throughout their careers more quickly and effectively than their peers.

Either way, both the high-performer and the high-potential approach to talent imply exclusiveness and lead to 'rank and yank' practices. Indeed, the elitist perspective on talent dominates the TM literature (Cappelli and Keller, 2014; Gallardo-Gallardo et al., 2013; Swailes, 2013), and it is considered the most prevalent in practice (Gallardo-Gallardo and Thunnissen, 2016; Iles et al., 2010). Specifically, it is said to benefit from the 'Matthew Effect'—i.e., the effect whereby the allocation of more resources to the better performers in the organization generate greater return on investment since more investments are made where more returns can be expected (Bothner et al., 2011). Star performers are seen as the single most important driver of organizational performance since they create exponentially more value for their organizations than do average employees (Aguinis and O'Boyle, 2014; Smart, 2005), which makes investing disproportionally in them seems justified. Moreover, the distinctive treatment of employees based on their differential talents can create a 'continuous tournament' in which employees are motivated to develop and apply the skills and qualities the organization requires (Höglund, 2012). Similarly, Netessine and Yakubovich (2012) state that as long as an employee's performance can be accurately evaluated and ranked, the fact that top achievers get better assignments and more privileges may in fact encourage low performers to quit or to do better, leading to a higher-performing workforce overall.

The allocation of resources according to merit, sometimes referred to as 'winner-take-all', implies individuals being the locus of workforce differentiation. This perspective clearly resonates with 'topgrading' practices—i.e., to fill all positions in the organization with high performers at the appropriate compensation, to develop them so they remain A players, and to fire B/C players when the developing efforts to produce A performance have failed (Smart, 2005). Implicit in this perspective is that A players contribute to the firm's strategic objective simply by their value and uniqueness, and also that exceptional performance (i.e., talent) is dispositional, despite the important role of contextual factors in driving individual performance as

mentioned before in the section on 'Talent as fit'. Likewise, the value of superior individual performance is moderated by the type of job occupied, which lead to advocate for the job as the most appropriate locus of differentiation (Cappelli and Keller, 2014). From this perspective, organizations should invest more in those positions in which individual performance has the greatest impact in firm performance (Becker et al., 2009; Boudreau and Ramstad, 2005a). Note that focusing on the job as a locus of differentiation does not neglect individual differences; it just simply implies that differentiation should start by identifying pivotal positions or strategic jobs (for a more in-depth discussion, see Cappelli and Keller, 2014), and should continue by filling them with 'the best and the brightest', which reinforces the strategic side of TM.

Within this approach to talent, TM practices will basically ground on attracting, identifying, recruiting, allocating, developing and retaining those people with high potential and extraordinary performance, and deploy them in key positions, which also need to be identified. Identification practices are seen as crucial for ensuring that the 'right' people will be placed in strategically important positions (McDonnell, 2011). When seeking for external talent, organizations commonly rely on several indicators such as IQ tests, structured and unstructured interviews, extracurricular activities or interests (see Meyers and van Woerkom, 2014); whilst in the case of internal talent, organizations frequently rely on performance assessments as the main criterion, for instance, through the nine-box grid (cf. Cappelli and Keller, 2014; Dries and Pepermans, 2008; Malik and Singh, 2014). Likewise, to detect A players cut-off points, either with a relative—e.g., the top 5% of performers of a group—or an absolute norm—i.e., those that perform above a certain score—are frequently applied (Nijs et al., 2014). In some companies, competency modeling has replaced job analysis in order to assess individual job performance (Cappelli and Keller, 2014). Moreover, specific training programs (e.g., HiPo programs) are carefully defined to offer fast-track developmental actions to these key players—e.g., developmental/stretch assignments, action learning and internal mentoring, among others (Dries and De Gieter, 2014; Malik and Singh, 2014). Furthermore, the attraction and retention of these talents are also imperative issues for today's companies. Vaiman et al. (2012) emphasized the role of employer branding in such endeavors, especially in the case of the millennial generation. Despite some research that has been done on the effectiveness of such exclusive TM practices (e.g., Björkman et al., 2013; Khoreva et al., 2017), more research is still needed to offer valid conclusions.

A number of critiques on this exclusive approach to talent can also be found in the literature. First, allocating a large proportion of the organization's resources to a small group of 'stars' might damage organizational morale, embittering loyal employees and causing resentment among peers (DeLong and Vijayaraghavan, 2003). Indeed, the overemphasis on individual performance undermines teamwork, discourages personal development organization-wide and unleashes the risk of creating a destructive internal competition that retards learning and the spread of best practices across the organization (Pfeffer, 2001; Walker and LaRocco, 2002). Second, the identification of performance and potential is prone to biasing effects, which derive, among other things, from the gendered nature of leadership and personal factors (see Swailes, 2013). Indeed, performance and potential assessments are not based on objective indicators alone but rather reflect judgments made by managers, and thus high-performer and high-potential identification is inherently subjective (Silzer and Church, 2010). For instance, Mäkelä et al. (2010) found that talent pool inclusion in multinational corporations is not only determined by performance appraisal evaluations but also is an outcome of a number of factors (e.g., cultural and institutional distance, homophily and network position) that influence the decision making in a second stage of the talent identification process. According to Cappelli and Keller (2014), the lack of a clear definition of potential can explain the typical absence of clear evaluation criteria. Despite some authors (e.g., Dries and Pepermans, 2012; Silzer and

Church, 2010) offering several factors that can be used to identify high potentials, in practice the high-potential label is often given based on current contribution in a role (Martin and Schmidt, 2010). Note that assessing potential through current performance is considered one of the main mistakes when managing talent (Martin and Schmidt, 2010), since past performance is unlikely to predict future success in significantly different situations (Cascio and Aguinis, 2008; Silzer and Church, 2009). Moreover, the assumption that A players are inherently different from less-talented employees might be flawed since it does not take into account the fact that talent is relative, and A players might look like B players under certain conditions and vice versa (Netessine and Yakubovich, 2012; Pfeffer and Sutton, 2006). Furthermore, performance levels before and after being identified as a talent can be distorted by the fact that being labeled as such leads to increased support for performance improvement (Walker and LaRocco, 2002). Third, identifying a subset of the organization as talents can lead to self-fulfilling prophecies, such as the Pygmalion Effect—i.e., the effect whereby higher expectations of performance determine an increase in performance since they impact on people's motivation and self-esteem (McNatt, 2000). This raises questions as to the validity and utility of identifying only a small number of employees as talented since all employees could benefit from this psychological effect. In addition, those that were not identified as talents could suffer from the Golem Effect—i.e., the effect whereby lower expectations of performance determine a fall in performance levels (Babad et al., 1982). Indeed, being labeled as 'unchosen' could be interpreted as a signal of being somehow inferior, which might lead to lower self-efficacy (Downs and Swailes, 2013). Moreover, not being identified as talent would mean not accessing exposure to several personal development opportunities, which can be interpreted as a lack of support from the organization and lead to negative attitudes and behaviors (Swailes and Blackburn, 2016).

Insights into Cross-Cultural Conceptualization of Talent

According to Gallardo-Gallardo and Thunnissen (2016), analyzing how *talent* is defined and operationalized is one of the most prevalent topics in the TM empirical literature. In an updated version of their literature review (Thunnissen and Gallardo-Gallardo, 2017), these authors found that those papers that focused on 'understanding talent' could be grouped into two main categories: (a) articles exploring whether organizations adopt a subject or an object approach to talent and whether organizations adopt an inclusive or an exclusive approach, mainly in organizations operating in a specific country (e.g., Valverde et al., 2013); and (b) those identifying the specific set of attributes/competencies that characterizes those labeled as talented—i.e., to pinpoint (1) the characteristics of a specific group of talented workers regardless of the organization in which they are employed (e.g., Lopes, 2016); (2) the key competencies required in a specific function or position (e.g., Whelan et al., 2010); and (3) the best way to identify high potentials and high performers, particularly in the management domain (e.g., Dries and Pepermans, 2012). However, and very much in line with previous findings (e.g., Gallardo-Gallardo et al., 2013), their review also revealed that empirical TM scholars are rarely precise about what they meant by talent. In only 24 out of 148 papers was *talent* explicitly defined, whilst in 48 manuscripts there was no definition at all. In the rest of the coded articles they found a vague or indirect definition of the term (47 articles), or just a mix of definitions (i.e., like a summary but without indicating a preference for any; 29 articles). In fact, the findings from a recent research by the Chartered Institute of Personnel and Development (CIPD; Zheltoukhova and Baczor, 2016) also show that only 22% of the respondents said their organization had a formal definition of talent.

Regardless of the country of data collection, the type of industry or even the type of organization, when scholars define talent vaguely in TM empirical research, they use expressions such as: "high-value workers", "high-potential employees", "leadership talent", "individuals who occupy key positions", "the best and the brightest", "key employees", "A-players", "high-performers",

or "the very best employees". Thus, when authors refer to talent in an indirect way, the exclusive subject approach is the dominant one. *But, what happens when focusing on explicit talent definitions across the world?* The great majority of talent definitions (79%) found in empirical TM literature also adopt an exclusive subject approach (Thunnissen and Gallardo-Gallardo, 2017). Note that most of the evidence comes from Anglo-Saxon countries (largely from the United Kingdom) and from large organizations. In order to allow meaningful interpretation, the different talent definitions found in the empirical TM literature are grouped here according to the 'GLOBE cultural clusters' (http://globeproject.com/results/clusters/anglo?menu=list). Indeed, this classification has been recently used in cross-cultural research conducted by Dries et al. (2014) that attempted to understand the meaning attributed to talent by HR directors. Interestingly, these authors found that HR directors across the world associate the word *talent* with ability, skills, knowledge and potential. However, Dries et al. (2014) conclude that although a high number of associations with talent are universal and prototypical, there are some culture-specific associations. Specifically, they found that Anglo respondents stressed the exceptional nature of talent and associated it with performance, potential and being a key resource for the organization; Eastern European respondents highlighted attitudinal components, such as effort and willpower (i.e., hardworking, strong-minded, willingness to learn); Germanics referred to an inborn giftedness of abilities that lead to excellence—which is in line with the definition of talent found in contemporary German dictionaries, as seen before—but also refer to passion; Latin European respondents associated talent with innovation, creativity and art, as well as learning; and Latin Americans emphasized the fact that talent responds to a person's vocation which leads to career success, but also that it manifests in a certain ease when specific activities are undertaken.

Anglo

In empirical TM literature there is some evidence from the United Kingdom, Australia and the United States. In the United Kingdom the most used definition of *talent*, regardless of the type of organization studied, is the one given in several CIPD reports that refer to *those individuals who can make a difference to organizational performance, either through their immediate contribution or in the longer term by demonstrating the highest levels of potential* (e.g., D'Annunzio-Green, 2008; Stewart and Harte, 2010). Even in a recent internal document of the West Yorkshire Police, talent is defined identically (see Gold et al., 2016). Interestingly, Tansley and Tietze (2013) found that in a global accountancy consultancy, both the inclusive and exclusive subject approaches to talent coexist. In that company the Talent Development Director stated that,

> there is a fundamental belief that everybody is talented, and there is a belief that we do need to identify future leaders or people who are going to lead key parts or have key roles in the business in the future and these would be quite senior roles.
>
> (Tansley and Tietze, 2013: 1806)

However, when carefully reading the reasoning behind this double conceptualization given by the manager, one could see that from the beginning there is an exclusive approach since they only recruit 'bright people intellectually' (p. 1805). So, beliefs that talent is something exceptional versus omnipresent in one's organization are not necessarily mutually exclusive when organizations engage in 'topgrading', which reinforces Dries et al.'s (2014) possible explanation for findings within Anglo cultural cluster respondents regarding beliefs about how everyone has talent. In Australia, talent is usually linked to 'stars' or employees who consistently demonstrate superior performance in relation to others (e.g., Bish and Kabanoff, 2014); whereas, in the United States talent has been linked to 'technical talent', which has been used to describe engineers, science professionals and knowledge workers (e.g., Kim et al., 2014).

Germanic European

In TM empirical literature there is evidence from talent definitions from Germany and The Netherlands in which the exclusive subject approach is also the prevalent one. Although there is not any explicit mention of inborn abilities, there is an emphasis on excellence and high performance, and some include some attitudinal factors. For instance, van Heugten et al. (2016) adhere to the description of individual talent as "highly performing international business professionals" (p. 59). According to these authors, talent refers to individuals who possess a complex mix of skills, knowledge, abilities and potential, which make them able to perform outstandingly and help the organization to attain its goals. Ewerlin and Süß (2016) state that talented people in German organizations "are regarded as employees who through their talent have the potential to perform well above average and perform their present responsibilities at a (very) high level. In addition, they have the potential and willingness to develop further" (p. 143).

However, there is also evidence of object approaches to talent within this cluster. For instance, Thunnissen and Van Arensbergen (2015) found that in Dutch academia, talent is generally perceived as a combination of multiple inseparably connected components (i.e., abilities, intrapersonal characteristics, and performance). What makes this study extremely interesting is the fact that, for the first time, there is evidence of how the interpretation of talent depends on the position, responsibilities and work experience of the stakeholder involved in TM. In short, and as mentioned in the previous section, the definition of talent is not only context-specific, but subjective and biased depending on the actors involved in its definition.

Eastern European

Some talent definitions, namely with an exclusive subject approach, were found in studies carried out in Slovakia, the Czech Republic and the Baltic countries. According to Micik and Eger (2015), "the experts from Visegrad countries argue that in the business context the term 'talent' generally refers to an employee who significantly contributes to performance of an organization" (p. 268). Similarly, Sirková et al. (2016) refer to talent as "those people who are able to ensure long-term competitiveness, sustainable prosperity and continuous development" (p. 143), and Horváthová and Davidová (2011) consider talent to refer to "a man who gives both a high performance and shows a high potential". Note that the latest definition brings to the surface gender biases in talent identification.

Confucian and Southern Asian

Again, the exclusive subject approach to talent is frequently found in the empirical TM literature from these countries. For example, when assessing how TM practices are locally adapted from the home country to China, Schmidt et al. (2013) consider talent to refer to high potentials as defined by Ready et al. (2010), i.e., *individuals who consistently outperform their peer groups, while reflecting their company's culture and values, and who show a strong capacity to grow and succeed within their organizations*. Cooke et al. (2014) reinforced this elitist approach since they found that managerial respondents in China and India consider talent to be "those who are best educated, best performing and/or with the highest potential" (p. 233). According to these authors, this talent conceptualization corresponds to a traditional hierarchy-oriented culture and the shortages of talent in their labor market, and stresses the TM strategic value since it focuses on the competitiveness of the individuals and their value to the firm.

Latin American

In Chile, talent has been defined as "a higher emotional, intellectual, practical, aesthetic and/or capacity, which characterizes a person who can be identified for standing out above the average as an individual and social value" (Careaga et al., 2015: 1193). However, Lopes (2016) found that in law firms operating in different European and Latin American countries, the term *talent* equals 'high performers', i.e., people recognized as possessing the potential to become a partner in the future, in other words as individuals with surplus human capital. She found that stakeholders noted high performance in an array of competencies as necessary for a lawyer's career success, although they still valued legal skills the most. There is no doubt that this latter definition reinforces Dries et al.'s (2014) findings regarding the association of talent with career success made by HR directors from this area.

Other Clusters

Some evidence from different other clusters reveal an object approach to talent. In the Middle East, Ahmadi et al. (2012: 235) defines talent as "a natural ability to be good at something, especially without being taught". Likewise, Stadler (2011) uses Michaels et al.'s (2001: xii) definition of *talent* (i.e., "the sum of a person's abilities—his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. In addition, it includes his or her ability to learn and grow") to demonstrate how talent reviews in a Saudi Arabian mining company can be utilized to optimize the succession management process. In Nordic multinational companies, *talent* is defined in terms of "the specific behaviors and/or qualities the organization defines as essential for the achievement of its current and future goals" (Höglund, 2012: 127). In Spain, which corresponds to the Latin Europe cluster, 'talents' have been defined by emphasizing the behavioral aspects of people, namely as "those who were loyal and committed to the company, trustworthy, consistent and could be counted on" (Valverde et al., 2013: 1847).

Conclusion

This chapter provided a critical review of the evidence on talent conceptualization within the business realm, and discussed how the different talent interpretations affect TM implementation in organizations. Moreover, it offered a global outline of academics' and practitioners' talent perspectives. In doing so, it aimed to contribute to the elucidation of what talent means within the world of work in two major ways: (1) by offering an integrated framework for conceptualizing talent within the business realm; and (2) by showing an inclusive and cross-cultural overview of talent. Several conclusions can be drawn from this chapter.

First, given the high level of interest in the concept of TM in the last decade, it is somewhat paradoxical that talent still remains relatively poorly defined and lacking more clear guidelines to its identification and assessment. Indeed, understanding the reality of talent is worth a great deal, since talent is neither absolute nor objective. As discussed throughout the chapter, talent is not only context-driven, but it also depends on the different stakeholders (and their logics) involved in its definition and evaluation.

Second, within the world of work, 'talent' is conceptualized in two broad ways: talent as object versus talent as subject, which in turn can be further subdivided (see Figure 3.2). Dries (2013) is echoed when saying that the object-subject distinction is difficult to conceive since the characteristics of people cannot be isolated from them as a whole. In essence, the subject and object approaches to talent inform each other in that the object approach specifies which

personal characteristics to look for in the identification of 'talented employees', whereas the subject approach provokes important discussions about cut-offs and norms.

Third, within the object approach, talent (T) is conceptualized as exceptional abilities (Ab) and attitudes (Att) that lead an individual to achieve outstanding results in a particular context (Ctx). As discussed before, one could refer to innate (IAb) or acquired (MAb) abilities. As regards attitudes, talent is usually associated with commitment (C), motivation (M) and perseverance (P). Likewise, talent is not just about the quality of an individual's abilities and attitudes, but it also depends on the quality of their job—i.e., having the opportunity (Op) to express their abilities in the right position for them. Moreover, talent flourishes depending on the individual's immediate environment (ie), the leadership (L) and resources (R) they receive, and the group they work with (G). Indeed, the different sub-approaches of the object approach identified in this chapter should be seen as complementary, rather than supplementary. Expressed as an equation:

$$\mathrm{T} = f(\mathrm{Ab}, \mathrm{Att}, \mathrm{Ctx})$$

where

$$\mathrm{Ab} = g_1(\mathrm{IAb}, \mathrm{MAb}),\ \mathrm{Att} = g_2(\mathrm{C}, \mathrm{M}, \mathrm{P}),\ \text{and}\ \mathrm{Ctx} = g_3(\mathrm{Op}, \mathrm{ie}, \mathrm{L}, \mathrm{R}, \mathrm{G})$$

Note that the weight attached to the different characteristics of talent also depends on the cross-cultural differences in terms of shared mental models about talent. For instance, Confucian countries would consider attitude more important than Anglo countries, which focus more on those abilities that lead to outstanding results. Moreover, extreme positions on the nature-nurture debate are out of place in this equation, since the commonly held view nowadays is that talent is nature shaped by nurture. Being pragmatic, organizations will not commonly distinguish between innate and acquired elements of talent, but rather focus on proven achievements in their assessments of talent. However, since assessments of talent could be biased by implicit beliefs about the degree to which individual characteristics are fixed as opposed to malleable held by those TM actors involved, organizations should explicitly take a position as to the extent to which they want to focus their efforts on 'buying talent' or 'building talent'.

Fourth, although the object approach to talent exhibits a better fit with the etymological meaning of talent, the subject approach seems to be much more prevalent in academia and in organizational practice. More specifically, the exclusive subject approach is the dominant one. So, talent is usually seen as a select pool of high performers and/or high potentials that contribute significantly to organizational success and competitive advantage. Note that this approach is grounded in workforce segmentation. As mentioned earlier, differentiation should start by identifying pivotal positions or strategic jobs and should continue by filling them with 'the best and the brightest', which reinforces the strategic side of TM. By emphasizing the strategic nature of TM, this elitist perspective offers a way to differentiate it from SHRM. As discussed before, the inclusive and the exclusive subject approaches to talent each have their own merits and drawbacks, and sometimes are not necessarily mutually exclusive. Which approach is 'better' is likely to be determined by the organization's culture.

This chapter confirms that scholars' and practitioners' increasing interest in the conceptualization and operationalization of talent is quite justified. All in all, it is likely there is no 'single recipe' for talent across all contexts and regions. However, from this author's perspective, there is a growing consensus around its meaning and operationalization. Indeed, talent is a highly valued asset for organizations—not to mention its appropriate management—and the equation stated here can help to operationalize it.

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Appendix: A

Walk Through the History of the Word *Talent*

The term *talent* appeared in Middle English. It developed from the Old English word *talente*, borrowed from the Latin term *talenta*, from the Greek word *tálanton*—τάλαντον, which literally means "balance, weight, sum of money" (Cresswell, 2009; Hoad, 1996). Originally, a talent denoted a unit of weight used by the Babylonians, Assyrians, Greeks and Romans (Cresswell, 2009), which corresponded to the mass of water required to fill an amphora. In Ancient Greece, units of weight carried the same names as units of money since weights of metals were used to represent a sum of money (Howatson, 2011). In Athens, one talent was the equivalent of 25.86 kg—i.e., about 57 lbs.—of pure silver, occasionally gold (Darvill, 2008; Knowles, 2005). When by the end of the sixth century BC many Greek states adopted coinage, a 'talent' became a valuable coin: one talent corresponded to 60 minas or 6,000 drachmas (Howatson, 2011). Note that at that time 3.5 drachmas was the normal wage for a week's work, and 50 minas (i.e., less than one talent) was seen as a large sum to pay for a house since an ordinary dwelling could have been bought for three minas (cf. Darvill, 2008; Howatson, 2011). Hence, talents were not only valuable but also exclusive; only rich people had them.

In the thirteenth century, talent was described as inclination—i.e., the feeling that makes a person want to do something—or disposition—i.e., the natural qualities of a person's character (cf. Hoad, 1996; Stevenson, 2010). Similarly, in Old French, talent was seen as inclination of mind (Kennedy and Deverson, 2005). Although Hoad (1996) considers this sense of the term to be obsolete, it highlights the behavioral aspect of talent, which is becoming increasingly important again in today's business environment. In the fifteenth century, talent came to mean a person's mental endowment or particular faculty regarded as something divinely entrusted to them for their personal use and improvement (Hoad, 1996; Knowles, 2005). This meaning comes from the Parable of Talents,[1] which highlighted not only the innate nature of talent but also the moral imperative to apply and develop such talents gifted to them by God. Moreover, since only a few people were 'divinely entrusted' with talent(s), the Parable, as well, contributed to exclusive interpretations of the term *talent*. Indeed, this Biblical text is considered to be the origin of the use of *talent* to mean a natural aptitude or skill (Cresswell, 2009). Not many years ago, Michaels et al. (2001: xiii) asserted that "talent is a gift that must be cultivated, not left to languish", and according to Meyers et al. (2013), today still applies the moral of that talents are valuable and should not be wasted.

A similar view of talent was held throughout the seventeenth century—i.e., talent as inborn aptitudes, natural abilities and faculties possessed by special people—but without any reference to divinity (Knowles, 2005; Tansley, 2011), and related to a particular field or domain (Iles, 2013). By the nineteenth century, talent was seen "as embodied in the talented—hence, a person of talent and ability" (Tansley, 2011: 267). Here, we encounter for the first time a 'subject' approach to talent—i.e., talent as people. Over the course of the twentieth century, some new terms arose. For instance, since the 1930s, 'talent scout' is used to designate a person searching out individuals who seem to have potential in a field—usually, entertainment, sport, modeling, espionage or the like (Ayto and Crofton, 2010; Cresswell, 2009). The emergence of this term might explain why up until today many people connect talent to artistic fields. Note that only those with potential are going to be spotted as talented. In fact, talent is defined in sports as

"an individual's special aptitude or above-average ability for a specific function or range of functions" (Kent, 2006). Another use of the term *talent* relates to the expression 'local talent', which is a colloquialism that dates from World War II and refers to the good-looking people in a region (cf. Ayto and Crofton, 2010; Cresswell, 2009). In modern British English, *talent* is informally used to refer to "people regarded as sexually attractive or as prospective sexual partners" (Stevenson, 2010). Even in this form, talent implies segmenting the population into the haves and the have-nots.

Note

1. The Parable of Talents, in the Gospel of Matthew (25: 14–30) in the New Testament, tells the story of a wealthy man who, before going on a journey, gives one, two and five talents to each of his three servants according to their ability. The servants who received five and two talents used their coins well, doubling their value by trading, while the servant who had been given only one talent buried his coin in the ground for safety and failed to benefit from it. After a long time, their master returned and commended the two servants who doubled their talents as good and faithful whilst he called the servant who had buried his coin wicked and slothful, and ordered him to hand over his one talent to the servant who has most. It is interesting to note that in this parable, the talents were given according to each person's ability: the more ability a servant had, the more talents he received.

4

Managing Global Talent Flows

Almasa Sarabi, Monika Hamori and Fabian Jintae Froese

Introduction

Organizational restructuring and changes in the global business environment during the last few decades have led to major changes in how organizations recruit, manage and develop employees. In today's flexible and global labor markets, employers have numerous options to recruit talent from a range of internal and external sources, locally or globally, and rotate employees geographically across domestic or foreign business units. Highly qualified employees are presented several employment opportunities both at home and abroad. The increased worker mobility among organizations and countries has been labeled "boundaryless careers" in a "global war for talent" (Beechler and Woodward, 2009; Stahl et al., 2002). As the notion of the "war for talent" suggests, these new opportunities pose new challenges for organizations, making the management of global talent flows the most pressing issues for contemporary organizations and their human resource (HR) managers.

This chapter looks at current organizational trends in managing global talent flows and the choice of organizations between internal and external hiring. The chapter starts with an overview of the recent socio-economic developments that determine global talent flows. It then compares two types of talent flows into organizations: internal movement and external hiring. Focusing on internal talent flows, the chapter then reviews the burgeoning literature on global talent flows within organizations across countries. In line with increased globalization, multinational corporations (MNCs) have increasingly assigned expatriates from the headquarters to manage foreign subsidiaries, and they also increased the flow of staff from foreign subsidiaries to the headquarters (Collings et al., 2007, 2009). The first part of the chapter thus focuses on the challenges, outcomes and possible HRM solutions of global talent flows between headquarters and foreign subsidiaries. The chapter then addresses external mobility flows and pays particular attention to executive search firms, an important recruiting source for MNCs in foreign markets (Froese and Peltokorpi, 2011b; Peltokorpi and Froese, 2016), and to online recruitment sources that have become the dominant means for employers to attract applicants in most countries (Bonet et al., 2013).

Recent Trends in Global Talent Flows

Traditionally, most organizations in the developed world had an employment system that almost exclusively relied on skill development inside the organization. This system, which was especially prevalent between the end of World War II and the end of the 1980s, had companies hire their employees at the entry level, from secondary school or from college, without any work experience, and develop the skills of the new hires inside the organization through a series of formal training programs. The jobs in many of these organizations were grouped into clusters that had similar types of job content, belonged to the same job function or business unit. Employees were promoted within clusters, and each promotion was preceded by extensive training required for the next job. As a result, the careers inside the large employers were a series of increasingly important responsibilities, where the greatest reward for good performance was promotion. Organizations provided a great degree of job security and often the promise of lifetime employment for employees' loyalty and adequate performance (Cappelli et al., 1997; Cappelli, 1999).

A series of socio-economic changes around the world that started in the 1980s gradually did away with the traditional model of lifetime employment in organizations. While most companies faced almost no foreign competition before the 1980s, changes in the competitive environment decreased the predictability of the demand for their products and hindered corporations from producing long-term business plans. Since long-term business planning served as the foundation for workforce planning, succession planning and internal career development, these activities were also eliminated or at least reduced. The rapid changes in the economic environment made some of the existing skill sets of employees obsolete fast and demanded the acquisition of these skills from the outside labor market, or the outsourcing of these activities, rather than developing the new skills inside organizations. Furthermore, advancements in information technology decreased the need for the decision and control functions of middle management, eliminated entire layers of management and created flatter organizational hierarchies. This work reorganization increased the demand of skills at lower levels in the organization (Cappelli et al., 1997; Cappelli, 1999).

Parallel to increased foreign competition at home, organizations have also aggressively expanded their business into more and more foreign countries. Many MNCs generate more than 50% of their total sales abroad, sometimes even more than 90%. In line with these trends, MNCs have progressively set up foreign subsidiaries abroad and have become important employers in foreign countries. For instance, foreign MNCs employ around 30 million people in China (Hitotsuyanagi-Hansel et al., 2016). The majority of employees in foreign subsidiaries are usually low-skilled host-country nationals who assume lower-level positions such as factory work. Although the trend is changing, foreign MNCs tend to rely on expatriates to occupy key positions in their foreign subsidiaries (Bader et al., 2017; Han and Froese, 2010; Hitotsuyanagi-Hansel et al., 2016). In the long term, however, MNCs are expected to better integrate foreign employees in global talent pools (Cappelli, 2008). Because of these changes, there are several major differences in how organizations in the developed world manage their workforce today.

First, coupled with the trend of boundaryless careers, MNCs have started to refer to different types of internal global staffing options, such as expatriation and inpatriation (Collings et al., 2007). Initial research in the 1970s focused on organizational expatriates who were dispatched from the headquarters to foreign countries to assume control and provide knowledge transfer functions, the lack of suitable local candidates and training purposes (Edström and Galbraith, 1977). Such expatriates usually stayed for one to five years in the foreign subsidiary and then returned to the headquarters. As foreign subsidiaries gained experience and established

themselves in foreign markets, headquarters started to rely less on such traditional expatriates and looked at local staffing options.

Second, most organizations have cut back on their internal talent development efforts. While traditionally most companies had elaborate succession planning or workforce planning practices, many of them have given up on a systematic approach to managing talent since then (Cappelli, 2008). Consequently, most organizations have shifted their focus to external hiring. They bring in employees with an already existing skill set rather than recruiting from colleges or secondary institutions for entry-level positions. The percentage of those who were promoted or transferred to a new position from the inside ranged between 28% and 51% between 2001 and 2010, show the annual surveys of CareerXroads, a staffing strategy firm (CareerXroads, 2013). Organizations are more likely to resort to external hiring during periods of economic boom, while the percentage of internal hires is highest during the years following financial crises. Increased globalization coupled with more reliance on external hiring has also led to the emergence of self-initiated expatriates, i.e. non-local, foreign professionals in foreign countries (Froese and Peltokorpi, 2013).

Organizational Trends in Managing Talent Flows: Internal Versus External

Organizations may match individuals to jobs either through internal mobility or through external mobility. Internal mobility refers to new job assignments within the same organizations, e.g. promotions or relocations. External mobility refers to hiring new employees from outside the organization to fill open jobs. Internal and external hiring require a different set of HRM competencies from employers. In organizations that rely on internal mobility, training and development and performance evaluation systems play an important role. Organizations that tend to hire from the outside focus resources on attracting, selecting and socializing new hires (Bidwell, 2011).

Human capital theory predicts that internal transfers will outperform external hires because of the accumulated firm-specific skills: firm-specific knowledge such as knowledge on the firm's products or business relations, familiarity with firm-specific routines which allows employees to carry out their work more efficiently and embeddedness in company social networks, which helps them get access to relevant information, expertise or even social support (Becker, 1962). Consistent with this, Bidwell (2011) found that outside hires in a financial services firm had lower levels of initial performance.

There is also more information available to organizational decision makers regarding internal candidates' skills and personality traits, and whether they fit well with the culture of an organization and the strategic needs of the firm. Organizational decision makers have many different occasions to observe the performance of insiders and to estimate their potential. At the same time, this type of information is more challenging to acquire about external candidates, leading to adverse selection—that is, a situation in which the outside hire may have a lower set of knowledge and skills and may not be the right fit with the firm (Karaevli, 2007; Zajac, 1990).

Hiring from the inside may also facilitate knowledge sharing, because the longer relationships that internal mobility fosters lead to unique organizational capabilities (Chadwick and Dabu, 2009). Intra-organizational mobility is more likely to motivate employees, increase their job satisfaction and decrease turnover. Promotion as an incentive works only if employees believe that they are able to receive them if they have high performance. They often make this judgment by looking at the careers of others in the organization. If the organization chooses not to fill jobs by internally promoting high-performing employees, but resorts to external hiring for these positions, this will likely demotivate workers and may increase their likelihood of voluntary turnover (Bidwell and Keller, 2014).

At the same time, bringing external hires to an organization also has distinct advantages. Importantly, outside hires bring innovation and new knowledge. They enable firms to learn about new hires' previous employers that are often competitors (Rao and Drazin, 2002), to learn about and copy certain practices or to build ties with these past employers (Dokko and Rosenkopf, 2010). Having employees with especially long tenures at an organization, on the other hand, particularly at the top executive level, may decrease organizational performance. Such executives are more likely to have narrow perspectives and may also have a psychological commitment to the status quo and long-standing social ties with other organizational members, hindering them from executing the necessary changes in their organizations (Finkelstein and Hambrick, 1990; Hambrick et al., 1993; Karaevli, 2007). Outside hires are more cognitively open-minded, less committed to the status quo and better able to see new courses of actions. They will be more likely to undertake major changes in the organization as they have fewer ties to the internal executives and are less committed to current strategic direction (Karaevli, 2007).

Across-organizational moves present benefits for the outside hires as well: Bidwell (2011) found that in a large financial services firm, external hires had substantially higher initial salaries than those who were promoted into similar jobs from the inside, even though outside hires demonstrated lower performance after joining the organization. Chan (1996) showed that external hires had faster subsequent promotion rates than workers promoted into the same job. At the same time, filling existing vacancies with external hires may demotivate current employees, especially in cases when there are more workers who are eligible for promotion internally into a given job (Bidwell and Keller, 2014).

Internal Mobility

Organizations can move employees vertically or horizontally: Vertical mobility refers to changes in the hierarchy of jobs, either to higher- or lower-level jobs. Promotions—that is, moves to jobs that belong to a higher rank and have greater responsibilities and skill requirements—represent the most common type of internal mobility (Bidwell, 2011). Demotions, moves to jobs in a lower hierarchical rank, are relatively uncommon. Horizontal or lateral transfers signify moves within the same hierarchical rank to a different job function, business division or location. Employers may move employees laterally in an effort to find a more suitable job match for an underperforming employee, or to broaden employee skills by exposing individuals to a different job function, product division and/or location (Bidwell, 2011). In an increasingly globalized business world, internal mobility across national borders plays an important role within MNCs. Relocations across borders can be both vertical and horizontal. Even though such international relocations are often horizontal, i.e. similar rank, they usually entail greater responsibilities and skill requirements. In addition to fulfilling their typical job tasks, expatriates have to maneuver the challenges of living and working in a different culture (Bader et al., 2018; Bhaskar-Shrinivas et al., 2005; Froese and Peltokorpi, 2011a).

Notwithstanding the recent plurality of different expatriation types (Collings et al., 2007; Froese and Peltokorpi, 2013), this part of the chapter focuses on internal global mobility, i.e. organizational expatriates. MNCs continue to dispatch organizational expatriates because only they, in contrast to self-initiated expatriates, can assume control functions, leverage corporate values and provide knowledge transfer (Edström and Galbraith, 1977; Froese et al., 2016). The majority of organizational expatriates are sent between headquarters and foreign subsidiaries (Tungli and Peiperl, 2009). Accordingly, we focus on organizational expatriates, who are dispatched from the headquarters to a subsidiary, and inpatriates, who are sent from a foreign subsidiary to the headquarters (Figure 4.1).

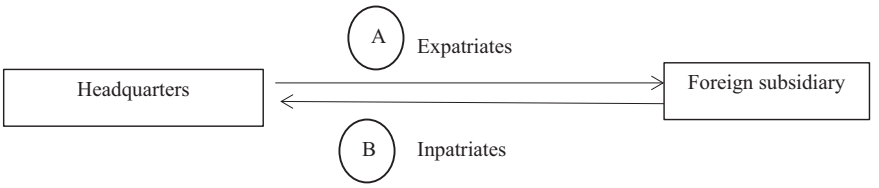

Figure 4.1 Most Common Forms of Internal Global Mobility

Use of Expatriates

Expatriates are international assignees who are dispatched from the headquarters to the foreign subsidiary. Upon their return to the headquarters, they are labeled repatriates. The effects of expatriates' internal mobility on various outcomes are mixed. Studies have found that MNCs led by CEOs who have international assignment experience show better financial performance (Daily et al., 2000; Carpenter et al., 2001), because they have a better understanding of foreign markets and the global structure of an MNC. Expatriates can transfer important knowledge and corporate values to foreign subsidiaries, contributing to informal coordination and control strategy through socialization and the building of informal communication networks (Harzing, 2001). Accordingly, international experience is beneficial not only for the organization but also for the dispatched manager. Executives with international assignment experience are more likely to be promoted to the top positions of organizations (Magnusson and Boggs, 2006). Studies have also established that large samples of individuals (Ng et al., 2005), early-career professionals (Biemann and Braakmann, 2013), and managers, executives and CEOs (Orser and Leck, 2010) with international experience enjoy higher pay levels due to the more valuable human capital that international assignments grant them with. However, other studies could either not identify any financial upside of international experience (Benson and Pattie, 2008), or only saw a positive relationship in firms with large international operations (Carpenter et al., 2001). While some papers show that international experience boosts promotions (Judge et al., 1995; Ng et al., 2005), others report that international assignments decrease post-assignment promotion velocity (Benson and Pattie, 2008; Hamori and Koyuncu, 2011; Kraimer et al., 2009), and may even lead to underemployment (Bolino and Feldman, 2000). Furthermore, a meta-analysis by Ng et al. (2005) and a survey of managers, executives and CEOs (Orser and Leck, 2010) have attested a positive relationship between international experience and pay levels. Similarly, Biemann and Braakmann (2013) show that international experience leads to higher pay levels. On the other hand, Judge et al. (1995) and Carpenter et al. (2001) find no direct relationship between international assignment experience and pay, although international assignment experience has a strong positive relationship on pay in MNCs that have broad global postures.

Expatriate assignments are expensive and challenging. Thus, a large body of research has investigated the antecedents of expatriates' success (Bhaskar-Shrinivas et al., 2005). Prior research has, for example, investigated various HR practices that can increase the success of expatriates. The literature on expatriation can be distinguished into practices in three stages: pre-departure, during assignment and upon return. Research on pre-departure practices has foremost focused on selecting and preparing expatriates (Bonache et al., 2001). The nature of the international assignment in question determines the extensiveness of preparation. As Bonache et al. (2001:10) have argued:

> At one extreme, assignments can involve key representational roles in isolated parts of a new country, requiring extensive interaction with locals; at the other, there are

assignments that may be almost entirely technology or equipment related, with the expatriate living in a tight expatriate community in a capital city or even a specific compound reserved for their compatriots.

Thus, organizations often concern themselves with developing effective international management education and training programs (Scullion, 1995), and they also engage in attempts to develop models of training and development for expatriates (Harris and Brewster, 1999). These programs often focus on the nature of the international assignment as such, the extent of interaction with local staff, general motivation, the family and language skills (Bonache et al., 2001).

To motivate expatriates and alleviate the difficulties of living abroad, HR practices also address expatriate compensation packages (e.g., Reynolds, 1997). Although the work in this area is not extensive, those studies that do exist focus on an operational perspective (Reynolds, 1986; Phatak et al., 1987; Harvey, 1993). It has further been argued that expatriate compensation systems often fail to deliver on an organization's international strategy, not taking account of the different types of international assignments. While it may seem easier from an administrative perspective to provide one standard compensation system, Bonache and Fernandez (1997), for example, suggest to evoke different compensation packages for different types of international strategy. Research further draws attention to the fact that, contrary to what one might expect, the assessment of expatriate performance lacks formal performance appraisal systems (Schuler et al., 1991; Gregersen et al., 1996).

Managing expatriates' expectations upon their return has occupied a central role in the repatriation process (Black, 1992; Forster, 1994; Stroh and Caligiuri, 1998). Stroh and Caligiuri (1998), for example, state that organizations need to devote more attention before repatriation, helping managers to develop realistic expectations about their work upon their return. It has further been argued that in order to preserve the competencies of repatriates, organizations are in need of better career support programs (Handler and Lane, 1997). Additionally, repatriates and their families are in need of other kinds of support practices, such as reentry counseling and employee debriefings, which help to integrate the repatriates back into the society and the organization (Bonache et al., 2001).

Use of Inpatriates

Recent academic research has started highlighting the need to focus on alternative types of international assignees, such as inpatriates (Froese et al., 2016; Collings et al., 2007, 2010). Inpatriation is the temporal transfer of host-country national subsidiary staff to the organization's headquarters (Harvey et al., 1999). Contrary to the "out-of-sight, out-of-mind" problem that expatriates have to deal with (e.g., Kraimer et al., 2009), inpatriates do not seem to encounter similar challenges. On the contrary, inpatriates' international assignment experience provides them with highly valuable social capital in the form of network ties to the "powerful people in the organization, who are often concentrated in the home country head office" (Dickmann and Harris, 2005: 401; Stahl et al., 2002). Having such a network of trusted, high-level headquarters managers channels valuable, often tacit, information to inpatriates and also makes them more likely to seek such information themselves (Reiche et al., 2011). MNCs use inpatriates to overcome the geographical distance between the headquarters and their respective subsidiary locations, which often prevents management in the headquarters from getting to know high-potential talent in the subsidiaries (Gong, 2003). Inpatriates can thus direct the attention of decision makers to themselves, which in turn helps their career progress.

Inpatriate assignments may also be associated with greater career progress because they tend to be developmental in nature (Reiche et al., 2011): Assignees are sent to the headquarters

to develop new firm-specific knowledge and international business skills rather than to fill a vacancy or solve a burning problem, which are common motives for functional assignments. Since developmental assignments enable assignees to become a more valuable resource for the MNC (Bolino, 2007), they were found to facilitate career advancement (Kraimer et al., 2009; Stahl et al., 2009) in comparison to functional assignments. A recent study further shows that inpatriate subsidiary managers, who had the opportunity to socialize into the parent company's corporate culture, experience faster career progress once they return back to their respective subsidiaries (Sarabi et al., 2017). Such managers can convey headquarters strategy and culture to home-subsidiary staff and thereby establish a more thorough coordination between the headquarters and its respective subsidiary (Harzing, 2001; Reiche, 2006).

A major challenge associated with managing inpatriates concerns their integration at headquarters (Froese et al., 2016; Harvey et al., 2011; Kraeh et al., 2015) given their different cultural backgrounds, different organizational experiences and their overall outsider status (Harvey and Buckley, 1997). To overcome such differences and integrate inpatriates effectively, MNCs should embrace cultural diversity and ensure a multicultural work environment at the headquarters (Froese et al., 2016; Harvey et al., 2011; Kraeh et al., 2015). Research has further pointed out the importance of a realistic job preview before the initial assignment, which can help both the inpatriate and the MNC to determine whether the chosen candidate is emotionally, cognitively, behaviourally and physically prepared to undertake such an assignment (Moeller et al., 2010). Other challenges associated with inpatriation concern inpatriates' often isolated status and poor support from headquarters. In the end, MNCs are in need of training programs not only for the inpatriates but also for headquarters personnel. Harvey et al. (2005), for example, suggest the implementation of a dual socialization process, which includes a sensitivity training for headquarters personnel by actively reducing potential levels of stereotyping and stigmatization (Harvey et al., 2005). If organizations succeed in managing inpatriation successfully, inpatriates can fill talent gaps serving as "boundary spanners" between the headquarters and their respective subsidiaries (Harvey and Buckley, 1997; Harvey et al., 2011; Reiche, 2006, 2011), disseminating headquarters' values to local operations across the world.

Accordingly, inpatriate retention is vital to the transfer of information. Most inpatriates are highly motivated to transfer knowledge and global values to the subsidiaries (Gertsen and Søderberg, 2012). However, only if inpatriates stay in the organization can MNCs dispatch them back to their home country or other subsidiaries to disseminate implicit knowledge and global values. By relocating employees between headquarters and subsidiaries, MNCs aim to disseminate corporate values as well as transfer implicit knowledge in order to effectively manage subsidiaries across the globe (Harzing, 2001; Reiche, 2006, 2011). Inpatriates, serving as boundary spanners, play critical roles for MNCs to leverage their corporate values across different operations and countries (Froese et al., 2016).

External Hires

Talent acquisition has been the part of the talent management system that has seen the biggest changes in the past few decades. Recruitment sources have changed significantly. As discussed earlier, organizational restructuring and globalization have eroded the traditional approach of hiring people right out of college and then developing and promoting them from within the organization. Due to the change in talent management, college recruiting has become less important, though it remains important in some countries, e.g. Japan (Peltokorpi and Froese, 2016). A major U.S. survey by CareerXroads in 1997 revealed that the largest numbers of external hires came through printed ads in newspapers and journals, followed by hires contracted through various types of employment agencies. While some organizations continue

to use printed ads, the absolute and relative importance has declined in recent years. Employment agencies can be distinguished into public/governmental agencies that mainly support unemployed, low-skilled people to find jobs and executive search agencies that primarily place highly skilled professionals (e.g., Cappelli and Hamori, 2014). Given increased labor market flexibility, both types of employment agencies continue to play important roles.

Employee referrals represented an important source of external hires even twenty years ago, although their importance further increased in the past twenty years (CareerXroads, 2013). In 2017, employee referrals represent the most important source of external hires (SilkRoad, 2017). Referrals solicit workers for their recommendations regarding the people they know who may make good co-workers. Referrals present various benefits for job seekers that include a higher probability of receiving a job offer (Fernandez et al., 2000) and higher salaries (Granovetter, 1974). For hiring organizations, referrals represent a cost-effective recruitment source (Fernandez et al., 2000), more satisfied new hires (Granovetter, 1974), hires with a higher level of job performance (Castilla, 2005), and individuals who are likely to stay longer with the organization (Pieper, 2015).

The introduction of the internet into the hiring process, social media in particular, as well as the use of software to manage organizational hiring processes and the resulting big data that drive hiring decisions have changed how hiring is done by organizations today. Online recruitment sources clearly represent a dominant way in which hiring organizations reach out to potential job applicants. Approximately 73% of U.S. corporations use their company's careers page, and 72% use job boards such as Monster.com or careerbuilder.com, as well as job search engines like indeed.com, to locate talent (Silkroad, 2017). Job boards provide a database of resumes and searchable job postings with links to apply, whereas job search engines aggregate postings from multiple online sources, including job boards. The vast majority of job boards are niche players that typically have a more-focused community of candidates (Silkroad, 2017).

Corporations are increasingly resorting to online communities such as LinkedIn, Facebook or Twitter for hiring purposes. Social media is most commonly used for attracting candidates and employer brand building (CIPD, 2013), with only a minority of employers using it for screening candidates. Most employers claim that social media increases the strength of their employer brand and the size of their talent pool while decreasing hiring costs (CIPD, 2013).

Since reviewing the academic literature on all of these recruitment sources is outside the scope of this chapter, we subsequently review two of these sources in detail: executive search firms because, MNCs heavily use this recruiting source in foreign markets due to difficulties and resource limitations to hire and develop local talent themselves (Froese and Kishi, 2013; Froese and Peltokorpi, 2011b), and social media, because it represents the latest innovation on how firms recruit and select talent.

Executive Search Firms

Executive search firms (search firms) operate at the high end of the labor market and place mostly executive candidates. The most prestigious of them, retained search firms, often work under an exclusive contract with clients and are paid a fee ("the retainer") even if they do not secure a placement (Hamori, 2010). Contingent search firms, on the other hand, place lower-level executives and are only paid for their services if their candidate is hired by the organization (Hamori, 2010). The revenues of search firms increased 16-fold between 1978 and 2015 (Association of Executive Search Consultants, 2016) as organizations moved to outside hiring and large MNCs needed to recruit talent in markets that they were unfamiliar with. Executive search firms are a dominant way of finding people for MNCs in foreign countries that suffer from liability of foreignness, i.e. lack of resources and poor corporate reputation (Froese and

Kishi, 2013; Froese and Peltokorpi, 2011b). In particular, smaller and newer foreign subsidiaries tend to rely more heavily on executive search firms to hire people (Peltokorpi and Froese, 2016). As foreign subsidiaries gain legitimacy and resources in the foreign market, they tend to adopt local recruiting practices (Peltokorpi and Froese, 2016). Among the papers that focus on search firms, a great effort has concentrated on understanding what roles they play in the corporate hiring process and what types of biases they bring to the search process as they match individuals and hiring organizations.

Search firms have also been argued to play an important intermediary role, that is, to mediate between the candidate and the hiring organization, which is important in situations in which the firm needs to find a replacement for an incumbent who is still in place or wants to hire from direct competitors (Brooks, 2007; Shulman and Chiang, 2007). Khurana (2002) describes how search firms bring together the hiring organization and the CEO candidates by emphasizing their shared interests and by acting as a buffer between them. Search firms detect the intentions of candidates, ensure confidentiality throughout the process and resolve both substantive issues such as the final compensation package and personal issues such as the frustration and anger of both parties. They continually move back and forth between the two parties and limit their interaction.

Through their activity, search firms benefit certain employee groups and potentially disadvantage others. They are especially likely to influence two key employment outcomes for individuals: access to certain types of jobs and pay level. First, search firms constantly search for information on passive job candidates, thereby facilitating the moves of those who are employed (Finlay and Coverdill, 1999; Khurana, 2002). Importantly, studies have also found that executive search firms are more likely to place members of certain ethnographic groups. They are disproportionately likely to collect information on white males (Judge et al., 1995) from middle-income, white-collar socio-economic backgrounds (Dreher et al., 2011). By underrepresenting certain demographic groups, search firms potentially contribute to the sex bias in managerial and professional labor markets (Dreher et al., 2011).

At the same time, recent evidence based on multisource data by Fernandez-Mateo and Fernandez (2016) reveals that women are not disadvantaged during the hiring process executed by a leading U.K. search firm. The incidence of women is 3 percentage points higher (11%) in the search firm's database than in other databases that comprise women working for similarly paid positions and facilitate these women to post their resumes (8%). Doldor et al. (2016) show that executive search firms play an instrumental role in placing female top executive candidates when they are asked by their clients to foster diversity. They are "accidental activists" because rather than making a case for more women on boards, they rush to satisfy the increased demand of their clients for more female candidates.

Executive search firms also introduce important skill biases when generating matches. Faulconbridge et al. (2009) explore the geographical markers of the ideal candidates of search firms. The ideal executives speak English, have worked in one of the hotspots of their industry such as New York for finance or Silicon Valley for IT. They hold a degree from a prestigious university and an MBA from a leading university and preferably from a university in the U.S. The ideal candidates are also "in the right place" (p. 806): they attend industry-relevant events and they are a member of professional associations, which maximizes their chances of making it into the search firms' database. This group of executives forms the "new boys' networks", a new elite who dominates labor markets at the expense of those who do not fit in (Faulconbridge et al., 2009).

Khurana (2002) shows that search firms follow a "conservative" approach to supplying talent: They target a highly visible, narrow group of executives (Khurana, 2002)—candidates with employers who show an above-average financial performance and have a status that is

higher than that of the recruiting organization. Data by Hamori (2010) reveal that executive search firms prefer to present to clients executives from large, well-performing, reputable companies. Such executives are overrepresented in the executive search firm's dataset, facilitating the move of executives from large, well-performing and reputable organizations, and limiting opportunities for executives from smaller organizations.

Search firms prefer candidates with related experience. They were shown to consider job applicants for a position only if they exactly matched the position requirements, thus making it difficult for professionals to cross industry and professional boundaries (Clarke, 2009). The executives represented by search firms were no more likely to move across industries, job functions and positions at different rungs of organizational hierarchies than they would have been if they had not used the services of a search firm at all (Hamori, 2014). Such skill-based biases also result from search firms' lack of target-job-specific knowledge (Ammons and Glass, 1988).

Social Networking Websites

Social networking websites help corporate recruiting activities by facilitating their members to post as much information about themselves as they want to, information that hiring organizations can then sift on the basis of search criteria such as job function, geographic location, job title, number of years of work experience, employer name or university. Social networking websites have taken over some corporate recruiting activities because they aggregate, package and sometimes sell information about individuals to organizations and about vacancies to individuals. They represent a first screen in corporate hiring processes (Bonet et al., 2013).

Online recruitment sources, in general, may increase the efficiency with which applicants are matched to jobs (Autor, 2001). The impact of online intermediaries, however, may not be neutral across various groups of employees (Autor, 2001). Online intermediaries may heighten inequality by concentrating market rewards on a narrower set of individuals, and they may drive labor market segmentation. Research findings on other types of online intermediaries, such as job boards, reinforce these claims (Bagues and Sylos-Labini, 2009; Marchal et al., 2007). Although they facilitate faster individual job matches and higher starting salaries, these intermediaries were found to disadvantage applicants who have credentials that cannot be quantified or who possess a skill set that spans several occupations or is in emerging fields (Marchal et al., 2007).

Social networking websites may also contribute to labor market segmentation, by creating biases in one of the initial steps of the hiring process: *candidate identification*. The existing research on social networking sites, however, is unable to determine whether this indeed happens, because it focused on the steps of the hiring process other than candidate identification, such as applicant screening and selection. Another part of this research examined social networking sites as advertising and marketing tools that provided information on employing organizations to job seekers (Witzig et al., 2012).

There exists no rigorous, large-scale quantitative analysis on the type of individuals who are registered on social networking websites. The available academic evidence, however, suggests that the individuals registered on these sites may be different from a representative segment of the working population. First, they may be more eager to move to a new job than a random sample of professionals: DeKay (2009) found that 95% of LinkedIn members wished to be contacted for at least one of four reasons related to job search: career opportunities, consulting offers, job inquiries and business deals. Their academic performance may also be higher than that of those without a social networking account (Zaccardi et al., 2012). They may even differ from a representative sample of the labor force based on personality traits. Three of the Big Five personality traits—agreeableness, neuroticism and extraversion—were shown to influence

the use of social networking sites (Zaccardi et al., 2012). Finally, their demographic attributes (gender, nationality and highest degree attained) were found to differ by website (Benson et al., 2010), and it may also be different from those of a random population.

Social media platforms represent a unique way to screen job applicants because they provide more than job-related information (Roth et al., 2016). The often abundant information also makes it difficult for organizations to structure or standardize assessments (Roth et al., 2016). The research that addressed applicant screening and selection explored whether social networking sites provide complete, cost-effective and accurate candidate-related information (Brown and Vaughn, 2011; Slovensky and Ross, 2011) that observes legal and ethical norms (Brown and Vaughn, 2011; Clark and Roberts, 2010) in order to reliably select candidates from among a pool of applicants (Bohnert and Ross, 2010; Kluemper and Rosen, 2009).

Kluemper and Rosen (2009) examined the ability of social media assessments to measure personality and general mental ability. They found moderate levels of convergence between self-reported personality traits and Facebook-based ratings. Kluemper et al. (2012) employed two undergraduate students and a faculty member to assess the Facebook pages of a sample of employed students. The researchers also obtained supervisory job performance ratings for a subset of the sample. An overall hireability rating correlated .28 with job performance ratings. A liability of both studies is their low sample size (for example, six profiles being evaluated in Kluemper and Rosen, 2009) and the individuals who acted as raters (undergraduate students and not corporate recruiters).

In the most methodologically rigorous study to date, Van Iddekinge et al. (2016) had corporate recruiters from various organizations review the Facebook profiles of college students who were applying for full-time jobs and provide evaluations. Recruiter ratings of applicants' Facebook information were unrelated to the college students' subsequent job performance in their first job, their turnover intentions or turnover behavior. The Facebook ratings failed to contribute to the prediction of job performance and turnover beyond cognitive ability, self-efficacy and personality. The findings also revealed that recruiter Facebook ratings tended to favor female and White applicants, implying that social media assessments may present problems for the selection process.

Conclusion

With a series of socio-economic changes that are doing away with traditional employment systems, MNCs and employees face multiple options of global internal and external mobility patterns. During recent years, MNCs have increasingly hired talent from the outside and dispatched their employees across national borders. Executive search agencies and online recruitment tools have become dominant sources to recruit talent from the outside.

This chapter integrates the literature on international talent management (expatriation and inpatriation) and the literature on staffing and hiring. Decades of academic research has explored the relative advantages of promoting talent from the inside versus bringing it in from the outside. This chapter provides an overview of trends in global internal and external mobility. It highlights the fact that both forms of global mobility come with their own benefits and challenges and require different sets of competencies from the respective organizations. It also provides recommendations on how MNCs can better support organizational expatriates and inpatriates, an important means of internal mobility across national boundaries. Finally, the chapter provides insights into how organizations can hire talent through executive search agencies and the internet, dominant recruiting sources for MNCs.

Although we addressed internal movement of talent and external hiring in two different sections of the chapter, the organizations that manage their human capital in the most optimal way are

not only aware of the relative benefits and challenges associated with internal and external hiring, but are also skillful in combining these two sources of talent. While they may develop the bulk of their talent inside, their internal development consciously undershoots their talent demand, and they hire the rest of the talent from the outside (Cappelli, 2008). This means that organizations need both types of capabilities—hiring talent from the external markets and building talent inside—to be able to cover their talent needs in the most cost-effective and optimal way possible.

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5

The Identification and Evaluation of Talent in Multinational Enterprises

Anthony McDonnell, David G. Collings and Ronan Carbery

Introduction

This chapter is focused on how multinational enterprises (MNEs) identify and evaluate talent to manage their global talent requirements and deliver on the organisation's strategic intent. The challenges surrounding talent identification and evaluation are generally more complex for organisations operating globally than for those operating out of a single location (Minbaeva and Collings, 2013). MNEs need to be cognisant of and respond to different demographic challenges and transient labour market conditions (Schuler et al., 2011). They must be adept at continuously monitoring and predicting future skills needs and gaps, particularly within high-skilled occupations or when operating within volatile labour markets where skill deficits are prevalent. Similarly, they need to recognise the extent to which key talent may or may not be portable across the global organisation. For example, societal and organisational norms and culture can vary considerably across geographical boundaries (Minbaeva and Collings, 2013), resulting in potentially negative outcomes for talent development and the realisation of individual performance expectations. For MNEs these challenges bring to the fore the imperative of ensuring the adequacy and sustainability of talent pipelines through effective and proactive talent identification and evaluation processes. This chapter discusses the key opportunities and challenges in effectively identifying and evaluating global talent across the MNE's network of operations.

There is little doubt that talent management is a critical challenge for global organisations. Key amongst these challenges is the requirement for organisations to effectively manage their global talent (Scullion et al., 2010). Indeed, the 'great financial crisis' of the early twenty-first century appears to have placed further pressure on MNEs to more successfully leverage their global talent base whilst balancing labour costs. Of concern is that organisations continue to report shortages of sufficient talent to fill their pivotal positions, which is likely to negatively affect the realisation and pursuit of global growth strategies. Owing to global demographic trends, supply issues are likely to continue for some time (Schuler et al., 2010). These challenges are amplified by recent political developments. For example, the approach of the Trump administration toward migration, including skilled migration, is likely to create real challenges for organisations trying to relocate global talent to the US. Indeed, the technology company

Microsoft has recently opened a satellite office in Vancouver, Canada, to take advantage of the availability of talent there and the Canadian government's more favourable visa system for skilled talent (Dixon, 2017). Similarly, in the UK context, the potential impact of Brexit on the mobility of talent there could significantly affect the talent landscape (Collings et al., 2018). Consequently, it is unsurprising that global talent management (GTM) has become such an important topic amongst practitioners and academics alike. While there is not a single agreed-upon definition of GTM, the field has moved towards greater consistency in terms of the themes or areas that it encompasses. For instance, the identification, development, appraisal, deployment and retention of high-performing and high-potential employees globally are often considered key aspects of an MNE's GTM system (e.g. Collings and Scullion, 2007; Collings and Mellahi, 2009; McDonnell et al., 2011, 2010; Tarique and Schuler, 2010).

In line with the resource-based view, we recognise that as traditional sources of competitive advantage such as technology and process are eroding, human capital is increasingly becoming one of the most critical corporate resources (Barney, 1991). The unique context of the MNE facilitates its ability to resource talent across its international operations. However, a key challenge for MNEs is that the "availability of talent per se is of little strategic value if it is not identified, nurtured and used effectively" (Mellahi and Collings, 2010: 5). In the context of maximising the strategic advantage of the global workforce through the inclusion of a range of talented individuals of different nationalities reflecting the organisation's footprint, the challenge for the MNE is to effectively identify those high-potential and high-performing employees and ensure they are deployed in appropriately important positions globally. The identification of talent is particularly complex in the MNE context, where a mix of cultural, relational and political factors may combine to complicate the process. Here differing perceptions of the purposes of the talent programme, a lack of alignment between corporate intentions and subsidiary implementation of GTM, coupled with a proclivity on the part of subsidiaries to seek to ensure that one or more of their identified candidates gains a place on the corporate programme, have been shown to exist (Collings et al., 2018; Rupidara and McGraw, 2011; Farndale et al., 2010).

The chapter begins by considering how organisations define what they mean by talent. We then consider the specific factors that MNEs are likely to take into account in identifying talent. Following this, we consider the balance between internal talent sourcing and external recruiting. We then turn to the identification and evaluation process and the tools that may be utilised.

Talent

Defining Talent: Talent for What?

Before an organisation can determine how to evaluate and identify talent, there is a need for clarity on what is meant by talent in that organisational context (see Gallardo-Gallardo, 2018 for a full discussion). McKinsey, the pioneers of the modern-day focus on talent management, define talent as "the sum of a person's abilities . . . his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes his/her ability to learn and grow" (Michaels et al., 2001: xii). Boudreau and Ramstad (2007: 2) suggest talent is "the resource that includes the potential and realized capacities of individuals and groups and how they are organized, including within the organisation and those who might join the organization". These definitions recognise the importance of both capability and potential. However, they fail to consider the importance of the relevance of the individual's skills and competences vis-à-vis the organisation in which they work and the contribution they make to it. In this regard, Ulrich (2006) progresses the debate by suggesting that talent should be identified as a mix of competence, commitment and contribution. Both competence and contribution relate to inputs.

Competence refers to the knowledge, skills and values that individuals bring to their role. Commitment refers to the application of these competencies in the workplace and the engagement of employees with their work role. Contribution relates to employees' outputs and their role in organisational success from their work and ensuring they find meaning and value in their work.

A key distinguishing element of global talent management is a focus on differentiation (Collings, 2017). Thus, we advocate a differentiated and more exclusive approach to global talent management whereby the focus is on the highest performing employees and those who have the potential to grow and develop within the organisation. This growth may be along a specialist path where they continue to deliver performance in pivotal organisational roles. It may also mean growth onto a leadership pipeline. While the latter is often considered the key focus of potential, we also reinforce the importance of considering potential in terms of development along a specialist pipeline. Rather than focusing solely on inputs, talent management requires a change in mindset to focusing on potential outputs (Huselid et al., 2005). In considering the impact on talent, a key question is: do the employee's competences fit with the strategic requirements of the organisation, and if deployed appropriately, can they contribute to organisational performance? It is critical for each organisation to establish what talent means to them, which means that it needs to be intrinsically linked with the corporate strategy. Talent requirements are likely to vary considerably among organisations because of this varying definition. It is also important to recognise that while top management roles are likely to be key positions, other key positions emerge at different levels of the organisational hierarchy.

Similarly, Collings and Mellahi (2009: 4) argue that organisations should identify the most critical, strategic roles "in terms of potential outputs or the potential for roles to contribute to the organisational strategic intent" and a starting point in any global talent management system. This suggests that recruitment ahead of the curve is most appropriate (Sparrow, 2007; Collings and Mellahi, 2009). In other words, organisations should move away from a sole reliance on vacancy-led recruitment to proactively recruiting high-potential individuals who can fill roles when they become available. This approach resonates with professional sports, where talent spotting is a key aspect of ensuring team longevity and success (Smilansky, 2006). For example, the financial services MNE Zurich identifies its future business requirements in terms of the knowledge, skills and competencies that will be required to ensure long-term corporate success but which it does not currently possess in-house. Organisations that proactively analyse their needs and their current capacities will be better placed than those that do not. This resonates with Peter Cappelli's linking of talent management to supply chain management. Specifically, Cappelli (2008b: 77) argues: "how employees advance through development jobs and experiences are remarkably similar to how products move through a supply chain". A key failure of many traditional talent management systems is a mismatch between talent supply and demand. This can result in an oversupply of management talent, resulting in employee turnover or layoffs and restructuring, or an undersupply where key positions cannot be filled (Cappelli, 2008a). Recruiting ahead of the curve with future competence requirements in mind may facilitate minimising potential mismatches such as these.

Conceptualisation of Talent

A full discussion on the conceptualisation of talent is beyond the scope of this chapter (see Gallardo-Gallardo, 2018), but we do highlight some key issues. The Chartered Institute of Personnel and Development (CIPD) defines talent as "those individuals who can make a difference to organizational performance either through their immediate contribution or, in the longer term, by demonstrating the highest level of potential" (CIPD, 2015). Although talent exists in all parts of a workforce, organisational talent programs usually focus on leadership and

management capabilities and can exclude all or most employees (Farndale et al., 2010). This, in our view, is a limitation of the extant research. A further limitation has been a tendency to think about talent management in a rather short-term, performance-oriented context (Collings, 2014).

In their excellent review, Gallardo-Gallardo et al. (2013) highlight two key dimensions of talent in in the context of work organisations. The first dimension distinguishes between talent as characteristics of people, such as abilities, knowledge and/or competencies (object approach), and talent as people (subject approach). The second dimension relates to levels of differentiation of the workforce. Most definitions can be divided into an exclusive (i.e. talent understood as an elite subset of an organisation's workers) or inclusive (i.e. talent understood as all employees of an organisation) perspective to talent development. The inclusive perspective, on the one hand, assumes that all employees have their own strengths and, given an opportunity to develop and apply their knowledge and skills, can potentially add value to their organisation (Devins and Gold, 2014). However, this perspective downplays the value of these specific skills and competencies to an organisation and fails to answer the question of talent for what. The reality is that the exclusive approach to talent management is much more prevalent in practice. Despite the obvious attraction of an inclusive approach, the reality is that few organisations have the resources required to truly deliver an inclusive approach to talent. Indeed, the challenges that emerge when organisations are inconsistent in creating an impression and expectation of an inclusive approach when the reality is closer to an exclusive approach have been illustrated in extant work. Sonnenberg et al. (2014) highlight the negative impact of talent-perception incongruence, that is, where the organisation and individual hold different views on their talent status, on an individual's psychological contract with the organisation.

Thus, it is critical that key stakeholders with MNEs, specifically line managers, HR managers and top managers, develop a shared understanding of what talent means in the context of their organisation (Al Ariss et al., 2014; Dries and Pepermans, 2012). Such clarity is likely to be best established via a process of negotiation amongst stakeholders as opposed to a top-down organisational mandate (Wiblen, 2016; Wiblen and McDonnell, 2017). In the MNE context, creating a shared sense of this is even more challenging owing to the complex cultural, institutional and legislative environments in which MNEs operate.

Identifying Talent

There is little doubt that organisations continue to struggle with developing effective global talent management systems. For example, Joyce and Slocum's (2012) 10-year study of 200 firms across 40 industries highlight the key role of senior executives in building and sustaining talent. They reinforce the importance of ensuring that any process tasked with identifying talent must be understood in the context of the firm's strategic capabilities. They identified four critical capabilities relating to strategy, structure, culture and execution. Firstly, senior managers should manage talent with respect to the strategic needs and opportunities of their firms. Secondly, an innovative structure will allow firms to operate effectively. Allied to this, a supportive corporate culture will provide employees with a sense of unity, and simultaneously, develop their understanding and practice of the norms and ideals of their organisation. Finally, implementing unique talent management processes allows firms to gain a competitive edge, enabling them to meet or exceed their customers' expectations.

A contingency approach to identifying talent, whereby talent is considered in relation to corporate strategy and objectives, appears to be the most opportune (see Collings et al., 2018). While we acknowledge that specialist talent can be very valuable to organisations, we limit our focus in the current chapter on the identification of leadership talent, a critical talent segment across all organisations.

Competency profiles appear to be increasingly used in identifying leadership potential in MNEs (Beardwell, 2007; Stahl et al., 2007). A significant number of MNEs use competency maps to guide competence development and provide a common language around which to discuss talent profiles and needs (Isrealite, 2010). While there is mixed evidence concerning the effectiveness of competency models, especially in the context of identifying and developing high potentials (Hollenbeck et al., 2006), they remain very popular in many international organisations. Competency models typically articulate behavioural standards that frequently look to the past rather than the future in mapping individuals against the competencies (Tornow and Tornow, 2001). Stahl et al. (2007) found that organisations developed a profile of competencies their leaders required, and employees were then graded against this. Positively, they also found that even within MNEs, a universal competency profile was not utilised. Instead, different profiles were utilised for different categories of staff or talent, which links to our argument about adopting a contingency approach to talent based on organisational requirements.

A clear challenge in establishing competency profiles is identifying the critical competencies to be included. Typical competencies include (1) foundational dimensions such as personality characteristics and cognitive capabilities, (2) growth dimensions which focus on learning and motivational skills, and (3) career dimensions which emphasise leadership skills and functional or technical capability for more specialist roles (Silzer and Borman, 2017). In the global context, organisations are increasingly recognising the importance of a global mindset as a critical competency in the MNE context (Briscoe and Schuler, 2004; Osland et al., 2006). While a relatively new research arena, the primary characteristics of a global mindset include being able to communicate and work with different cultures, manage uncertainty and global complexity (Briscoe and Schuler, 2004). This global mindset enables a shift away from an ethnocentric managerial thinking to a balanced understanding of managing the nuances of global integration and local responsiveness. Taking a focus on global leadership more broadly, Mendenhall and Bird (2013) identified over 100 separate competences associated with global leadership, which they classified into six core dimensions. These are described as relationship building in cross-cultural contexts, personality traits or behavioural tendencies, global business knowledge, cross-cultural administrative expertise, cognitive abilities relating to the world view and information processing, and the ability to articulate and gain support for the organisation's vision. The clear majority of global competency frameworks that have appeared in the literature have limited if any empirical validation, however. Nevertheless, the general approach adopted by international firms is to develop global leader competences and then tailor a global leader talent management programme to support them (Browne, 2006). It should be noted, however, that only half of the 939 organisations in a recent survey by the American Management Association (AMA) suggested that their global leadership development activity was highly effective in developing the necessary leadership skills (AMA, 2010).

The exploitation of talent from different countries and the diverse decision making it enables has for some time been posited as a potential source of competitive advantage for MNEs (Macharzina et al., 2001). Indeed, some MNEs (e.g. IBM and Ernst & Young) measure their managers' ability to retain and advance minorities and women (Jacobs, 2005), such is the increasing importance placed on diverse talent (Hewlett, 2009). However, the reality is that for many MNEs there continues to be a bias toward employees with a home passport in talent systems (Mellahi and Collings, 2010; Mäkela et al., 2010; Nohria, 1999). It is well established that talent in subsidiaries are disadvantaged by the physical and cultural distances between them and key decision makers at corporate. Fundamentally, when complex decisions such as selection to the talent pool are made, corporate managers suffer from an information overload and must take shortcuts in making such selection decisions. These shortcuts tend to advantage those closer to corporate as the decision makers through greater exposure are more aware of their capabilities, and once a suitable candidate is found the search can often end.

MNEs, however, are making use of systematic, formal talent review processes, which focus on assessing future development potential. These processes typically focus on the identification of high potentials and their unique development needs. Many of those processes tend to be complex, and the main aim is to strategically align talent with critical organisational capabilities. Mäkelä et al. (2010) highlight that talent review processes usually involve senior management in identifying talent needs. McDonnell (2011) suggests that such processes may lead to 'cloning', and there may be too much of a focus on the present rather than the future. Organisational politics may play a role here, too. Senior management may characterise high-potential candidates in overly positive terms. For example, there may be a lack of candour concerning other people's strengths and development needs, and information about the best performers and those with most potential may be suppressed to protect individuals who they do wish to choose (Mellahi and Collings, 2010). As noted earlier, how potential is defined is also often unclear.

Cultural fit is also increasingly used as a criterion for identifying and selecting individuals for the talent pool. In other words, an employee's personality and values are considered in determining their potential fit with the corporate culture (Stahl et al., 2007). For example, Google is well known for the sophistication of its recruitment practices. Employees generally go to numerous rounds of successive interviews with the aim of maximising the fit of those hired with the organisational culture.

Considering the focus on leaders, a further criterion that should be included in talent identification relates to an individual's ability to build and sustain relationships and networks (Beechler and Woodward, 2009). The importance of possessing networks with key stakeholders is a critical aspect of many strategically important organisational positions. Increasing attention appears to be paid to the possession of such social, political, cognitive and human capital (Farndale et al., 2010).

Making Versus Buying Talent

The clear majority of the talent management literature, implicitly at least, focuses on internal talent development. It is, however, important to get the correct balance between internal and external talent. A long-standing body of research highlights the importance of managing the mix of internal development and external hires and the dangers of being overly reliant on internal labour markets, which can lead to a lack of new ideas and creativity in the organisation (Beardwell, 2007; Collings and Mellahi, 2009). Buying talent from the external labour market may be particularly useful when an organisation needs a new way of thinking or the organisation is poorly networked with respect to service or product innovation (Rao and Drazin, 2002). Collings and Mellahi (2009) point to the emergence of the boundaryless career, reflecting the decrease of the long-term career within a single organisation and greater movement among organisations during one's career (DeFillippi and Arthur, 1994) and reduced job and work identity (Weick and Berlinger, 1989). On the other hand, focusing on the internal labour market has benefits, including improved morale, commitment and job security for employees who see opportunities for advancement. Internal development also provides greater opportunity to assess an individual's ability and potential over a sustained period (Sparrow and Hiltrop, 1994). However, organisations often overestimate the potential of external hires and downplay the value of current employees. In essence, their biases reflect a sense of the grass being greener on the other side. While they are aware of the strengths of internal hires, they also have visibility of their weaknesses. In contrast, the weaknesses of external hires are rarely visible, and hence their potential may be overstated (Pfeffer, 2001).

We contend that organisations will be better placed by filling talent pools and developing a talent pipeline through a combination of internal development and the internal labour market

and sourcing from the external labour market where appropriate (Cappelli, 2008a). This will help reduce some of the quantitative risks of having insufficient talent supply or having a talent oversupply and the qualitative risks by ensuring there are people available to move into roles when required (ibid). A key step in this process is having a clear understanding of the firm's current talent base and the likely future requirements to facilitate decision making about an appropriate strategy for the operationalisation of talent management regarding the make-or-buy decision. We now turn to the identification and evaluation process.

The Identification and Evaluation Process

The components of an effective HR system to support talent management are well documented (Iles et al., 2010). They include human resource planning, effective selection of talent, performance management, career management processes and succession planning (Dickmann et al., 2016). These systems should be based on business strategy imperatives and objectives. They also highlight the importance of cultural fit and the involvement of stakeholders in the full spectrum of talent management processes. For example, IKEA selects applicants using tools that focus on values and cultural fit; the standard questionnaire largely ignores academic credentials, skills and experience and instead explores candidates' beliefs and values, which become the basis for screening, interviewing and learning and development (Stahl et al., 2012). What differentiates talent management from wider HR systems is differentiation or a disproportionate investment in those roles critical to organisational performance, and in individuals who are identified as members of the talent pool.

Avedon and Scholes (2010) identify four levels of talent integration. They suggest that in the initial stages, the HR system will consist of separate programs and a strong emphasis on tools. At level two, there will be evidence of a more systematic approach emphasising integrated and aligned processes and programs. At level three, the organisation's business strategy will drive talent management system integration and alignment. At level four, there exists a talent management mindset within the organisation. Accordingly, Kaye (2002) conceptualises talent development as a three-way process. For example, the individual, the manager and the organisation have particular accountabilities for talent management and development. Individuals set career goals, seek development opportunities and implement development action plans. Managers play a role in assessing needs, clarifying and discussing goals, supporting development, providing feedback and monitoring development. Organisations provide the resources, tools and values necessary to reinforce a culture of talent development.

HR Planning

The strategic HRM literature suggests that HR planning represents the critical tool linking an organisation's strategic business plans and strategic HRM (Iles, 2001). It thus plays a key role in MNEs effectively managing their talent. Effective HR planning provides management with vital information to facilitate decision making in regard to increasing or decreasing investment in recruitment, training and development and other HR practices. Armstrong (2005) suggests several specific ways that the organisation can benefit from effective HR planning:

- better at attracting and retaining the required people with appropriate skills, experience and competences
- anticipate issues surrounding surpluses or deficits of talent reduce dependence on the external labour market

Through understanding an organisation's talent requirements, its current stock of talent and talent availability from the external labour market, the organisation will be able to identify areas where it is vulnerable. Such an analysis can inform the talent strategy.

HR planning, however, should be a dynamic process which is regularly revised in conjunction with changes in the micro and macro environment and corporate strategy and should consider several contingencies (Ivancevich, 2007). The usefulness of HR planning has been questioned owing to the rapidly changing environments organisations now operate in, particularly in the global context. "Business strategies do not always result in a rational plan but may—sometimes serendipitously—evolve over time" (McDonnell and Gunnigle, 2009: 193–194; see Mintzberg, 1978 for greater detail on patterns of strategy formulation). Liff (2000: 96) contends that "the more rapidly changing environment . . . makes the planning process more complex and less certain, but does not make it less important or significant".

The first step in the planning process is like how a store undertakes a stock-taking exercise. This involves identifying the number and type of people required at each organisational level to achieve the corporate objectives. Furthermore, the knowledge, skills, abilities and other characteristics (KSAOs) required in particular positions should be identified. Essentially, this is akin to the traditional job skills analysis. Considering our focus on leadership positions, we suggest that the predominant focus should be on the key generic-type competencies required for these roles. When there is a higher degree of certainty of an individual's potential and their likelihood of moving into a specific role, then developing her/him for the more specific requirements of this position can take place. Secondly, demand and supply forecasting must take place, which allows a gap analysis to take place. In other words, forecasting future people needs and the future availability of people. Once completed, management needs to analyse how the organisation is currently positioned to allow more effective prediction of the key issues that are likely to emerge in the future. This will allow management to determine current capabilities and areas where they may be lacking appropriate talent. This also needs to incorporate an appraisal of the external labour market considering changing demographics, skills availability and the like.

Scenario planning acknowledges the difficulty of predicting the future and thus speculates on a variety of 'futures' which may evolve and considers how the organisation may respond (Mintzberg, 1994). Furthermore, contingency planning, which has links to scenario planning, involves drawing up different plans to deal with potentially different scenarios and help with a more proactive rather than reactive planning process (Taylor, 2005). For example, current negotiations around Brexit in the UK at the time of writing could result in a number of scenarios with regard to the movement of talent within the EU, which scenario plans should consider. More recently, it has been suggested that micro-planning might represent a useful option to overcome the ever-changing business environment that MNEs face. Micro-planning involves organisations concentrating on key problem areas rather than the organisation as a whole (Beardwell, 2007). Arguably, this holds much salience for MNEs due to the size of many of these organisations. The focus should be on those critical segments of the business rather than attempting to manage every single area in such a strategic, proactive manner.

Through undertaking effective workforce analytics and HR planning,

> you know who to recruit, who to develop, who to redeploy and where to redeploy them, whether you should hire someone externally or promote someone from within, and whether you should look for a contingent workers, contractor, or full-time worker. Workforce analytics can help you make the best talent-management decisions and align those with your corporate objectives.
>
> Schweyer, 2004, cited by Lewis and Heckman, 2006: 147

Succession Planning

Succession planning is one of the principal methods organisations can use to identify senior management talent. It can be defined as "a deliberate and systematic effort by an organization to ensure leadership continuity in key positions and encourage individual advancement" (Rothwell, 1994: 6). At its most basic, succession planning refers to ensuring an organisation has the right people, with the right skills, in the right place, at the right time. It should provide a global overview of the key managerial positions, the people holding them, as well as their potential successors (Stiles et al., 2006). A key criticism of succession planning as traditionally defined is the narrow focus it takes. Succession planning is particularly concerned with the recruitment and retention of the key senior managerial roles (Beardwell, 2007). Consequently, there is a rather limited focus because of the reliance on identifying a small number of people who could take on these predetermined key positions. This approach also assumes a relatively stable environment coupled with long-term career plans of employees. For example, Peter Cappelli (2010) has documented that organisations such as GE had succession plans which mapped successions 30 years in the future some 50 years ago. However, such a structured and ordered succession plan would be difficult to develop in the current global business environment. In other words, MNEs do not operate in stable business environments, and employees often envisage their careers unfolding over a number of different organisations as opposed to within the boundaries of a single firm (see Arthur and Rousseau, 1996 for a discussion of the boundaryless career).

It has been suggested that succession planning has evolved from the traditional, early year short-term focus on replacing senior managers if they happened to leave without prior warning. There is now a more long-term aim of developing a cadre of key talent who can take on higher level roles, potentially even roles that may not currently exist, underpinning succession planning (cf. Beardwell and Claydon, 2007). Central to this approach is the development of talent pools, which we now consider.

Talent Pool Segmentation

There appears to have been a shift towards identifying pools of talent who are high performers and possess the potential to progress within the organisation (Karaevli and Hall, 2003). Talent pools focus on "projecting employee/staffing needs and managing the progression of employees through positions" (Lewis and Heckman, 2006: 140). These talent pools will encompass high-potential and high-performing employees who are capable of moving into higher level strategic roles when required. Additionally, there may be vertical deployment of such talented individuals in the organisation to expand their experience across the organisation, for example. Stahl et al. (2007) found MNEs recruit the best people and then place them into positions rather than recruiting for specific positions, suggesting a less linear approach to succession than had been the case in the past. Consequently, there is somewhat of a change in focus to recruiting the 'right people in the right place' rather than the traditional focus on succession focused on a specific role (Stahl et al., 2007).

McDonnell et al. (2011) found that organisations may have several differentiated pools, including technical, top talent and executive resource pools, in operation. These pools are consistent with the approach to strategic talent management which emphasises critical roles as the starting point of any talent management strategy (Collings and Mellahi, 2009). The use of talent pools also involves a shift of focus to identifying high potential at an earlier stage and casting a broader net across different categories of staff that may be considered high potential (Farndale et al., 2010). Reitsma (2001) argues that the identification of talent should not begin at the senior management level but commences when an organisation begins recruiting and should involve different categories of talent pools. For example, HSBC bank is known to have multiple

talent pools spanning high-potential graduate trainees to the most senior organisational leaders (Scullion Collings and Caligiuri, 2010). The talent pool approach recognises the limitations of identifying people with only a very specific future role in mind. Such an approach is particularly exposed when the organisational strategy or context changes and an individual is no longer considered the most appropriate successor at a point in time. Consequently, a talent pool approach appears to be a useful means of developing a more dynamic talent strategy where the most appropriate successor is not preordained, but rather the organisation can select the most appropriate candidate at a point in time from a pool of high performers with high potential.

Performance Management and Its Role in Talent Identification: A Critique

Effective performance management can be viewed as a critical underpinning process in talent management through measuring past performance, but a key dilemma exists in respect to whether this system should and can also evaluate an employee's potential. In recent times, reports have emerged where organisations (e.g., Accenture, Deloitte, Microsoft, GAP, Medtronic) are giving thought to abandoning or curtailing their use of formal performance appraisal systems (Buckingham and Goodall, 2015; Culbert and Rout, 2010).

Performance management essentially involves measuring performance against pre-set objectives. However, for talent management purposes, there is also a need to identify and evaluate employees against the competencies and skills required in their current role and those required for higher level roles. If personal relationships and subjective observations are solely relied upon to identify these, then what may occur will be a strengthening of the established network instead of developing a more diverse pool of talent (Jacobs, 2005). Building clones of existing performers in roles may not be what is required to achieve future objectives: " 'best-fit' today may be the 'misfit' tomorrow" (Karaevli and Hall, 2003: 71).

Performance management systems invariably consist of the line manager reviewing performance, and this highlights a key issue—namely, that the line manager may not be the best-placed person to identify the potential of employees (see McDonnell, Gunnigle and Murphy, 2018 for a more detailed critique of performance management systems). It is argued that additional processes and individuals may need to be involved that sees more encompassing talent reviews take place. Talent is not entirely fixed, and treating it as such is problematic (Beechler and Woodward, 2009). The mis-identification of talent can have grave consequences, as witnessed by the demise of Enron in the 1990s. Top performers in Enron received excessive rewards and were promoted without any great regard for an individual's experience or seniority (Michaels et al., 2001). They used a system of identifying A, B and C players, where A players received the extravagant rewards, B players were encouraged to reach A level and C players were removed if they didn't substantially improve. However, evaluation of performance was predominantly based on subjective appraisals, which resulted in employees being promoted for a false view of how an individual was performing with little regard for customers and shareholders (Gladwell, 2002). We maintain that Reitsma's (2001: 140) contention that "a manager knows the criteria the business uses to come to a judgement about potential, which skills it considers important in the various jobs, what the business-view is about his potential etc." is misplaced as it places too much pressure on individual [subjective] judgements.

Tests and tools that assess knowledge, competencies, skills, abilities, personality traits, experience and judgement should all be considered and used for identifying and evaluating types of talent. Having an effective talent management system is much more than utilising a plethora "of off-the-shelf components, such as competency-profiling tools, 360-degree feedback, and online training" (Cohn et al., 2005: 8). It needs to be a well-thought-out system that is specific to a particular organisation and that takes the type of talent and positions into account.

Tools such as 360-degree assessment, psychometric tests and assessment centres may all have utility in arriving at more effective decisions around identifying talent. For example, 360-degree assessment involves seeking multiple sources of feedback on an employee's performance or development needs from others including supervisors, peers and subordinates. While it is widely used as a performance appraisal technique linked to pay, it is arguably far more appropriate and effective in the context of focusing on future potential development (McCarthy and Garavan, 2006). The use of multi-faceted views of an individual's performance can be an excellent exercise in providing honest feedback on areas where an individual could improve and serve as a means to identify potential.

Psychometric tests are a "systematic and standardised procedure for evoking a sample of responses from a candidate, which can be used to assess one or more of their psychological characteristics by comparing the results with those of a representative sample of an appropriate population" (Smith and Robertson, 1986: 152; see Sharma and Bhatnagar, 2009 for a list and brief explanation of the different types of psychometric tools). For selection and talent identification purposes, ability or aptitude tests and personality inventories or tests are the most commonly used. Ability or aptitude tests seek to examine an individual's maximum ability with regard to a particular area such as cognitive ability. However, there are criticisms of their use at senior levels as the difference in intelligence of highly qualified individuals is likely to be minimal, making it difficult to differentiate candidates (see Robertson et al., 2002).

Assessment centres which are structured on specific, pivotal organisational roles are likely to play a key role in ensuring better identification and evaluation of high potentials. For example, assessing people on specific competencies, using scenario-based questioning, cognitive tests and work-style inventories, can all be expected to be useful in predicting future performance. Such role-based assessments provide an additional insight into how a person might cope in a given situation. Whilst the use of hypothetical scenario questioning in interviews allows a candidate to give an answer about how they will respond, the use of a role scenario will provide a more thorough analysis of how the person would respond in a given situation.

Global Versus Locally Managed?

The global nature of MNEs makes talent management a particularly complex issue. A key framework for understanding how MNEs can manage the tensions between global coordination and local responsiveness is set out in Bartlett and Ghoshal's (1990) typology. MNEs pursuing a global strategy coordinate their activities from headquarters (HQ) and seek to enhance worldwide performance through the sharing and pooling of resources, and the integration of activities across affiliates. This approach is biased towards HQ ideas and processes, and there is a desire for a high degree of standardisation across the MNE. A multi-domestic strategy, on the other hand, is "one in which a MNE manages its overseas affiliates as independent businesses, where the activities of one overseas affiliate do not affect the activities of another affiliate" (Taylor et al., 1996: 967). In this approach, local market norms and goals are key. Hence, there is significant variability in strategies across the MNE network. A third strategy, transnational, combines some of the characteristics of the global strategy with some from the multi-domestic strategy. It reflects an integrated and interdependent network of subunits, with headquarters playing a less dominant role (Harzing, 1999). In transnational firms, ideas or people are not judged on their passport, but rather the ideal is the location of best practices and people regardless of location. Finally, firms pursuing regional strategies have an additional layer—regional headquarters—located between the main HQ and regional subsidiaries. The regional HQ generally develops and implements the long-term strategy for the region and coordinates the activities of the subsidiaries within the region. Hence, there is consistency across the region but less central control. Central to the effective management of talent flows and the

appropriate identification of talent is ensuring that the talent management system is aligned with the strategic orientation of the MNE (see also, Collings et al., 2018).

Key questions which flow from the orientation include: should MNEs implement standardised systems for assessing employees/high potentials, or do they need to have locally based systems? For instance, what impact will different cultures have on standardised performance appraisal or rating instruments, and how are these taken into account in calibrating ratings? This represents a key issue that MNEs face in effectively identifying, managing and leveraging their best talent from their global network. For example, standardised rating scales may be appraised in different manners due to the inevitable level of subjectivity they involve. Practices standardised across operations may also vary in their implementation across units. In their study of western MNEs in China, Hartmann et al. (2010) observed no adaptation of performance appraisals to the host context. This resonates with the prior questioning as to whether a line manager alone is the most appropriate person to identify potential in an employee. A performance management system involving an annual appraisal should not be used in isolation, as there is no fool-proof system that can be used. Instead, we suggest a suite of practices that evaluates people against key competencies should be utilised, and a higher level talent review should be incorporated to assist in identifying those who possess the potential to develop further competencies to take on more strategic roles (Makela et al., 2010).

For example, HSBC utilised a hybrid system for talent management (Ready and Conger, 2007). Talent pools are locally managed and initially involve new assignments within the region or business unit, but in time these high potentials (those viewed as possessing the potential to reach a senior managerial role within the region or business) will be involved in cross-boundary assignments. In addition to these talent pools, the local high-level managers will identify those who are viewed as having the potential to become senior executives and top management team members. This pool is managed by central management at the head office.

A related challenge that can exist is that subsidiary managers may not feel incentivised to identify their top talent to see them leave for higher levels in the MNE hierarchy (Mellahi and Collings, 2010). Specifically, self-serving mechanisms displayed by subsidiary managers might hinder effective talent management systems throughout the MNE. For example, wishing to retain key subsidiary talent within the subsidiary to maximise the performance of the subsidiary operation. This hinders the promotion of key subsidiary talent beyond their home subsidiary. Additionally, at the HQ level, they consider the bounded rationality to explain how decision-making processes and information top management teams use to make decisions about talent management result in overlooking talents at the subsidiary level. In this regard, the information available is simply too vast and complex for HQ managers to accurately evaluate in decision-making processes about talent deployment. Hence, key decisions regarding talent may be made on the basis of incomplete information or an incomplete analysis of available information. Gong (2003) has similarly highlighted the issue of geographical distance in HQ-level management identifying talent at the subsidiary level. Consequently, we suggest that a hybrid model of both global and local involvement, that is aligned with the MNE strategy, is critical for MNEs to provide them with the opportunity to maximise the potential of the talent from their foreign operations. This is likely to involve greater local involvement in some talent pools over others, as in the case of HSBC. However, it is also important to note that the dynamics by which global talent management is likely to play out will vary among different types of MNEs (see Scullion and Starkey, 2000; Farndale et al., 2010).

Global Talent Information Systems

To assist MNEs in better appreciating their talent bank across operations, there may be a key role for technology. Whilst technology is increasingly used as a means of facilitating GTM,

Chaisson and Schweyer (2004: 6) warn that technology can add "almost as much additional complexity to the task as it offers solutions to make it easier". The usefulness and effectiveness of an information technology (IT)-based GTM system should not be taken for granted, but MNEs are likely to benefit from having one in terms of quickly identifying high potentials with the particular skills and competencies that may be suitable for a particular role, and also in tracking candidates across the organisation's global operations.

For example, Procter & Gamble (P&G) uses an IT-based GTM system which accommodates each of its 135,000 employees, with a key focus on 13,000 middle and senior managers (Ready and Conger, 2007). This system holds succession planning information at the country, business unit and regional levels. Furthermore, individual career paths, education and capabilities are all accommodated. This system allows quick and easy identification of high potentials. To ensure the system remains relevant, P&G uses global talent reviews, where each function in every country is audited for its ability to identify, develop, engage and retain its key talent. Similarly, Hartmann et al. (2010) found some use of IT systems to store the résumés of employees who were deemed to possess the potential to undertake international assignments.

Conclusion

This chapter has highlighted some of the key challenges in one of the most critical elements of a talent management system—namely, the identification and evaluation of talent. Moreover, concentrating on the leadership talent, we provided some insights on where MNEs should be focusing and the tools they may utilise to be effective. Through effectively identifying and evaluating talent, in conjunction with other elements of the GTM system (e.g. development), talent shortages can be much more carefully predicted and managed (Ready and Conger, 2007).

More particularly, we note the importance of identifying the talent that organisations need for their specific corporate strategy. Furthermore, we note the importance of fit with the organisational culture (Stahl et al., 2007) and the increasing importance of social capital or the extent of relationships which the person has across the organisation (Beechler and Woodward, 2009). Rather than identifying one or two people for a specific role as the more traditional form of succession planning adopted, we contend that organisations should identify pools of talent and focus on the development of more generic higher level competencies such as learning agility or global orientation. When a role becomes available, then the organisation should look at tweaking the selected individual's skill set to align with the more specific requirements for that role. Finally, we discussed the various tools that an organisation may utilise to identify and evaluate employees. In so doing, we suggest, rather than using an off-the-shelf talent management system as are often advertised, organisations need to strategically consider their own requirements and develop a system accordingly.

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6

Global Talent Management

New Challenges for the Corporate HR Function

Elaine Farndale, Paul Sparrow, Hugh Scullion and Maja Vidovic

Introduction

Global talent management (GTM) is a fairly recent multi-disciplinary area of enquiry that emerged around a decade ago as a key strategic issue for multinational corporations (MNCs). Though GTM is highly visible in management practice, its activity and scope are less well understood (King, 2015) and there remains some debate over the meanings, challenges and future vision of GTM (Al Ariss, 2014). The factors influencing the emergence of GTM have been documented elsewhere (Scullion and Collings, 2011), but in essence GTM has become a topical issue both for research and practice as competition between employers has become more generic and has shifted from the country level to the regional and global levels (Sparrow et al., 2004; Ashton and Morton, 2005).

The importance placed on global talent, and the related supply and demand pressures, have the potential to impact on the role of Human Resource Management (HRM) in MNCs operating at this level (Novicevic and Harvey, 2001; Scullion and Starkey, 2000). However, the role of the Corporate Human Resource (CHR) function in MNCs has until recently been largely neglected in the international HRM literature (Farndale et al., 2010). Moreover, some of the most significant global talent challenges are related to emerging markets such as China and India, as well as in Central and Eastern European countries and South America, about which our understanding remains limited (Li and Scullion, 2010). GTM research in emerging markets has emphasized the connection between global mobility and global talent management as a way to overcome the supply-demand challenge (Collings, 2014).

We define talent in terms of the key positions within an organization, rather than as the 'stars' who will fill these positions (Beechler and Woodward, 2009; Collings and Mellahi, 2009). This view of GTM means focusing on developing a global talent pool of people to fill key positions, as well as creating a differentiated set of HRM practices to support talent (Kim et al., 2003). It creates two new opportunities for the study of GTM:

1. a perspective on the impact of GTM on the CHR role that is both top-down (management-controlled approach to moving talent around the firm) and bottom-up (self-initiated, culture-driven flow of talent through key positions);

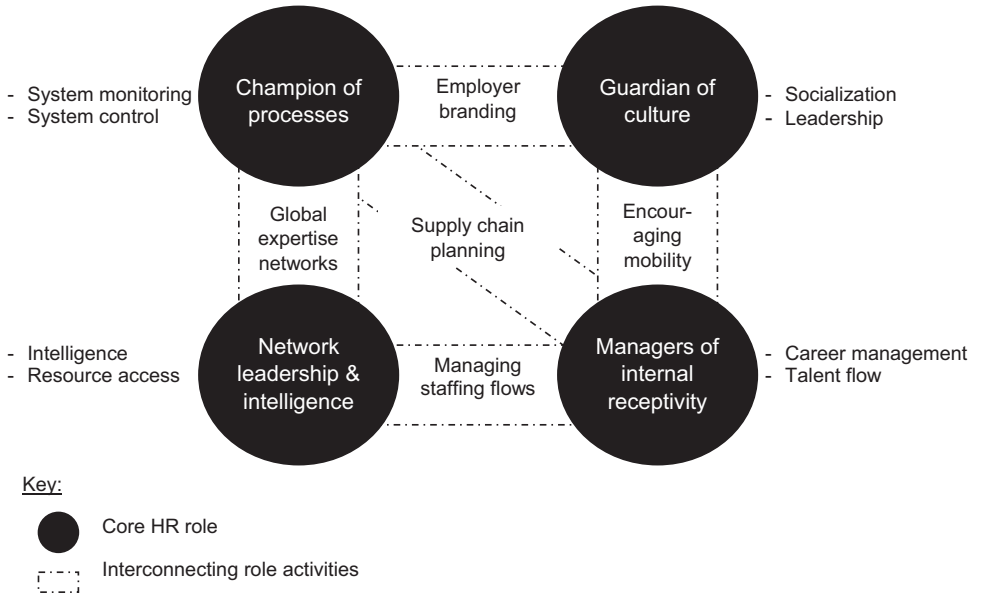

Figure 6.1 Corporate HR Roles in Global Talent Management
Source: Farndale et al. (2010)

2. an expansion of the territory that might legitimately be considered part of a GTM system into marketing-driven concerns such as market-mapping and employer branding (Sparrow, 2007).

This focus on global flows of talent implies new roles for the CHR function: in addition to the well-known strategic roles for HR laid down, for example, by Ulrich and colleagues (2012), the multinational context requires a more nuanced approach that considers additional international pressures (Farndale et al., 2010a). We focus our discussion on four core roles for CHR derived from the extant literature (champion of processes, guardian of culture, network leadership and intelligence, and managers of internal receptivity) and explore how these roles support GTM in MNCs. These four roles are summarized in Figure 6.1, showing each role's unique activities and interconnections.

We examine the challenges faced by the CHR function in managing talent on a global basis and expand upon these emergent roles for the function. We then take an in-depth look at the importance of the context in which a firm is operating in order to understand better how these roles might play out in reality. We use these analyses to identify and discuss the key issues that need to be addressed to advance our understanding of the theory and practice of GTM and the implications for CHR in the context of the rise of emerging markets.

The Changing Role of the Corporate HR Function in MNCs

Research suggests that while there have been attempts to integrate international corporate strategy and human resource strategy (see, for example, Taylor et al., 1996), the role of the Corporate HR function has been relatively neglected, particularly in the context of international business research. Some studies have begun to shed some light on this topic (e.g. Evans

et al., 2002; Farndale et al., 2010a; Kelly, 2001; Sparrow et al., 2004; Sparrow, 2007; Sparrow et al., 2016). Empirical research on UK MNCs highlighted a considerable variation in the roles of the CHR function in different types of international firms (Scullion and Starkey, 2000). In centralized/global firms the CHR function undertook a wide range of activities: the key roles were management development, succession planning, career planning, strategic staffing, top management rewards and managing the mobility of international managers. The growing need for co-ordination and integration of international activities required greater central control over the mobility of top managers, expatriates and high-potential staff. Strategic staffing was under central control and corporate HR played a key role in the allocation of strategic human resources—including control over the mobility of expatriates worldwide (Scullion and Starkey, 2000). In the global firms, international assignments were increasingly linked to the organizational and career development process, and the management development function became more important for developing high-potential local managers and third-country national staff. The practice of developing the latter two groups through developmental transfers to corporate headquarters (HQ), known as inpatriation, was becoming increasingly important in these global firms (Harvey et al., 2001).

Highly decentralized firms, on the other hand, tended to pursue more of a multidomestic internationalization strategy requiring lower degrees of co-ordination and integration, with the CHR executives focused on a narrower range of activities around management development and succession planning for senior executives. The co-ordination of transfers of managers across borders was more problematic than in the global firms due to the greater tensions between the short-term needs of the operating companies and the long-term strategic plans of the business (Scullion and Starkey, 2000). Informal controls were therefore crucial in introducing a degree of corporate control, e.g. centralized control over management development for senior managers. In this context, Bartlett and Ghoshal (1989) refer to the necessity of creating a matrix in the mindset of managers in order to deal with the diversity and complexity involved in managing the transnational organization, and argue that the socialization of managers in key positions at HQ and subsidiaries is crucial. During the global financial crisis around 2008/9, there was an even sharper focus on the balance between managing strategic HR issues and the need to respond to short-term cost pressures, but there was also an opportunity for HR to redefine and demonstrate its contribution to the business strategy (Sparrow et al., 2010).

These studies emphasize the key role of CHR in GTM for the top talent across the company (Farndale et al., 2010a; Kelly, 2001; Novicevic and Harvey, 2001). There is evidence that for European firms, shortages of international management talent have been a significant constraint on the successful implementation of global strategies (Scullion and Brewster, 2001). In particular, a shortage of leadership talent is a major obstacle many companies face as they seek to operate on a global scale. The rhetoric of maximizing the talent of individual employees as a unique source of competitive advantage has been a central tenet of strategic HR policy in recent years (Frank and Taylor, 2004; Scullion, 1994; Lewis and Heckman, 2006). This reflects growing recognition both of the key role played by globally competent managerial talent in ensuring the success of MNCs given the intensification of global competition and the greater need for international learning and innovation (Bartlett and Ghoshal, 1989). However, the extent to which organizations effectively manage their talent in this respect often fails to live up to the hype (Cappelli, 2008).

Research suggests that CHR must develop core talent management competencies associated with developing senior management, planning succession and developing a cadre of global managers (e.g. Evans et al., 2002; Scullion and Starkey, 2000; Sparrow, 2007). MNCs increasingly demand highly skilled, highly flexible, globally mobile employees who can deliver the desired results, operating sometimes in difficult circumstances (Roberts et al., 1998). This requires innovative responses from the CHR function. New tools, processes and co-ordination

capabilities are required to focus in particular on the sourcing, retention and career planning of the key talent across the global network. This represents a major challenge as well as an opportunity as CHR managers seek to redefine their role in an increasingly global context. Failure to achieve this by the CHR function can have major consequences for the implementation of the firm's internationalization strategy, and for achieving the levels of competitive advantage that a firm's talent can create (Evans et al., 2002).

Research also suggests CHR can make a vital contribution to support the strategic learning mission of the organization. Pucik (1992) argued that the transformation of the HR system to support the process of organizational learning is a key strategic task facing the HR function in the international firm and that the major challenge is to determine the best ways to transfer learning across different national units. Particularly in the context of increasing globalization, CHR needs to demonstrate how it contributes to an environment in which learning can flourish and how HRM policies and practices contribute to the learning of new skills, behaviours and attitudes which support the strategic objectives of the organization (Cyr and Schneider, 1996; Scullion and Starkey, 2000).

Global Talent and Emerging Markets

Taylor et al. (1996) first suggested a framework to integrate a firm's internationalization strategy with its HRM strategy. They suggested that more global, centralized firms would take an exportive approach to ensuring that standardized HRM practices would spread across the MNC's operations. Multidomestic, decentralized MNCs, in contrast, would seek to adapt HRM practices to each of the operating locations to better fit the local context. Finally, Taylor et al. (1996) posited that transnational firms operating as a globally networked organization would more likely take an integrative approach to international HRM (IHRM), developing global solutions based on what could be learned from local best practice. This framework was largely adopted as universal, explaining how MNCs go about internationalizing their HRM strategy. On entering emerging markets, however, research has noted a fourth potential internationalization strategy linked to HRM: a manipulative strategy.

In Vidovic's (2013 and 2015a) study of the employee management strategy of MNCs operating in emerging market subsidiaries, these four IHRM strategic approaches emerged: manipulative, exportive, adaptive and integrative. The approaches can be plotted on two dimensions: (1) degree of similarity of the HRM system between the headquarters and subsidiary, and (2) the degree of autonomy (or independence) that HR managers from subsidiaries have for shaping the HRM system in their subsidiary. The characteristics of four approaches according to these two dimensions are outlined in Figure 6.2.

The *manipulative* approach describes a situation in which the headquarters permits minimal autonomy to the subsidiary HR manager, while simultaneously maintaining a low degree of similarity of the HRM system between headquarters and the subsidiary. Although the headquarters has developed its own best practices to deliver competitive advantage, and is seeing good results from these practices in other countries, for a variety of reasons the choice to transfer these practices to emerging markets is not being made. The CHR department instead chooses to deliberately design a low-cost HR system in the subsidiary, presumably because the market conditions in the subsidiary host country allow it to build competitive advantage through people with minimal investment of time and effort. Adopting the manipulative approach is expected to raise a new set of challenges for HR and talent management, especially given the popularity of this approach among MNCs moving to emerging markets (Vidovic, 2015b).

The more familiar *exportive* approach also describes a situation in which the headquarters minimizes subsidiary autonomy, but the similarity of the HRM system between headquarters

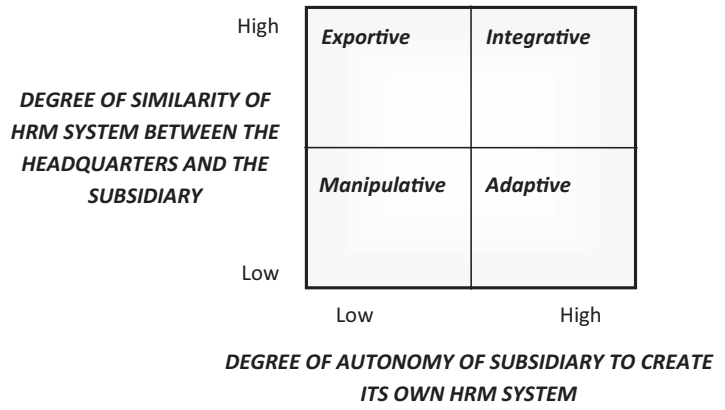

Figure 6.2 Strategies for Managing Employees in MNC Subsidiaries
Source: Based on Vidovic, M. (2013, 173)

and the subsidiary is high, i.e. best practices (rather than low-investment practices) are being transferred to the subsidiaries from headquarters. The *adaptive* approach permits a high degree of autonomy for the subsidiary, resulting in low similarity of HRM systems between headquarters and the subsidiary. In other words, the HRM system in the subsidiaries is designed to be completely adapted to the local context, using the local HR manager's expertise to design and develop appropriate practices. The final *integrative* approach also allows a considerable degree of autonomy for the subsidiary, yet simultaneously maintains high similarity of HRM systems between headquarters and the subsidiary. This strategy is aimed at recognizing and implementing the best HRM approaches from across the different operations of the MNC (both headquarter and subsidiaries), creating a universal HRM system that will be used by all.

The extent to which these four IHRM approaches in subsidiaries in emerging markets are used has been explored in one study based in Croatia, Central and Eastern Europe. Vidovic (2013) found that approximately half of the MNC subsidiary population was following the integrative approach, one-quarter a manipulative approach, and the remaining one-quarter had equal proportions of adaptive and exportive approaches. It should be noted, however, that a significant number of MNC subsidiaries refused to participate in the research, potentially reluctant to display their less-than-best-practice HR, creating the expectation that the proportion of subsidiaries adopting a manipulative approach could be considerably higher in reality. This leaves us with the question of how CHR's role might vary in implementing these different IHRM approaches.

The Challenge of Emerging Markets—Changing Roles of the Corporate HR Function

CHR plays a significant role in co-ordinating and monitoring the implementation of corporate GTM policies throughout overseas subsidiaries (Kelly, 2001). Based on the previous review of the CHR function, we identify four important roles (see also Figure 6.1), explaining how each might be related to the MNC's chosen internationalization strategy:

1. *Champions of processes:* Research at the major drinks multinational Diageo showed the importance of building the commitment of top management, providing coaching and training for managers, calibrating and equalizing talent across markets, enabling and aligning HR information systems and monitoring talent management processes (Sparrow et al., 2004). The latter point highlights CHR's role as '*champions of processes*'

(Evans et al., 2002: 472). Given the global competition context, the demand for higher skill levels amongst staff has led to the need to specify more closely the sorts of capital (human, social, intellectual and political) that constitute 'talent'. Competitive forces are also requiring organizations to take control of the skills supply chain through the use of more forward planning activity such as strategic workforce planning, market-mapping and employer branding (Sparrow and Balain, 2008). These drivers have raised the need for better horizontal co-ordination of tools, techniques and processes for talent management across internal functions. This in turn requires both effective management of global expertise networks and a designated *champion of processes* role to monitor the global implementation of a talent management strategy and related tools.

The *champion of processes* role is central to an IHRM approach that has high similarity of HRM practices between the headquarters and the subsidiary, in which CHR controls the firm's HRM practices worldwide. Similarly, the *champion of processes* would be important when subsidiaries have limited autonomy, whereby CHR initiates any HRM practice changes and decision-making. This describes the exportive IHRM approach in which CHR's role is critical for MNCs that opt for strong global integration and low local responsiveness.

2. *Guardians of culture:* HR has a social responsibility to ensure the organization is sensitive and equipped to deal with global challenges. Social context theory explains how corporate culture represents an organizational social environment which influences the establishment of an HRM system (Ferris et al., 1999). It is also a form of social control that encourages behaviours and attitudes appropriate for an organization's members to display (O'Reilly and Chatman, 1996), for example, international mobility. This creates a role for CHR as *guardian of culture* (Brewster et al., 2005), overseeing the implementation of global values and systems when it comes to developing a talent management culture and employer brand across the organization (Ulrich and Smallwood, 2007). The role of CHR in MNCs has also been found to encourage a culture of trust and motivation to work together, through the design of appropriate practices, processes and structures (Gratton, 2005). This gives CHR the opportunity to focus on 'talentship'—better human capital decision-making (Boudreau and Ramstad, 2006). CHR can therefore play a key role in encouraging a 'joined-up' approach to GTM across the whole organization; the *guardian of culture* role could be key to ensure the right approach to GTM across the organization, creating a climate in which people feel encouraged to be mobile but valued for their difference. These are crucial steps in breaking down the silo mentality that exists within firms today within business and geographic regions (Gratton, 2005).

   Linking the *guardian of culture* role to the IHRM approaches, this role could be highly effective when there is low similarity of HR practices in a subsidiary compared to headquarters along with high subsidiary autonomy, creating a need to ensure the organizational culture remains strong throughout the MNC despite a lack of centralized control. This reflects an adaptive IHRM approach, in which CHR needs to balance the idea of a strong organizational culture and the desire to adapt HR practices to the local environment. Yet, similar to the exportive approach, the adaptive approach is only infrequently adopted in subsidiaries in emerging markets (Vidovic, 2013).

3. *Network leadership and intelligence:* Network leadership is a term used by Evans et al. (2002: 471) indicating HR should have: an awareness of leading-edge trends and developments in the internal and external labour market, the ability to mobilize the appropriate human resources and a sense of timing and context (sensitivity to what is going on at both local and global levels). Firstly, although 'leadership' may not be the most appropriate

terminology here given the frequently cited limited powerbase of the HR function (Farndale, 2005), the importance of being well-networked is crucial. This includes being aware of events both inside and outside the organization, but also for CHR to take on the role of facilitating collaboration across the organization; HR's role in building social capital beyond organizational boundaries to encourage cooperation across the company and improve firm success has been recognized (Gratton, 2005; Lengnick-Hall and Lengnick-Hall, 2006; Mäkelä, 2007; Taylor, 2007).

Secondly, we would add the dimension of intelligence about networks to this role. The majority of talent services (such as market intelligence, search capabilities, sourcing tools and techniques) are now distributed externally across a host of specialized or outsourced providers, or internally (within projects that have initiated new practices). We argue that taking a more proactive stance, and knowing both the talent markets and the capabilities created by different providers and practices, is a key role requirement for GTM. This creates a networking role for the HR function as a boundary spanner (Kostova and Roth, 2003) between external providers and the organization.

Network leadership and intelligence is a key role for co-ordination between headquarters and subsidiaries, involving a high level of collaboration of HR experts from across the MNC's operations, working together to design a global HRM system that is at the same time responsive to local environments, yet globally integrated to provide a high similarity of HRM practices. This can be achieved by close collaboration of HR managers through frequent meetings and workshops, creating opportunities for innovating and applying best GTM practices. This is in line with an integrative IHRM approach, frequently reported as being adopted in emerging markets (Vidovic, 2013).

4. *Managers of internal receptivity:* Research on sectors (such as healthcare) that have learned how to source international labour into domestic markets, as well as research on inpatriation, shows that CHR can play an active role in the career management of international employees—encouraging mobility but also ensuring individuals are looked after in the process (in terms of the receptivity of the receiving units to manage diversity, career management, integration and work-life balance issues). The traditional male expatriate, mid-career, moving abroad possibly with family, is no longer the standard model. As more self-initiated movers and third country national (TCNs)/host country nationals (HCNs) become involved in international assignments, as well as these assignments taking different forms, a more complex but flexible approach to career management is required. CHR is ideally positioned to have the necessary overview across the organization to be able to manage this talent flow, by changing HR processes, challenging local mindsets and practices, and looking for new lower-cost forms of meeting international experience demands and skills shortages.

Reflecting on the *manipulative* IHRM approach, focused on cutting costs while still aiming to manage employees in a way that produces results, the *manager of internal receptivity* role could be critical here. This approach fits an MNC context in which there is low similarity of the HRM system between headquarters and subsidiaries as well as low subsidiary autonomy. Given that the manipulative approach provides MNCs with many opportunities to both control local practice and reduce cost, it is easy to understand why at least one in four subsidiaries in the Croatian emerging market would adopt this approach (Vidovic, 2013). In contrast, this approach also has many downsides, including employees opposing low-cost HR practices, especially when they are aware of co-workers in the headquarters benefiting from better working conditions and stronger organizational support for their performance. For example, Vidovic (2013) found that employee job satisfaction is lowest in MNCs

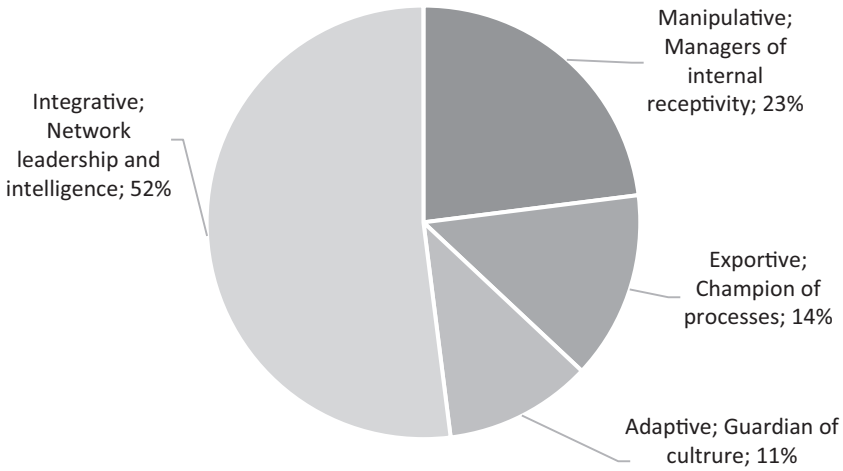

Figure 6.3 Presence of Different IHRM Approaches in Subsidiaries in the Emerging Markets with the Corresponding CHR Role

adopting a manipulative approach, compared to exportive, integrative or adaptive approaches. Therefore, CHR's role as *managers of internal receptivity* is to ensure that HR practices, although perhaps low-cost, are accepted by both management and employees in subsidiaries.

Overall, when trying to determine the most appropriate CHR role for tackling subsidiary talent management in emerging markets, we suggest the following order of priority of roles: network leadership and intelligence, managers of internal receptivity, champion of processes, guardian of culture, as shown in Figure 6.3.

A final comment on the four roles relates to how they overlap, whereby complementarities create added value:

- the forward planning to attract and retain talent of the champion of processes role combined with the development of a brand culture of the guardian of culture role highlights the importance of employer branding;
- the combination of building a culture of mobility of the guardian of culture role and creating receptive business units for the flow of talent of the managers of internal receptivity role highlights the importance of encouraging mobility;
- having networks in place to move people around (network leadership) at the same time as managing the flow of people and their careers emphasizes (managers of internal receptivity) the importance of managing staffing flows;
- global expertise networks emerge based on the combination of the ability to build specialist networks (network leadership) and having experts in the processes which facilitate GTM (champion of processes);
- by combining the forward planning part of the champion of processes role with the career management of the managers of internal receptivity role, this results in strong supply chain planning;
- and finally, the combination of building an appropriate GTM culture (guardian of culture) with the creation of networks to support this (network leadership) highlights the ability to build strong social capital through both cognitive and structural means.

Despite the emergence of these CHR roles, and the effort to analyse them through the IHRM lens, there is still confusion regarding the specific role that HR professionals in particular should play in GTM processes, which places question marks over the ability of CHR professionals to manage their own destiny. The questions over the role of corporate HR are even greater in the context of the recent challenge MNCs have started to face managing talent in emerging markets. Corporate HR professionals work alongside top management, who has the option of outsourcing some of their activities. Although HR Directors were found to be the primary decision-makers for outsourcing (GMAC, 2008), and can claim more insight into the risks involved in using external agencies given the complex compliance issues (such as immigration and taxes) involved in global resourcing, practitioner evidence suggests that HR's corporate impact is still declining (Guthridge et al., 2008). McKinsey found that the three key talent management activities carried out amongst high-performing firms are: ensuring global consistency in management processes, achieving cultural diversity and developing global leaders (Guthridge and Komm, 2008). However, this evidence comes from reports from practice, rather than empirical research.

The Importance of Context

Given these new roles and new operating contexts in emerging markets, what might CHR do to enhance its role in GTM? To advance our understanding, we explore relevant theory to explain how the approach of CHR to GTM varies in significant ways in different firms, based on their core competencies and strategies.

Our definition of GTM rests upon the resource-based view (RBV) (cf. Barney, 1991) of the firm, coupled with some premises from the organizational learning literature. The RBV of the firm argues that a series of organizational capabilities are necessary for successful globalization and that these capabilities require that a firm's internal processes, systems and management practices first meet customer needs and then direct both the skills and efforts of employees towards achieving the goals of the organization. Globalization is only possible when firms can transfer their distinctive knowledge assets abroad into new international markets, and talent management is one way of transferring these assets. If there is any strategic advantage to be found in a firm's HRM capability (its philosophy, policies and practices), then this HR capability must also be transferred into different geographies around the world. The capability to effect internal cross-border transfers of HRM practice (along with the knowledge needed to link this practice into local organizational effectiveness) becomes a core competence. This principle is considered to apply to a range of HR systems, talent management being one of the most important. The main differences that globalization makes to the nature of talent management are that firms must:

1. learn how best to co-ordinate and deploy their various capabilities and exploit them *in a large number of countries and markets*;
2. identify new resources *in untapped markets* that will strengthen their existing core competences; and
3. enhance existing competences by reconfiguring value-adding activities *across a wider geography or range of operations*.

In building these capabilities (akin to the Network Leadership and Intelligence and Managers of Internal Receptivity roles described earlier), we draw attention to three key issues: choice of capability strategy; political influence and control mechanisms; and regional co-ordination mechanisms.

Choice of capability strategy: Meyskens et al. (2009: 1448) argue that as MNCs have expanded their practices aimed at producing globally integrated but locally responsive staff, academic understanding has lagged behind, "even though global talent management trends have evolved in practice, IHRM theorizing has not kept pace". We believe this situation can be remedied by drawing upon an organization learning perspective. If the word 'talent' is substituted for the words 'knowledge' or 'resources' in the following outline, the dilemmas faced about the role of CHR functions in shaping GTM systems become clear. The RBV theory of the firm argues that although resources can provide a global advantage to the MNC as a whole, this is only true if the knowledge, skills and capabilities possessed by these resources can be leveraged appropriately. Here two competing positions may be held (Sparrow et al., 2004). The *capability-recognizing perspective* argues that whilst MNCs possess unique knowledge-based resources, these are typically treated as being home-country based or belonging to central corporate functions and top teams, there only to be disseminated on a need-to-know basis. The *capability-driven* perspective (also called the *dynamic capability* perspective) is concerned with a much wider process of building, protecting and exploiting *mutual* capabilities across geographies (between a corporate HQ and local operations), whereby the world becomes an important source for new knowledge and new markets. As the need for more local sourcing increases, the more a *capability-driven* as opposed to just a *capability-recognizing* system is needed for talent management. It is important to note that we reinforce the need for a *capability-driven* perspective, which implies strong bottom-up, culture-driven processes of talent management in addition to a more strategic, centralized perspective.

Moreover, despite the impact of the recent economic recession, academic treatment still refers to there being a global race (if not war) for talent. Lewin et al. (2009) examined the offshoring of high-value, knowledge-intensive work, noting that this has now become a routinized decision. Drawing upon research into the global location of R&D capabilities, they note that a capability-driven perspective (our language) can still mean that offshore assets may necessarily be under central corporate control (as part of an asset or home-base exploiting approach, where it is necessary only to adapt to local markets and to enable firm-specific capabilities to be exploited in foreign markets). In contrast, an asset augmenting or home-base augmenting approach requires the development of local links in order to improve home-base capability, through the benefits of knowledge spillovers. Talent shortages, in turn reflecting the changing demographics and geography of educational provision, have produced a new management intentionality away from just cost-saving objectives towards knowledge-seeking objectives aimed at maximizing the value of human capital. Put simply, recessions and cost pressures will have increasingly limited impact on the pursuit of global talent management strategies. Empirical evidence seems to support this (Aldred and Sparrow, 2009b). Supply, not just demand, will ensure the continuation of a broadened and more strategic approach to the seeking of talent on a global basis. Yet while recent research calls into question whether we can still talk about a 'war' for talent, it is suggested that more people on the labour market does not necessarily mean that employers can find the talent they are seeking. And the evidence suggests there is still a scarcity of high-level knowledge workers, particularly in the emerging markets (Beechler and Woodward, 2009; Horwitz, 2013; Teagarden et al., 2008). On the other hand, there seems to be a growing trend of emerging markets striving to become the factories of talent—not just factories for inexpensive manufactured goods, as Indian software designers and Chinese engineers become remarkably global and competitive (PWC, 2012). Also, there is a growing recognition that talent is likely to be dynamic in that it may change with changes in the business strategy and with organizational priorities (McDonnell et al., 2010). The analogy with the use of top-down and bottom-up global talent identification and deployment processes is clear.

Other IHRM researchers have also begun to adopt RBV-thinking to explain the advantages of adopting greater internal labour flexibility. Beltrán-Martın et al. (2009) have recently applied RBV-thinking to the question of internal labour flexibility (ILF). They adopt Huang and Cullen's (2001) definition of ILF as being concerned with the adaptability of the organization's workforce to face non-routine circumstances and events that demand creativity and initiative. They draw attention to three dimensions of an ILF capability that become important in determining the efficacy of the HR function when promoting workforce adaptability—it requires intrinsic flexibility of a resource (defined as a resource's "applicability in multiple situations" also called resource versatility); modification flexibility (defined as "the extent to which a resource can be easily transformed (with low cost and time) in order to be used in new circumstances"); and relational flexibility (which "facilitates the combinability of one resource with others") (Beltrán-Martın et al., 2009: 1581). We would note that such dimensions, without too much imagination, could be applied to the assessment of GTM processes and the way they build global talent, as one way of capturing the extent to which they truly draw upon multiple forms of international working and multiple talent populations.

However, Sparrow et al. (2015) showed that as the business model changes, so too does the strategic value that is attached to particular types of knowledge, and the way in which different types of knowledge have to relate to each other. It is only once knowledge and understanding about a business model has become internalized into an organization at the local level, and is supported by all of the supporting systems, structures and processes, that a deeper capability has been created. GTM strategies aimed at building underlying capabilities are then very dependent on the logics within the business model.

Nuancing elements of the business model: We noted previously that the champion of processes role describes the exportive IHRM approach in which CHR's role is critical for MNCs that opt for strong global integration and low local responsiveness. As research into globalization processes becomes inter-disciplinary in nature, our understanding is moving beyond simple models of global integration versus local responsiveness (GI–LR). Studies show that firms do not simply standardize or localize, but rather attempt to differentiate these strategies across different parts of the business model. A range of disciplines have added to this understanding (Sparrow et al., 2016). For example:

- The retail management literature explores issues such as the incentive for internationalization, modes of market entry, retail format transferability, organizational learning and strategic failure and divestment.
- Economic geographers have studied factors such as the impact of the host economy and institutional determinants on market entry, success and failure.
- Consumer researchers have looked at the global integration challenges in specific sectors. For example, in retailing, western retailers face structural challenges when they try and balance standardization and localization in order to replicate their lean retailing model in emerging markets. Structural factors include the dynamics involved in the formation of partnership alliances and their impact on store location, or the effect of under-developed infrastructure on distribution and logistics.

Being able to understand such nuancing of the business model in play is important. Shifts in the business model as part of a global strategy shifts the balance between corporate-wide or local manipulations, and as such require significant matching changes in the nature of HRM. These changes might be centrally planned and initiated, and therefore in need of corporate co-ordination, or they might actually be initiated at a local or regional level, again either on a planned basis or as the basis of an MNE learning that it needs to match its GTM strategy in the context of the nuanced modifications to its business model and operations.

One final note of caution on the need to understand the business model dynamics across borders is the observed reality that processes of globalization may be rapidly reversed dependent in business context. Sparrow et al. (2016) use the example of the banking sector to show that in the years before the global financial crisis, in an era of internationalism, there was rapid growth in the cross-border activity of banks. European banks held around one-third of their assets outside of their home market. There was a fairly rapid de-globalization after the financial crisis, with the ability and willingness of banks to compete across borders unravelling with this retrenchment representing a structural change.

In an empirical study of corporate roles in relation to GTM in the professional and financial services sectors, Sparrow et al. (2013) found that the de-globalization took place under three main forces of politics, regulation and deleveraging, but impacted the role of the corporate function significantly. Constituent businesses, facing different issues, saw each business re-empowered to determine its own talent strategy but with a changed central governance of the underpinning philosophy behind GTM based on new principles of risk management. In addition, the GI–LR balance varied for different GTM practices (and components within a single practice), based on successively deeper yardsticks: the need for explicit, mandated processes; use of common language and calibration judgements; application of diagnostic explanatory and informational frameworks; achievement of educational outcomes and actual behaviours. At a micro-component level, different elements of a GTM process could be intentionally positioned at different levels across the GI–LR continuum.

Political influence and control mechanisms: Different strategic approaches to GTM raise questions about the level of insight into business models and the formal versus informal methods of control for managing and aligning talent in MNCs, i.e. "talent proofing" the organization (Sparrow and Balain, 2008: 121). The definition of who is deemed to have appropriate business insight is an important control mechanism inside globalizing organizations, and of course in the absence of well-designed talent identification systems, a political decision. Globalization, and in particular the spread of IT, has allowed the creation of unexpected and sometimes disruptive business models (Magretta, 2002; Schweizer, 2005). As the knowledge component of industries continues to grow, it is lowering the barriers to entry in many sectors (Christensen et al., 2004). The growth of emerging markets has accelerated the need to build capability in these markets. These capabilities reflect the need for component knowledge, which refers to an understanding of the nuts and bolts of the operations of the business often associated with specific products or functions (Henderson and Clark, 1990). They also reflect the need for architectural knowledge, which refers to the ability to understand how the various components of the business model fit together at a corporate level. It is becoming increasingly difficult to disentangle the process of globalization from associated changes being wrought in business models. The CHR function has to understand the implications of *both* of these change processes. Concentrating on business process redesign and the changing location of work around the world can be misleading. A far more important driver of globalization, and one that will undoubtedly become more important in the future, is the process of business model innovation that is currently taking place. Clearly, this process has been made much easier once new options have been created through previous process streamlining, optimization or standardization of these processes, and decisions about sourcing and shoring.

Work on the role of CHR functions sheds some insight on how these capabilities are developed. In more polycentric MNCs, where the degree of integration and co-ordination by the centre is weaker and the central HR function smaller (Purcell and Ahlstrand, 1994; Scullion and Starkey, 2000), attempts are made to maintain control over the mobility and careers of international managers, but this is more fragmented and less systematic than in globally integrated companies. Particularly in this environment there is thus a need for HR to become an "effective political influencer" (Novicevic and Harvey, 2001: 1260) to be able to manage the internal labour market for global managers.

In addition, the co-ordination of international talent management strategies in highly decentralized MNCs is more problematic due to greater tensions between the short-term needs of the operating companies and the long-term strategic needs of the business (Scullion and Starkey, 2000). For example, in the French utilities firm EDF, a new system was introduced group-wide for managing expatriation. However, being a highly decentralized MNC, this system relied mainly on the informal influencing capabilities of CHR rather than on the system itself. However, the CHR function can become increasingly influential in persuading the operating companies to support strategic talent management initiatives. Interestingly, in these situations, informal and subtle management processes (Doz and Prahalad, 1981) are used to introduce a degree of corporate integration to talent management approaches in decentralized multinationals.

The particular challenges of GTM in highly decentralized MNCs can be further illustrated through an examination of the problems of managing repatriation, which are more complex in decentralized MNCs than in more centralized global companies (Scullion and Starkey, 2000). CHR often has less influence on the operating companies and is frequently not responsible for finding re-entry positions for expatriates, and there are less well-developed career and succession planning systems in the decentralized companies. There is little evidence that many MNCs manage repatriation in a strategic manner, and their ad hoc approach reflects the failure to integrate international assignments into an overall talent management framework (Farndale et al., 2010a; McDonell et al., 2010). However, as argued above, despite the formal organizational structures and decentralized philosophy of some firms, in practice the corporate HR function can exert significant informal influences to encourage operational managers and divisional managers to support corporate talent management activities (Storey et al., 1997).

For example, in a leading Irish building and materials MNC, senior operating managers were required to report directly to top management on the extent of their cooperation with strategic talent management objectives, which encouraged the development of a corporate rather than purely local perspective. This helped corporate HR managers to persuade divisional managers to release their high-potential people for developmental international assignments or to employ expatriates who had worked for other divisions. In the same company, networking meetings among HR directors of the different businesses were also encouraged to promote a more corporate outlook.

Regional co-ordination mechanisms: Here the question is whether HRM integration processes involve the introduction of predominantly parent company HRM practices, or the introduction of a mix of locally and regionally adjusted worldwide practices (Lu and Björkman, 1997). Much of the existing evidence suggests that MNCs actually, even in market terms, pursue regional not global strategies (Rugman and Verbeke, 2004, 2008), and this inevitably is reflected in a lack of truly global approaches to the management of talent. Semi-globalization implies a reality of "neither extreme geographical fragmentation of the world in national markets nor complete integration" (Rugman and Verbeke, 2004: 6). However, the recent creation of new intraregional and cross-regional flows of labour mean that it now becomes important to ask whether regionalization helps organizations pursue a 'transnational' HRM strategy, especially with regard to GTM. Integrating HRM systems with the wider MNC network is often slowed by the challenges inherent in a country's institutional and cultural idiosyncrasies. Arregle et al. (2009) examined the regional effect of location decisions by Japanese MNCs (from the semi-globalization perspective), finding significant and different considerations being exerted at this level. There were strong regional influences on agglomeration benefits (such as localized knowledge spillovers, social ties, transmission of knowledge and organizational practices) and on arbitrage decisions (reallocations of resources within an MNC's network of subsidiaries) between countries in the same region. There has been a lack of attention given to the regional dimension of internationalization processes (Enright, 2005). This observation clearly also applies to the globalization of talent management processes.

Yet research on the role of regional headquarters (RHQs) in 67 MNCs in one of the key regional markets (People's Republic of China—PRC) has evidenced benefits of regional integration (Braun et al., 2003). Managerial talent was one of the scarcest resources within China, which meant that in order to attract and retain the best managers before the competition did, introducing world-class HRM practices within their affiliates became a core task. MNCs utilized either their RHQs or newly established PRC holding companies to drive forward this integration process. The competencies developed over time at their RHQs were valuable to further the integration process. Rather than being utilized simply to advance regional strategies, regional corporate centres for these firms functioned as implementation instruments and *incubators for transnational HRM strategies*. Those MNCs that managed broad HRM practice integration also differed from others in that top management at corporate headquarters showed a more favourable attitude towards the transfer of HRM practices across national borders: the pursuit of 'transnational' or 'global' HRM strategies is strongly dependent on top management *viewing HRM competencies on a global level as a source of possible competitive advantage*.

Collings et al. (2008) developed the Scullion and Starkey (2000) corporate-level framework to pay more attention to *regional* international strategies. The study raised important challenges for CHR functions pursuing regional strategies:

- MNCs who follow regional strategies may still fall victim to the silo mentality in the sense that each region seeks to hold onto and protect its managerial talent within the 'regional silo'. This means that high-potential and key talent may never reach their full potential due to the lack of a GTM perspective. This failure to develop high-potential staff beyond the region limits the MNC's performance.
- Regiocentric strategies fail to allow the MNC to source talent outside the home region. This potentially limits the performance of the MNC as there is a failure to exploit the best talent within the MNC and to gain greater knowledge of other regions.

Research on the actions of CHR functions (Scullion and Starkey, 2000) also questions whether intermediate regional capabilities may be learned. Corporate HR exerted a more centralized control of senior management talent management, including expatriates, in a number of decentralized MNCs, reflecting a shift away from the highly decentralized approaches popular in the early 1990s. Many MNCs attempted to achieve greater integration and co-ordination across their operating units in response to their strategy to reorganize on regional lines, but key talent management activities such as senior management development and the international transfer of high-potential managers was increasingly controlled centrally.

MNC managers should reconsider the limitations of regional strategies in terms of the problems of exploiting regional talent through silo mentalities and a failure at corporate level to fully identify and utilize talent at the regional level (Collings et al., 2008).

Conclusion: The Major Challenges Facing the Corporate HR Function

Our review of the role of CHR in GTM in MNCs in different contextual settings highlights a number of important contingency variables: choice of capability strategy, political influence and control mechanisms necessary to develop appropriate business model insight, and alignment of talent management to the development of regional co-ordination. Each of these brings significant challenges. We now draw some conclusions about the major challenges and constraints facing the CHR role in the future and signal important areas for future research.

We have identified four specific roles for CHR in GTM: *champions of process*, *guardians of culture*, *network leadership and intelligence*, and *managers of internal receptivity* (see

Figure 6.1). The ultimate aim of MNCs is to build a core competence of being able to transfer capability across multiple countries, which involves monitoring the implementation of relevant policies and practices, encouraging an appropriate corporate culture, establishing the necessary networks and ensuring all parts of the organization are sensitive to the needs of international staff. This implies a formal role for both CHR and senior leadership. In general, we are seeing more centralization of talent management strategies, particularly at the regional if not global level (Collings et al., 2008). However, the importance of informal control in decentralized structures has also been shown to be crucial (Starkey and Scullion, 2000). This informal approach may be more difficult to achieve but highly effective. Future research should therefore focus in particular on the challenges and value of balancing both informal and formal forms of control over GTM in different types of MNC settings.

A further area of interest will be to explore the differential treatment of talent in emerging market subsidiaries, which as we have demonstrated seriously challenges the well-known concept of HRM systems in MNCs as either globally integrated or locally responsive, thus further adding to the already noted limitations of this concept in the literature. The pressures of keeping costs down, and opportunities to use emerging markets to source both highly skilled talent and low-skilled employees at lower cost as compared to the developed market conditions, navigates MNCs toward being more creative and less structured in finding the solutions to remain competitive. Research is needed to explore what these solutions might look like in greater detail.

One particularly important aspect of GTM is retention, especially in the emerging markets (Yeung et al., 2008). Research should examine how strategies of employee retention and engagement operate in the very different context of the emerging markets, which have considerably higher turnover rates than in developed economies (Bhattacharaya et al., 2008). For example, in one UK-based large engineering MNC operating in India and China, the CHR Director noted that it is Corporate's role to encourage engagement with the corporate brand on a global level, as well as there being local HR responsibilities for ensuring employees are engaged with their local manager and work unit. It will be interesting to explore further the extent to which employer branding is indeed seen as part of a firm's GTM strategy.

Trends towards increased local sourcing in GTM demonstrate the need to shift to a *capability-driven* perspective (Sparrow et al., 2004), which in turn entails a 'bottom-up' focus across the firm to participate in mutual sharing of talent and joined-up thinking and action with regard to GTM. Therefore, in addition to the top-down role of CHR and senior leadership, there needs to be employee-led processes whereby employees take the initiative to be part of the talent flow. Two of CHR's roles—those of *guardians of culture* and *network leaders*—become crucial in encouraging this. As recent GTM research has shown, the focus may be better placed on the key *positions* in the organization rather than the star *people* (Collings and Mellahi, 2009). Future research should explore whether by combining this focus with the appropriate culture and networks, CHR can facilitate the bottom-up movement of talent around the organization.

Given the importance of the CHR role, it is perhaps surprising that there is little evidence or discussion about how the CHR function measures success for GTM in different contexts (we have identified three important contingent variables). Once more we must rely on evidence from practice. Where MNCs appear to fail to develop appropriate talent management strategies for recruiting and managing international talent, they have been shown to be less likely to succeed in international business (Guthridge and Komm, 2008). To support the case for closer measurement of GTM, McKinsey reported that more activity in GTM activities across their ten dimensions was highly correlated with higher profit per employee (Guthridge and Komm, 2008). Further empirical research is needed in particular into how MNCs balance the short-term needs of operating businesses against the long-term strategic goals of GTM and alignment with corporate strategy and business models, and also how they balance global and local interests.

There is also growing evidence that an MNC's corporate social responsibility (CSR) activities are becoming an increasingly important way to attract and retain high-potential and high-value employees (Macey and Schneider, 2008). It is suggested that employees identify with a company more when they think that it is acting in a socially responsible manner and that CSR contributes to employee identification and pride in the company (Bhattacharaya et al., 2008). We have noted the incorporation of marketing activity, such as employer branding, into the GTM function and CHR role, but future research should also examine the links between CSR and talent management. This could be particularly fruitful in the emerging markets such as India and China, which have seen the infusion of managerial practices from around the world due to the increased openness to international trade and de-regulation.

Research is required on how the corporate HR function redefines it role and contribution in periods of global recession, where pressures to balance the need to manage strategic HR issues with the need to respond to short-term pressures to cut costs becomes more severe. Related to the most recent financial crisis of 2008/9 is the role of the CHR function in governance and risk management around GTM processes. For example, the forward planning of talent streams can reduce risk for the organization; however, ensuring a broader governance remit whereby the CHR function is accountable for ensuring fair, ethical and appropriate processes are in place to move talent around the organization may also become crucial as the firms directly affected by the financial crisis are having to exhibit stronger regulation of their activities (Boselie et al., 2013). Research should explore how strong this dimension has become within the CHR role.

There is also an urgent need for more empirical research on GTM strategies and practices in different cultural contexts around the world. New empirical and theoretical research into global talent management needs to be explored in the different contexts of Europe, Asia and North America. There is a need for further research on the role of the corporate HR function in emerging market MNCs (EMMNCs), whose rapid growth and growing footprint in global markets reflects the shift in the centre of gravity of the global economy away from developed markets to emerging markets (Tymon et al., 2010; Hewlett and Rashid, 2011). Future research should address the particular challenges faced by EMMNCs, such as acute shortages of leadership and professional talent, global leadership pipeline issues, over-dependency on local talent and lack of experience as global players (Horwitz and Budhwar, 2015). There is also a need to recognize that emerging markets are far from being a homogeneous group, and a recent study highlighted the diversity of TM approaches required in the Central and Eastern European region alone and the need to treat each country separately despite some similar barriers to the emergence of talent management, such as the continuing use of hierarchical structures, the lack of transparency in promotion systems and a low value placed on training and development (Skuza et al., 2013). More research is also required on approaches to enhancing the labour market participation and experience of marginalized and underutilized talent pools such as persons with a disability (Kulkarni and Scullion, 2015), as there is a dearth of research in this area.

Finally, there is a need for research in this area to pay more attention to the issues surrounding the attraction, development and retention of female talent, a topic surprisingly neglected in the literature when high competitive pressures and talent scarcity increasingly requires having the best talent in strategic roles (Linehan and Scullion, 2008; McKinsey, and Company, 2012). Also, gender diversity has emerged as a key issue in leadership research (Bohmer and Schinneberg, 2016; Hewlett and Rashid, 2011).This reflects the continuing paradox of shortages of leadership talent along with the persistence of discriminatory practices (McKinsey and Company, 2012). And despite the growing participation of women in the workforce and their growing representation in management in major emerging markets such as India, there is a dearth of research in this area (Valk et al., 2014; Rashid, 2010). Given the acute shortages of leadership talent in many emerging markets, future research is urgently required to examine the major

issues and challenges facing women employees seeking career advancement, not just at the organizational level on the HRM practices companies can use to enhance career opportunities for women but also at the individual level to better understand how women perceive the talent management policies of the companies and how they experience being part of the talent pool (Hewlett and Rashid, 2011; Vance and Mc Nulty, 2014).

In this chapter, a key challenge was to locate the current discussion and debate about the role of the corporate HR function in global talent management and to contribute to a more informed and critical research agenda in this area in the context of emerging markets and globalization. Future research is required, however, to explore how the changing competitive environment influences corporate talent management strategies both in developed and emerging markets.

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7

Developing Global Leadership Talent[1]

Paula M. Caligiuri and Lisa Dragoni

Introduction

Globalization is not a new business trend—the opportunities and challenges inherent in operating on an international scale have been chronicled by business leaders and academics alike for decades (Cascio and Boudreau, 2016). What is relatively new is the more explicit dialogue about how to best manage talent globally, commonly referred to as global talent management (GTM; Cascio & Boudreau, 2016; Collings et al., 2018). GTM entails identifying pivotal organizational roles that contribute disproportionately to the strategic success of the business, identifying, developing and retaining a talent pool capable of fulfilling these roles and achieving a unique HR global infrastructure to further advantage the organization over its competitors (Collings et al., 2018; Vaiman et al., 2012).

An urgent issue within GTM is developing leaders who can effectively work in complex, ambiguous and dynamic environments and lead those from different cultures and in different cultures. Roughly 30% of US-based companies have been unable to exploit global business opportunities due to a lack of their business leaders' global capabilities (Ghemawat, 2012), and one-third of global CEOs reported canceling global strategic initiatives due to talent-related concerns including the need for agile leaders (PWC, 2012). Developing global leadership competencies among those poised to assume pivotal global roles is an important strategic need in business today.

The concern regarding the short supply of global leadership competencies is exacerbated by the speed with which future leaders will need to be developed and the status of effectiveness in developing them. Global chief human resource officers identify "developing future leaders" as their most important deliverable for the future of their organizations' global competitiveness, stating that their "ability to identify, develop and empower effective, agile leaders is a critical imperative for CHROs over the next three years" (IBM Corporation, 2010: 4). They also, unfortunately, identified it as the least effective deliverable (IBM Corporation, 2010).

In addition to the recognition from heads of global companies and their HR counterparts of the criticality of developing global leadership, global leaders recognize that they need to develop these competencies in themselves. Over 13,000 professionals from 48 countries in 32 industries self-rated their effectiveness on 12 managerial tasks, and the three tasks with the

lowest ratings were the only three on the list that had an international or intercultural theme: integrating oneself into foreign environments, intercultural communication and leading across countries and cultures (DDI and The Conference Board, 2012). With a similar finding, the Economist Intelligence Unit surveyed business leaders around the world: 90% of them reported that "cross-cultural management" is their top challenge when working across borders.

Before understanding how global leaders can be efficiently developed, it is important to understand who they are and what they do. In an extensive review of the literature, Mendenhall et al. (2012) define global leadership as "the process of influencing others to adopt a shared vision through structures and methods that facilitate positive change while fostering individual and collective growth in a context characterized by significant levels of complexity, flow and presence" (p. 500) and a global leader as "an individual who inspires a group of people to willingly pursue a positive vision in an effectively organized fashion while fostering individual and collective growth in a context characterized by significant levels of complexity, flow and presence" (p. 500). Inherent in these definitions of global leaders and global leadership are the challenges associated with the strategic, dynamic and cultural contexts of working in different cultures and with people from different cultures.

This chapter highlights relevant research regarding some of the key global leadership competencies that need to be developed, how to develop them and individual characteristics to accelerate global leadership development. Each will be covered in the subsequent sections of this chapter.

Global Leadership Competencies

Research on those who work in a cross-cultural context such as expatriates, business travelers and global team members suggest that individuals who are effective in cross-cultural settings have demonstrated good personal adjustment, good interpersonal relationships with culturally different others and the effective completion of task goals (Thomas et al., 2008). Extended to global leaders who also work in a cross-cultural context, the similar patterns of competencies emerge. Bird and colleagues (2010) suggest that global leadership competencies include the competencies affecting self-management, relationship management and business management (Bird et al., 2010). With significant overlap, Kim and McLean (2015) organized the competencies into five clusters: intercultural, interpersonal, global business, global organizational and "other".

With respect to self-management, certain competencies affect the leaders' ability to maintain their composure and adjust to the ambiguity of working in multicultural and intercultural environments (Bird et al., 2010; Caligiuri, 2012). From the research on expatriates, we know that individuals who are living and working in foreign countries experience measurable physiological changes in their stress hormones, including increases in prolactin levels and decreases in testosterone levels when compared to those who are living in their home countries (Anderzén and Arnetz, 1999). Among global leaders in international assignees, managing emotional responses through emotional recognition and regulation is associated with higher adjustment (Matsumoto et al., 2003; Matsumoto et al., 2001; Yoo et al., 2006). Cross-cultural competencies such as tolerance of ambiguity and resilience improve global leaders' self-management, enabling them to work quickly and comfortably in different cultures and with people from different cultures.

Relationship-management global leadership competencies include those that affect an individual's multicultural and intercultural interactions at the group level and the ability to build strong dyadic relationships with people from different cultures (Bird et al., 2010; Caligiuri, 2012). These competencies were found to be particularly important across a variety of contexts. Among international assignees, those who were more extraverted and people-oriented were more successful and better adjusted to working internationally (Black, 1988; Caligiuri, 2000a; Caligiuri, 2000b; Shaffer et al., 2006). In a military context, McCloskey et al. (2010) found

that cross-cultural competencies related to relationship management including relationship-building, rapport-building and perspective-taking differentiates more cross-culturally effective soldiers and leaders from those who are less effective. Global leaders with cross-cultural competencies such as perspective-taking and humility are better able to develop relationships in different cultures and with people from different cultures.

With respect to global business and organizational management, these competencies affect the leaders' abilities to take an enterprise-wide mindset, operate from an international strategic perspective and lead multicultural teams (Bird et al., 2010; Caligiuri, 2012; Kim and McLean, 2015). Global leaders need to be able to integrate a wide range of dynamic factors from the organization and the local environment. This requires a high level of cognitive complexity, which enables leaders to understand and integrate broader bases of knowledge and balance the demands of global integration with local responsiveness (Dragoni and McAlpine, 2012; Levy, et al., 2007). Research suggests that global leaders need to have a variety of cultural responses available to them and that some tasks require different, not opposite, responses (Caligiuri, 2012; Levy et al., 2007). For example, tasks such as "interacting with external clients from other countries" and "maintaining a budget globally" might require opposite responses; the former requiring adaptation and the latter, possibly, requiring that the leader maintain an organizational standard while minimizing the effects of culture (Caligiuri, 2012).

Response management means that leaders respond with cultural agility, rather than always adapting to behavioral norms of the cultural context. Cultural adaptation is only one possible response and not always the correct one. At times, leaders might also use cultural minimization to communicate and influence in order to minimize the differences across cultures and maintain some necessary standard (e.g., safety, quality and ethics). In other situations, such as leading a team, the situation might dictate the use of cultural integration, where team and facilitation skills help create an entirely new approach, one which represents no individual's culture completely.

Sample cross-cultural competencies from the dimensions of self-management, relationship management and business management are illustrated in Table 7.1.

How Global Leadership Competencies Are Developed

When considering how the global leadership competencies are developed, it is useful to remember that each competency (not just global leadership competencies) is composed of knowledge, skills, abilities and other individual characteristics (KSAOs). This is important because KSAOs range on their mutability, their ability to develop or change. For example, tolerance of ambiguity is a global leadership competence that is, in part, comprised of emotional stability. Emotional stability is a relatively immutable personality characteristic. Tolerance of ambiguity is also, in part, comprised of cultural understanding. Cultural understanding is rooted in knowledge which is, unlike personality, more mutable and therefore more likely to be gained through didactic training and traditional developmental opportunities (Landy and Conte, 2004). Therefore, when we talk about global leadership development, we need to think about both what the individual leader has from the perspective of *individual differences* and what the individual leader has experienced from the perspective of *training and development*.

Furthermore—and borrowing from the research on leader development, where it has been shown that individual characteristics partly determine how much a particular leader gains from key experiences (e.g., DeRue et al., 2012; Dragoni et al., 2009)—it is likely that global leaders with the right underlying personality characteristics are able to make the greatest strides in developing cross-cultural competencies through opportunities for training and development. This suggests an aptitude × treatment interaction approach, whereby the level global leaders have of a given attribute will affect how they respond to instructional methods, treatments or

Table 7.1 Cross-Cultural Competencies of Global Leaders

Category of Cross-Cultural Competencies	Sample Competencies	These Competencies Enable a Global Leader To. . .
Self-Management Competencies	Tolerance of ambiguity Self-efficacy Cultural curiosity Resilience	Manage emotional responses in complex and ambiguous cross-cultural environments.
Relationship-Management Competencies	Perspective-taking Mindful communication Ability to form relationships Humility	Connect with others from different cultures, communicate appropriately, build trust and gain the necessary credibility to lead.
Business-Management Competencies	Ethical decision-making Ability to network globally Ability to adapt, hold a standard, or integrate cultural norms, as needed. Receptivity to diverse ideas Ability to foster innovation Ability to influence stakeholders	Account for the business strategy, the key elements of the culture and the interconnected system of the context, which includes laws, regulations, level of education and similar factors. Understand the ultimate professional goal and respond in a manner that will have the intended outcome.

Adapted from Bird (2013); Bird et al. (2010), Caligiuri (2012), McCloskey et al. (2010) and Osland, Bird, Mendenhall and Osland (2006).

interventions (Snow, 1991). In the context of global leadership development, individuals' factors (such as personality characteristics and motivation) interact with training and development to produce a different developmental result (Caligiuri, 2006). In other words, global leaders' personality and motivation can affect the extent to which a training or development experience increases cross-cultural competencies. In the subsequent sections of this chapter we will discuss developmental opportunities (cross-cultural training and cross-cultural experiences) and also individual differences such as personality characteristics and motivation.

Developmental Opportunities

There are a variety of approaches for developing global leaders including cross-cultural training and cross-cultural experiences. With respect to cross-cultural training in organizations, it is most frequently offered to international assignees prior to their assignments abroad. Cross-cultural training is often offered in a face-to-face training session, but more commonly now organizations are using online cross-cultural training. With respect to development, international assignments are the most common developmental opportunity organizations offer future global leaders. However, we are now seeing a greater use of short-term international assignments in global project teamwork for the purpose of development. These experiences entail moving talent within the organizations across geographies to build the global competitiveness of the firm and is becoming seen as central to global talent management (Collings, 2014). In this chapter we will first discuss cross-cultural training and then discuss cross-cultural developmental experiences.

Cross-Cultural Training

Cross-cultural training is any instructional method such as courses, orientations, coaching or online tools, designed to impart the ways in which cultures differ generally or the way any given

culture differs from one's own specifically. Cross-cultural training will help global leaders interpret the behaviors of others in a different cultural context and learn to respond quickly. Roughly 74% of organizations are offering cross-cultural training for their international assignees (some of whom are global leaders). There are two types of cross-cultural training: culture-general cross-cultural training and culture-specific cross-cultural training. The former offers a basis for global leaders to understand the ways in which cultures differ. The latter provides instruction on how to behave in a given cultural context.

Culture-general knowledge, offered though c*ulture-general cross-cultural training*, is defined as knowledge of the societal-level values and norms on which most cultures vary (some examples include Kluckhohn and Strodtbeck, 1961; Hofstede, 1991; Hampden-Turner and Trompenaar, 1995). Culture-general training provide a framework for understanding cross-cultural differences and also instructs global leaders on how to interpret overt manifestations of cultures, such as values, rites, rituals, symbols, stories and the like. Thus, the extent of understanding of how cultures differ is the level of one's culture-general knowledge. In addition, culture-general training may help global leaders develop the most appropriate approach for coping with the uncertainty, often inherent when working with people from different cultures or in foreign countries (Earley, 1987), and may help leaders form realistic expectations for their cross-national interactions and experiences (Black and Mendenhall, 1990; Black et al., 1991; Caligiuri et al., 2001). Training also enables leaders to practice new behaviors. For example, cross-cultural role-playing exercises develop cross-cultural competence when individuals are given the chance to practice new cultural behaviors (Bücker and Korzilius, 2015).

Culture-specific cross-cultural training is different from culture-general training because it provides global leaders with knowledge about a specific culture or country. This type of training will ready global leaders for their work in a given culture by providing knowledge of how to best perform their leadership tasks, such as negotiating, motivating and influencing (Black and Mendenhall, 1990; Kealy and Protheroe, 1996). From the perspective of cultural anthropology, culture-specific training helps global leaders understand the underlying cognitions of those from different cultures. These underlying cognitions represent "the deepest level of culture" that include "the perceptions, language, and thought processes that a group comes to share will be the ultimate causal determinant of feelings, attitudes, espoused values, and overt behavior" (Schein, 1990: 111). Without this type of cross-cultural training, these deeper cognitions are oftentimes difficult to see and understand. The extent of understanding of a given country's culture is the level of the global leaders' culture-specific knowledge.

Recent research, based on absorptive capacity, has found that both timing and sequencing of cross-cultural training is important for cross-cultural training to be effective. When cross-cultural training is offered without the global leaders having a prior context for the information they are receiving, they have difficulty absorbing the knowledge and the importance of that knowledge. It is better for global leaders to be trained in a way which builds from their prior knowledge. For example, it is helpful to understand how cultures differ generally, before trying to understand the deeper cognitions of any culture specifically. Timing of cross-cultural training is also important from the perspective of the absorptive capacity. Among international assignees, cross-cultural training delivered in country produced better results because the international assignees could better sense and feel the cross-cultural differences. Roughly half of organizations are offering cross-cultural training to their international assignees once they are in the host country.

Cross-Cultural Experiential Opportunities

Cross-cultural experiential opportunities are those activities or events that require the leader to transcend national boundaries (Dragoni et al., 2013; Dragoni et al., 2009; Shaffer et al.,

2012). These cross-cultural experiential opportunities may involve physically going to another country to complete a longer-term job assignment, a short-term international assignment (Tahvanainen et al., 2005) or for international business travel (e.g., Gregersen et al., 1998). Additionally, they may provide exposure to various national cultures and their associated economic, legal and political infrastructures yet not demand extensive travel. These types of cross-cultural experiences may include opportunities for leaders to manage from their home countries globally available products or services, oversee the operations in different geographies, work on projects that involve stakeholders from multiple countries (e.g., Dalton and Ernst, 2004) and be mentored by someone from a different culture (e.g., Caligiuri and Tarique, 2009), and they require global leaders to psychologically transcend national boundaries to make globally aware and appropriate business and interpersonal decisions. According to Kayes, Kayes and Yamazaki (2005), managers learn from cross-cultural experiences through a variety of knowledge absorption abilities, including valuing different cultures, building relationships, listening and observing, coping with ambiguity, managing others, translating complex ideas and taking action. These cross-cultural experiential opportunities vary in terms of their quantity (e.g., tenure, amount of times a task has been performed) and quality (i.e., diversity in experience, challenge inherent in the experience; Tesluk and Jacobs, 1998).

Amount of Experience

It has been reasoned that the amount of experience is critical in facilitating leaders' development of an expanded perspective of various national cultural value systems, languages and institutional environments, thereby making them more effective global leaders. Indeed, indirect evidence supports this contention, showing that executives' amount of international experience is positively related to their firm's financial performance on several important indicators (e.g., Carpenter et al., 2001; Daily, Certo and Dalton, 2000; Sambharya, 1998). And, while the time spent on cross-cultural experiences is thought to be beneficial, it is not enough to bring about substantial development among global leaders. Critical to learning from time spent in a particular cross-cultural experience is having adequate challenge or being exposed to some form of novelty (e.g., Sonnentag, 2000; Tesluk and Jacobs, 1998). The cross-cultural experiences that prompt "trigger events", those situations which force global leaders to question their assumptions, change their behaviors and grow are the most important for development (Reichard et al., 2015).

Exposure to countries that differ quite dramatically in terms of the predominant societal values from one's home country broadens and deepens global leaders' cultural and international perspective (Gupta and Govindarajan, 2002). Exposure to cultural novelty provides global leaders with a set of cultural contrasts through which leaders begin to develop more elaborated cognitive structures that represent more advanced levels of leadership expertise (Lord and Hall, 2005). It is believed that these cognitive structures enable leaders to process and leverage the time they spend in cross-cultural experiences more effectively. Dragoni and her coauthors (2013) found empirical support for this idea: with a sample of over 200 upper-level leaders, Dragoni and her coauthors found that the time leaders spend on (1) international assignments, (2) working in a multicultural environment, which challenges the leader to consider an unfamiliar institutional environment, and (3) building productive working relationships with those with a different cultural background relates to higher levels of leadership competencies for only those leaders who have been exposed to culturally novel countries. On the other hand, the time leaders spend in these same cross-cultural experiences does not translate into higher leader effectiveness for those leaders with limited experience in culturally novel environments. Leaders with the greatest level of international work, job and organizational experiences are the most effective in subsequent global roles (Takeuchi et al., 2018). Similar to cross-cultural

training, having experiences that expose leaders to countries that are culturally distinct from their own helps "ready" global leaders to learn from other types of cross-cultural experiences.

Quality of Experiences

In addition to the amount and the novelty of cross-cultural experiences, it is also important to consider the quality of those work experiences. Both social learning theory (Bandura, 1977) and the contact hypothesis (Allport, 1954) provide the theoretical basis for understanding the mechanism by which cross-cultural experiences become "high-quality experiences" which lead to the development of cross-cultural competencies. The important element these two theories have in common is that learning occurs through interactions with people from different cultures or high-contact experiences. Social learning theory (Bandura, 1977) proposes that individuals learn and develop by engaging with their surroundings. Applied to the development of global leadership competencies, learning occurs when leaders can practice newly learned behaviors in the intercultural or multicultural context, when they can receive feedback (e.g., from peers or mentors) and when the environment is professionally or emotionally safe to take risks and possibly make a mistake (Caligiuri and Tarique, 2009; Maznewski and DiStefano, 2000). This support for learning takes a variety of forms, whether in helping leaders accurately reflect, manage more effectively in their assignments, or build self-awareness through assessments and the like (Matsuo, 2015). Consistent with social learning theory, cross-cultural experiences with greater cross-cultural interaction or contact are related to greater cross-cultural adjustment (Caligiuri, 2000b) and self-reported global leadership success (Caligiuri and Tarique, 2009).

From a social learning perspective, individuals who participate in high-contact, organization-initiated cross-cultural experiences are more likely to retain and reproduce the learned skills and behaviors through greater opportunity. It follows that the more individuals engage in these high-contact cross-cultural experiences, the more opportunity they have to practice the modeled behavior and to refine the ability to reproduce the modeled behavior at a later time in the appropriate situation (Caligiuri and Tarique, 2009). When extended to the way in which business professionals gain global leadership competencies, the basic principles of the contact hypothesis lead to the same conclusion as the application of social learning theory—that high contact is critical for an experience to be developmental. The contact hypothesis suggests that the more peer-level interaction (or contact) people have with others from a given cultural group, the more positive their attitudes will be toward the people from that cultural group (Amir, 1969). Contact theory further suggests that the experiences should offer meaningful peer-level interactions, opportunities to work together toward a common goal and an environment that supports the interactions (Pettigrew and Tropp, 2006).

Taken together, high-quality cross-cultural experiences are opportunities for business leaders to engage in significant and meaningful interactions with people from different cultures (i.e., the contact hypothesis) and identify, learn and apply diverse culturally appropriate business behaviors (i.e., social learning theory). Higher-quality cross-cultural experiences lead to the leaders having a better opportunity to develop cross-cultural competencies.

Individual Characteristics That Accelerate Development of Global Leadership Competencies

Following from this aptitude × treatment interaction theory, individual differences (in the case of global leadership development) would accelerate the development of a leader's cross-cultural competencies from cross-cultural developmental experiences. Specific individual differences, particularly the more immutable *personality characteristics*, *motivation* and *learning*

styles, are related to both leaders' success in a cross-national context and their ability to accelerate development from the cross-national context.

Personality Characteristics

Personality characteristics predispose humans to have the tendency to behave in certain ways across a variety of situations (e.g., Buss, 1989; Costa and McCrae, 1992). While many personality characteristics exist, research has found that five factors provide a useful typology or taxonomy for classifying them (Digman, 1990; Goldberg, 1992; 1993; McCrae and Costa, 1987, 1989; McCrae and John, 1992). These five factors have been found repeatedly through factor analyses and confirmatory factor analyses across time, contexts and cultures (Buss, 1989; Digman, 1990; Goldberg, 1992, 1993; McCrae and Costa, 1987, 1997; McCrae and John, 1992) and are labeled "the Big Five". The Big Five personality factors are: (1) extraversion, (2) agreeableness, (3) conscientiousness, (4) emotional stability and (5) openness or intellect.

In the case of international assignees, these Big Five personality characteristics have shown a relationship to adjustment, performance and willingness to complete the assignment (Black, 1990; Caligiuri, 2000a, 2000b, Church, 1982; Mendenhall and Oddou, 1985; Ones and Viswesvaran, 1997). These personality characteristics are likely to underlie leaders' ability to develop cross-cultural competencies during experiential opportunities, such as international assignments. Consider, for example, that many global leadership tasks have a social component (e.g., working with colleagues from other countries, supervising employees who are of different nationalities). Those higher in the personality characteristic of extraversion have a greater natural ease with social demands and may be more willing to put forth the effort necessary to interact effectively with people from different countries. Likewise, the ability to form reciprocal social alliances is achieved through the personality characteristic of agreeableness (Buss, 1989. Global leaders who are more agreeable (i.e., deal with conflict collaboratively, strive for mutual understanding and are less competitive) report greater cross-cultural adjustment (Caligiuri, 2000a, 2000b; Ones and Viswesvaran, 1997; Black, 1990; Tung, 1981) and are likely to have greater success on global leadership tasks involving collaboration (e.g., working with colleagues from other countries).

Those higher in conscientiousness will demonstrate greater effort and task commitment. Given the higher level of complexity, global leadership tasks (e.g., managing foreign suppliers or vendors) will likely require more effort than comparable tasks in the domestic context (e.g., managing domestically based suppliers or vendors). Emotional stability is a universal adaptive mechanism enabling humans to cope with stress in their environment (Buss, 1991). Given that stress is often associated with leadership in ambiguous and unfamiliar environments, emotional stability is an important personality characteristic. For a global leader, the ability to correctly assess the social environment is more complicated given that the global context provides ambiguous or uninterpretable social cues (Caligiuri and Day, 2000). Individuals with greater openness will have fewer rigid views of right and wrong, appropriate and inappropriate, etc. and are more likely to be accepting of diverse cultures (e.g., Abe and Wiseman, 1983; Black, 1990; Cui and van den Berg, 1991; Hammer et al., 1978).

In the context of global leadership development, personality characteristics predispose individuals to be open and receptive to learning the norms of new cultures, to initiate contact with host nationals and gather cultural information, and to handle the high amounts of stress associated with the ambiguity of the host national environments. Personality characteristics can enhance (or limit) an individual's ability to be effective on the tasks of the assignment—and to reap (or not) the developmental benefits of having been given a developmental opportunity. In the context of developing global leaders from international assignments, a study found that the

personality characteristic of openness affects the amount of cross-cultural learning and cultural adjustment international assignees experience while on global assignments (Caligiuri, 2000a). This study found that the linear relationship between contact with host nationals and cross-cultural adjustment is moderated by the personality characteristic of openness—and suggests that not all people benefit equally from developmental cross-cultural experiences. Other studies found that those who work successfully internationally tend to share certain personality characteristics such as openness, sociability and emotional stability (Caligiuri, 2000a, 2000b). In this case, possessing a set of personality characteristics may be necessary for a person to experience the developmental benefits from living and working internationally.

Personality traits are also related to learning outcomes from training programs (e.g., Fleishman and Mumford, 1989; Salas and Cannon-Bowers, 2001; Colquitt and Simmering, 1998; Barrick and Mount, 1991), which might affect the success of cross-cultural training. Barrick and Mount (1991) found that the personality traits of conscientiousness, extraversion and openness were related to training proficiency, and Salgado's (1997) meta-analysis found that the personality traits of openness and agreeableness predicted training proficiency. In these studies, possessing certain personality characteristics was related to increases in knowledge, skills and abilities.

While it is reasonable to assume that leaders can develop cross-cultural competencies through cross-cultural training and developmental opportunities, it is important to remember that the personality components of those cross-cultural competencies are less likely to change. For example, Caligiuri and DiSanto (2001) found that personality characteristics did not change as the result of a developmental international assignment, while knowledge and abilities did change. Given that certain personality characteristics may be necessary for global leadership development to occur and that personality characteristics are not likely going to change from the typical training and development methods, it is important to select individuals for personality characteristics.

Motivation

Individuals vary in their motivation to engage in developmental cross-cultural activities such as working on global teams and accepting international assignments (Aryee, Chay, and Chew, 1996), and their level of motivation could potentially affect their job performance (Chen et al., 2010). Suutari and colleagues found that some individuals have an international career orientation, which is a deep psychological motivation to have a global career, engage in international assignments, work with those from different cultures and work on projects with global scope (Suutari, 2003; Suutari and Taka, 2004; Suutari et al., 2012). They found that leaders with international career orientations seek out and self-initiate cross-national experiences, which, in turn, can be highly developmental.

For global leadership development, understanding global leaders' inherent motivation for accepting international activities is important. For example, only half of those who accepted international assignments had international career orientations. The other half accepted international assignments out of a sense of duty to the organization or to boost their income (Suutari, 2003). Given that much of the development occurs in cross-national opportunities when global leaders seek out interactions and that these interactions are oftentimes self-initiated, having the appropriate motivation is critical for development.

Learning Styles

The learning derived from even the highest quality developmental experience may depend, in part, on global leaders' learning agility, their willingness to learn from the environment

and adapt their learning style. Leaders' learning agility is an ability and willingness to learn from experience and apply that new knowledge. Higher levels of learning agility are related to leaders' higher compensation and career growth trajectory (Guangrong et al., 2013), and it plays a fundamental role in learning through novelty of a cross-cultural situation. Armstrong and Yan (2017) found that the global managers with an adaptive learning style were better able to adjust to the "changing circumstances, competing demands, and environmental complexity" (16), which, in turn, would foster intercultural learning. Another study found that global leaders with cultural humility were more likely to develop through the support and feedback offered in a host national work environment (Caligiuri et al., 2016). Thus, the style in which leaders approach their cultural learning will affect the extent to which they derive a developmental gain from experiences.

The Future of Research and Practice in Global Leadership Development

The need for developing global leaders is higher than ever before. Researchers and practitioners alike should work to fully understand the nature of cross-cultural competencies, the way in which they are really developed, and how to measure and leverage them once gained. To provide greater relevance for the practice of global leadership development, it is critical for researchers to understand the underlying KSAOs of cross-cultural competencies. This knowledge would enable a better integration of HR practices, selection for immutable personality characteristics and development for those dimensions of competency that can be changed. To date, while we know personality characteristics will accelerate the development of global leadership competencies, few organizations engage in selection and assessment for those immutable personality characteristics.

Further research on the quality of international experiences is necessary to better understand how to develop both developmental and supportive human resource practices. For example, many of the support practices designed to encourage adjustment of international assignees during developmental assignments remove the developmental properties of the assignment. Expatriate housing might be a welcome respite from the challenges of living in the host country, but the location might limit the development of an individual's global leadership competencies. Time spent in expatriate housing, in this case, becomes an inaccurate proxy for the development of cross-cultural competencies.

While international assignments are the most frequently used method for developing global leaders, new practices in global leadership development should be explored. For example, some organizations are beginning to use international volunteer assignments to develop global leaders. The nongovernmental environment in the host country provides leaders with opportunities to stretch their ability to perform in a unique context, thus fostering the development of new capabilities (Pless et al., 2011; Caligiuri et al., 2013). An evaluation of PriceWaterhouseCoopers' "Project Ulysses" service-learning program found that international volunteer assignments gave employees "exposure to adverse situations, forcing participants out of their comfort zones, confronting them with cultural and ethical paradoxes, and motivating them to change their perspectives on life and business" (Pless et al., 2011: 252).

Future research should investigate the best way to measure cross-cultural competencies. These measures could be used to examine global leadership effectiveness and the transfer of knowledge upon completion of a developmental experience such as an international assignment (Lazarova and Tarique, 2005). Validated measures could also assess change over time of cross-cultural competencies (Caligiuri, 2012) and be used in performance management using multisource feedback on leadership competency development (Dai et al., 2010; Vries et al., 2004), which would be helpful for both research and practice.

There is a shortage of global leaders who can effectively lead in today's complex and ambiguous global environment. Operating in today's business world entails having a broad base of sophisticated competencies in self-management, relationship management, business management and response management. These skills can be acquired through various developmental experiences—ranging from cross-cultural training to job experiences that entail transcending national boundaries—and those leaders with higher levels of cross-cultural motivation and personality traits, such as openness to experience, extraversion, emotional stability, and conscientiousness, are likely to gain the most from these types of experiences. And, while some promising insights into global leader development have been gained so far, we need to more fully understand the nature of cross-cultural competencies, what specific types of experiences are most helpful for developing these competencies and how to validly assess them. Greater research-based insight into these issues could better guide senior executives of large multinational firms as they figure out how to most effectively develop a strong pipeline of global leaders that can best strategically position their firm not only for today but for tomorrow.

Note

1. This chapter is updated and reprinted with permission: Caligiuri, P. & Dragoni, L. (2015). Global leadership development. In D. Collings, G. Wood, & P. Caligiuri (Eds.) *Companion to International Human Resource Management* (Routledge).

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8
Global Talent Turnover

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Introduction

Research on employee turnover started in the 1950s, with over 15,000 academic studies addressing the topic to date (Holtom et al., 2008). The motives for voluntary turnover among key employees with scarce skills and competencies—often referred to as the 'talents' of an organization—started to became a key concern in the 1990s. The economic growth at the end of the 19th century increased the demand for people who could fill arising positions, while at the same time, the supply for people able to fill these positions was scarce (Cappelli, 2008). Talents are commonly defined as "a pool of employees who rank at the top in terms of performance and competencies, and are therefore considered leaders or key professionals either at present or at some point in the future" (Björkman et al., 2013: 195). In the strategic HRM literature, talents are said to have high intra-organizational social capital (i.e., occupy key structural and relational networks in their organization (Cross and Cummings, 2004; Oldroyd and Morris, 2012)), valuable and rare human capital (i.e., knowledge, skills, and abilities), and considered a core asset, embodying unique resources of high strategic value embedded in a differentiated human resources (HR) architecture (Lepak and Snell, 2002).

Besides the ability components (i.e., high performance, high human and social capital), talents are characterized as also having affective components (Nijs et al., 2014), which refer to an employee's interests, needs, and motivation to invest energy in development. In the following we refer to this as individuals' learning or development orientation, which is defined as "individuals strive to understand something new or to increase their level of competence in a given activity" (Button et al., 1996: 26). The retention of such key employees is argued to be an essential objective of talent management (Hatch and Dyer, 2004; Lepak and Snell, 2002; Wright and Snell, 1991).

Griffeth and Hom (2001) distinguish between two types of employee turnover: voluntary and involuntary turnover. Voluntary turnover refers to job separations where employees freely choose to leave the job, whereas involuntary turnover refers to terminations that are initiated by the employer (i.e., layoffs or dismissals). Since talents are considered to be of high value for the organization, turnover of talents is unwanted and not initiated by the employer. Accordingly, we define talent turnover as a talent's voluntary, self-initiated resignation from an employment relationship, undesired and unwanted by the organization.

Talent turnover is inversely related to talent retention, which does not mean, however, that they are conceptual opposites. While turnover research investigates mainly why employees voluntarily leave organizations, retention research focuses on why employees choose to stay in an organization (Harman et al., 2007). Cardy and Lengnick-Hall (2011: 213), among others, concluded that

> the factors that might lead an employee to leave a job may be different from factors that lead an employee to stay and be a committed organizational citizen. . . . There are important differences between efforts to increase retention versus efforts to reduce turnover.

While investments in talent retention are proactive and aimed at creating a 'sticky' environment by addressing employee needs, the prevention of voluntary turnover is primarily motivated by reducing costs created by employees unexpectedly leaving the organization (Cardy and Lengnick-Hall, 2011).

The identification of factors that lead to voluntary turnover in general is especially relevant for organizations, since voluntary turnover has been found to create considerable replacement costs (Allen et al., 2010), lead to loss of social capital (Shaw et al., 2005), and reduced firm performance (Hancock et al., 2013; Heavey et al., 2013).

While the cost of 'regular' employee turnover has been estimated to be 90% to 200% of an employee's annual salary based on the type and level of job (Allen et al., 2010; Cascio and Boudreau, 2010), the replacement costs associated with talent turnover are believed to be much higher for several reasons. First, talents possess skills and competencies that are scarcely available on the labor market (Cappelli, 2008). Moreover, the harm for the organization until the position is replaced is greater since talents' (potential) impact and contribution to the organization's competitive advantage are assumed to be much larger (Collings and Mellahi, 2009).

Although voluntary turnover is the most frequently reported human capital metric (Boudreau, 2013), its measurement relatively straightforward and tracked by most organizations (Frank et al., 2004), surprisingly little research exists focusing specifically on talent turnover and separating it from voluntary turnover of 'non-talents' (Thunnissen et al., 2013). This may be unfortunate in light of talents' particular role as unique contributors to beneficial individual and organizational outcomes, and as such, future research attention to this issue is warranted.

With the intention to encourage research on talent turnover, this chapter provides a review of existing literature on talent turnover and identifies opportunities for future research. We start by defining our core construct—talent turnover—and distinguish it conceptually from talent retention. We present the core empirical findings from turnover research and discuss boundary conditions and consequences. We conclude with implications for future research on talent turnover.

Conceptualizing Talent Turnover: What Is It (Not)?

Voluntary vs. Involuntary Turnover

Voluntary turnover refers to employees' conscious withdrawal from the employment relationship, as opposed to involuntary turnover, which is an employer-initiated termination of an employment (i.e. dismissals or layoffs) with little or no personal say (Griffeth and Hom, 2001). Voluntary turnover can be further distinguished into functional and dysfunctional turnover. The turnover of employees performing under expectations is considered to be functional, while the turnover of effective performers is considering to be dysfunctional. Griffeth and Hom argue that organizations should focus on voluntary dysfunctional turnovers when assessing if turnover is a problem in an organization or not.

One of the first formal theories of voluntary turnover was the classical theory of organizational equilibrium developed by March and Simon (1958). Within this theory, voluntary turnover is portrayed as a linear, rational decision-making process. March and Simon (1958) identified two main antecedents of voluntary turnover: the desire to leave (i.e., job satisfaction) and the ease of leaving (i.e., job alternatives). The assumption of a rational, linear decision-making process for explaining turnover was soon criticized for not adequately reflecting the way turnover decisions actually evolve in the minds of employees (Harman et al., 2007). Indeed, studies referring to linear process models have been found to explain only little of the variance in actual turnover (Griffeth et al., 2000).

In 1994, Lee and Mitchell presented an alternative, more dynamic theory about employee voluntary turnover: the unfolding model of voluntary turnover. The unfolding model of turnover integrates attitudinal, behavioral, and contextual antecedents and consequences of turnover over time. In contrast to classical theories, it conceptualizes the decision-making process to leave an organization as intuitive and routine-based, rather than purely rational. The unfolding model of turnover provides potential antecedents for turnover that cannot be explained by job dissatisfaction, and gives explanations for turnover that takes place in the absence of job alternatives (Harman et al., 2007).

In their model, Lee and Mitchell (1994) claim that employees follow one of five psychological/behavioral paths when considering to, and ultimately ending up, quitting. Three paths have an initial shock as a precipitating event, which leads employees to leave their job. Such shocks can be positive, neutral, or negative. In the first path, the shock activates a pre-existing action plan to leave. Employees that are following the first path are not considering attachment to the current employer nor employment alternatives. In the second path, the (often negative) shock causes employees to reconsider their attachment to the organization and leave without searching for alternatives. In the third path, the same image violation occurs due to a shock, and the employee begins comparing the current job with alternatives. In paths four and five, dissatisfaction sparks motivations to leave the job and employees leave, either with (path 4) or without (path 5) the search and evaluation of alternative workplaces (Lee et al., 1999).

Empirical studies found support for the model's accuracy, with effect sizes ranging from 77% to 91% in predicting employee turnover (e.g., Donnelly and Quirin, 2006; Kammeyer Mueller et al., 2005; Lee et al., 1996; Morrell et al., 2008).

As voluntary turnover is of great concern to organizations (Cappelli, 2008), and turnover data are readily available (Boudreau, 2013; Frank et al., 2004), extensive research exists on its antecedents and consequences (see the comprehensive review by Holtom et al., 2008; and more recently, Rubenstein et al., 2017). A recent meta-analysis by Rubenstein and colleagues (2017) presents a comprehensive review of the voluntary turnover literature. The meta-analysis reports effect sizes for predictions of turnover based on individual attributes (i.e., demographics, emotional stability, personality traits, internal locus of control, and internal motivation), aspects of the job (i.e., job security, job characteristics, job design, role conflict, pay, and workload), traditional job attitudes (i.e., organizational commitment, job involvement, and job satisfaction), more recently studied job attitudes (i.e., stress, coping, and engagement), employee behavior (i.e., performance, OCB, lateness, absenteeism, job search), person-context interface predictors (i.e., person-organization fit, influence, met expectations, job embeddedness, justice, leadership, peer/group relations, psychological contract breach), organizational context predictors (i.e., organizational support, climate perceptions, rewards offered, organizational characteristics), as well as job alternatives and intention to quit (i.e., withdrawal cognitions).

Rubenstein and colleagues (2017) tested a subset of moderators and find that employee-perceived personal fit, job market conditions (for some antecedents), and colleagues' intention to quit are moderating the relationship between several individual-level antecedents and voluntary turnover. Authors conclude that withdrawal cognitions, job search, organizational

commitment, job satisfaction, rewards offered beyond pay, justice perceptions, embeddedness, performance, age, tenure, and taking care of children are extensively researched antecedents of turnover, show robust findings, and that these antecedents are moderate-to-strongly predictive of quitting behavior independent of the context, while they identify other antecedents to be more context-dependent in nature.

In an meta-analytical review, Heavey and colleagues (2013) identified a relationship between voluntary turnover and higher absenteeism, lower customer satisfaction, reduced production efficiency, less firm performance (measured as ROA), and lower sales growth. Other outcomes of voluntary turnover are reduced earnings and stock prices (Frank et al., 2004), less service quality perceptions by customers (Hausknecht et al., 2009), and increased job search behavior and turnover intentions among former colleagues (Felps et al., 2009).

Turnover vs. Retention

Turnover theories hold that employees leave because of negative job attitudes and stay because of positive job attitudes (Harman et al., 2007). Caused by such simplifications, employee retention and employee turnover are often confused in literature. Common is the theoretical argumentation for antecedents of employee retention but the operationalization of retention by measuring employee voluntary turnover (Chew and Chan, 2008; e.g., Doh et al., 2011; Ghosh et al., 2013).Turnover and retention are empirically inversely related to work-related outcomes (Waldman and Arora, 2004). For example, job satisfaction and organizational commitment relate significantly positive to employee retention (D'Amato and Herzfeldt, 2008; Mckinnon et al., 2003) and negative to employee voluntary turnover (Rubenstein et al., 2017).

Yet, turnover is conceptually not the opposite of retention (Cardy and Lengnick-Hall, 2011). Literature on employee turnover investigates mainly why people voluntarily leave organizations, while research on employee retention inquires why people voluntarily stay (Cardy and Lengnick-Hall, 2011). The same factors that prevent turnover, however, must not necessarily be the same that motivate employees to stay.

For example, De Vos and Meganck (2008) identified in their study financial rewards and a lack of career opportunities as the most frequent reasons to voluntarily leave an organization, while social atmosphere and job content were the most cited reasons to stay. Griffeth and colleagues (2000) and later Rubenstein and colleagues (2017) found only moderate effect sizes for pay satisfaction and pay-related variables on the relationship to stay. The study by Griffeth and colleagues (2000) suggest that other factors are more important than pay for employees to stay, such as job satisfaction, the relationship to the manager, role conflict, role clarity, and met expectations. Several studies also find a positive relationship between learning orientation and turnover intention (Chang and Cheng, 2015) as well as for learning (mastery)-approach goals and turnover intention (Dysvik and Kuvaas, 2010). With respect to talents in particular, a qualitative study by Kerr-Philips and Thomas (2009) identified merit-based talent development, a high-performance work culture, leadership development, and mentorship programs as the three dominating factors promoting the retention of talent in South Africa, while competitive remuneration was only mentioned as a factor that would make a job attractive for talents already seeking for new jobs. Cappelli (2000: 14) uses the metaphor of "golden handcuffs" for compensation packages that intend to pay employees to stay, but lose their binding power as soon as they become routine. Static reward systems might even have discouraging effects on stretched goals and personal excellence (Joyce and Slocum, 2012) and can be easily matched by competitors.

Theories have been developed that explain why antecedents of voluntary turnover and employee retention differ. One example is Herzberg's (1974) two-factor theory of hygiene and motivation factors. The theory proposes that absence of hygiene factors leads to job dissatisfaction (i.e., turnover) and the existence of motivational factors leads to job satisfaction

(i.e., retention). Herzberg clusters under hygiene factors salary, status, security, interpersonal relationships, supervision, and work conditions. Sub-ordered under motivational factors are achievement, recognition, work itself, responsibility, advancement, and growth. The example demonstrates that it is of theoretical and empirical relevance to distinguish between measures to increase retention and efforts to reduce voluntary turnover, as the former could be perceived as maximizing positive and the latter minimizing negative consequences (Cardy and Lengnick Hall, 2011).

Being aware of this important distinction between turnover and retention, in the following, we will specifically point out where factors might only indirectly relate to talent turnover via enhancing talent retention and where factors have been found to directly relate to talent turnover. The reasons that lead to employees' intention to stay buffer (Harman et al., 2007) or prevent the two initiating factors preceding voluntary turnover (harmful shocks and/or dissatisfaction) in Lee and Mitchell's (1994) unfolding model. Hence, we treat antecedents of talent retention as indirectly preventing the emergence of talent turnover intentions.

Talent Turnover vs. 'Regular' Employee Turnover

Most of the previously presented antecedents and consequences for voluntary employee turnover can be assumed to be the same as for talent turnover. However, some situational aspects and the distinct characteristics of talents, as defined by Bjorkman and colleagues (2013), can arguably change the relevance of specific boundary conditions as well as the magnitude of consequences. In the following, we will first discuss the potential relationship between two unique characteristics of talents (i.e., high performance, higher learning/development orientation) and voluntary turnover. Afterwards, we present possible boundary conditions and consequences of talent turnover that might differ from voluntary turnover of 'non-talents'. Unique predictors and consequences are visualized in Figure 8.1.

Talent Characteristics and Voluntary Turnover

Affective Component—Higher Learning Orientation and Development Intentions

Talents are characterized in reviewed literature as being highly motivated (Bethke-Langenegger et al., 2011), demonstrating "future leadership potential" (Mäkelä et al., 2010), possessing high potential, are self-driven to exceed, have catalytic learning capabilities, with an enterprising spirit and possess dynamic sensors (Ready et al., 2010). These characteristics refer to the affective component of talents as discussed by Nijs and colleagues (2014). In line with these characteristics, talents might arguably have higher levels of learning orientation and stronger leadership development intentions and stronger eagerness to learn compared to other employees (Kyndt et al., 2009). Lombardo and Eichinger (2000: 323) argue that an employee's "willingness and ability to learn new competencies in order to perform under first-time, tough, or different conditions" distinguishes talents from non-talents. They found that employees' learning agility related significantly to being considered talent. Empirical studies find a positive relationship between growth need strength (operationalized as learning goal orientation, need for achievement, and proactive personality) and voluntary turnover (Zargar et al., 2014). Implications are, if talents distinguish from their co-workers based on their higher learning orientation, talents might have higher turnover intentions.

Ability Components—Higher Performance, Human Capital, and Social Capital

In accordance with Björkman and colleagues' (2013) definition, talents are employees with the potential for performing at top levels. Yet, extant research findings are inconsistent with

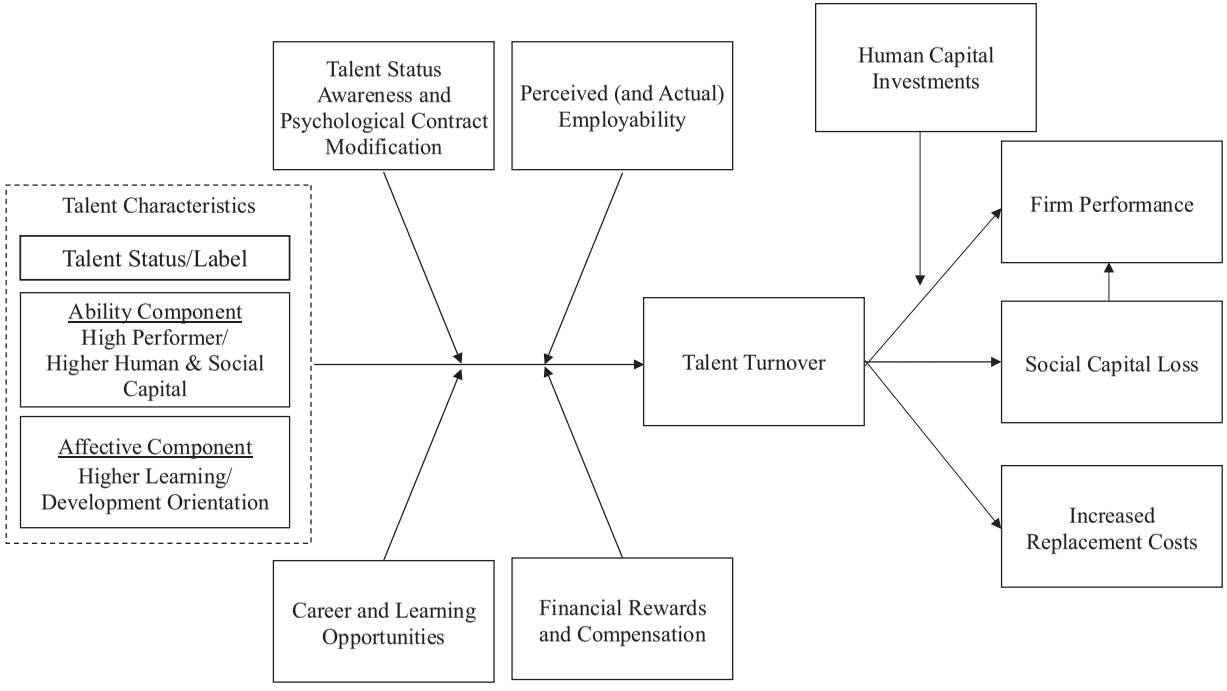

Figure 8.1 Unique Predictors and Consequences of Talent Turnover

respect to the relationship between performance and turnover. Some studies find that higher-performing employees are more likely to quit and argue that promotions and status labels such as 'talent' or 'high-potentials' signal worker productivity to the labor market (Trevor et al., 1997). In contrast, other studies find a negative relationship between performance and the intention to quit. The authors suggested and found that the existence of performance-contingent rewards moderate the negative relationship between high performance and turnover in such a way that the relationship became negative when reward contingencies existed. (Griffeth et al., 2000). Furthermore, Salamin and Hom (2005) even found empirical evidence for a curvilinear relationship such that low and high performers are more likely to turnover. The authors studied the voluntary turnover behavior of 11,098 employees working in a Swiss bank. The highest performers had a lower survival rate than their colleagues with above average or average performance. Bonus pay and promotions moderated the relationship in such a way that high performers were much more likely to leave when they did not receive bonuses or promotions. Govaerts and colleagues (2011) find that high potentials (defined as employees with high learning attitude, leadership skills, and creativity) score significantly higher on intention to stay than non-high potentials, while there were no differences between the groups with respect to intention to leave.

Talents are characterized as possessing valuable and rare human capital. Human capital refers to knowledge, skills, abilities, and expertise that employees possess and have acquired through education, training, and work experiences (Crook, Todd, Combs, Woehr, and Ketchen, 2011). Higher degrees of human capital, measured as years of schooling and college ranging, positively predict turnover intentions (Wei, 2015) De Vos and colleagues (2017) find a positive relationship between self-rated occupational expertise and increased job search intensity. Yet, findings should not be interpreted as generalizable for the relationship between human capital and turnover intentions, since only sub-facets of human capital were measured.

We further characterize talents as possessing high intra-firm social capital. Intra-firm social capital has commonly been associated with work pace inclusion, perceptions of belongingness (Randel and Ranft, 2007), and embeddedness (Mitchell et al., 2001). Yang and colleagues (2011) find a negative relationship between intra-firm social capital (measured as information exchange and trust relationships) and voluntary turnover. Yet, a recent study by Ballinger and colleagues (2016) investigating more than 20,000 employees reports mixed findings, depending on how social capital is operationalized. Others argue that the network centrality that talents hold might lead to an information overflow and hence relate to talent turnover (Oldroyd and Morris, 2012).

Based on the current state of the literature, we conclude that these contradictory empirical findings don't allow for a generalization of the relationship between affective and ability components of talent characteristics and voluntary turnover. An investigation of potential moderating factors of the relationship between talent characteristic and voluntary turnover is warranted.

Unique Boundary Conditions of Talent Turnover

Career and Development Opportunities Within the Organization

Empirical findings indicate that the retention of talent can be enhanced through learning and career opportunities. A study conducted by Hausknecht and colleagues (2009) of over 24,000 employees in the leisure and hospitality industry indicates that opportunities for career development and organizational prestige were the most common reasons for talents to stay, whereas non-hourly workers and low performers mentioned extrinsic rewards more often. Allen, Shore, and Griffeth (2003) find that employee perceptions of growth opportunities contribute to the development of perceived organizational support, which relates negatively to withdrawal.

The provision of learning and development opportunities for talents is already established practice in organizations. Leck and Wang (2004) interviewed 21 HR professionals and learning officers and discovered that organizations focus retention strategies especially on talents in the form of personal career planning, paralleled by intensive training, coaching, and guided exposure to important assignments that are of high strategic relevance. Dries and Pepermans (2008) interviewed talents and organizational representatives of 13 organizations with open talent policies and found that talents are offered more inter-firm career opportunities and higher-quality and more extensive trainings.

Several multinational enterprises (MNEs) provide the possibility to gain work experiences abroad to attract, develop, and retain talents. However, the reintegration of repatriates remains challenging and is of important concern for many MNEs (e.g., Lazarova and Caligiuri, 1998; Yan et al., 2002).The retention of managerial talents that move back from assignments abroad has been given special attention in the global talent management literature (Tarique and Schuler, 2010). Identified factors that reduce repatriate turnover are satisfaction with the position assigned after return and met expectations (Vidal et al., 2007), and availability of repatriation practices perceived important for successful repatriation (Lazarova and Caligiuri, 1998).

The potential risk of losing employees by enhancing their employability through investments in their development is discussed in the literature (e.g., Baruch, 2001; Sieben, 2007) The authors argue that extensive employee development can lead to better career opportunities available to them in the external labor market. This indicates that treating talent turnover as a problem that can be easily solved with isolated interventions may fail to fulfill its purpose, and that taking broader parts of the employee-organization relationship into account may be necessary (i.e., internal opportunities for promotions in conjunction with developmental opportunities).

Higher Perceived (and Actual) Employability

Talents might have higher turnover intentions because (1) they have higher self-perceived employability and (2) they have more opportunities on the labor market. The first proposition finds support in economic labor market theory. The theory proposes that high-performing employees have increased levels of employability and access to external employment opportunities and are therefore more likely to voluntarily leave the organization (Gerhart, 1990). In support of this, research shows that self-perceived employability relates positively to turnover intentions (De Cuyper et al., 2011). Talents might be less eager to establish long-term employment relationships as they might perceive themselves to have the resources and capabilities to pursue a career independently from an employer (Dries et al., 2014; De Vos and Soens, 2008). Some even might feel they need to change employers because remaining for too long in one organization might reduce their market value (De Vos et al., 2009). De Vos and colleagues (2017) find that occupational expertise relates to increased job search intensity, mediated by perceived external employability.

Studies suggest that talents might not only perceive having more opportunities on the labor market but might actually have them (Gerhart, 1990; Waldman and Arora, 2004). Nyberg (2010) provides empirical evidence showing that talents found alternative work engagements more easily than average performers. Trevor (2001) found that employees' level of education, cognitive ability, and degree of occupation-specific training (referred to as movement capital) relates negatively to unemployment rates and that employees with higher movement capital are more likely to leave an organization. Some scholars go even further and argue that traditional turnover theories might not apply to the few top performers in an industry. Traditional models include the process of job search, but these talents or 'superstars' might not even need to start the searching process, because of their high visibility in the industry, they are already contacted by other employers (Aguinis and O'Boyle, 2014).

A relevant antecedent of perceived employability that we consider important to mention is the perception of firm specificity. The knowledge, skills, and abilities that employees possess have different degrees of firm specificity. The more firm-specific skills are, the less valuable they are for other organizations (Raffiee and Coff, 2016). Groysberg (2010) finds that employees often don't perceive their knowledge, skills, and abilities to be firm-specific but highly transferable. Perception of firm specificity can reduce perceptions of employability and function as a moderator on the relationship between talent status and voluntary turnover. If talents perceive their status and performance to be highly contextual, they perceive themselves to be less employable and have consequently less intention to quit.

Talent Status Awareness and Psychological Contract Modification

A further relevant influential boundary condition on the relationship between talent status and voluntary turnover is when talents are aware of their talent status compared to when they do not know if they have been identified as such. Employees who perceive that they have been identified as talent display higher acceptance of increasing performance demands, enhanced commitment to build competencies, support actively their company strategic priorities, and identify higher with the focal unit compared to their peers who do not know if they have been identified or to the ones that perceive that they are not identified (Björkman et al., 2013). Björkman et al. (2013) found that employees who perceive they have been identified as talents have lower turnover intentions than those that perceive not being identified or the ones that do not know if they are identified.

Literature predominantly refers to psychological contract theory (Rousseau, 1995) as an explaining mechanism. A psychological contract comprises "individual beliefs . . . regarding terms of an exchange agreement between individuals and their organization" (Rousseau, 1995: 9). Receiving the status of a talent can be described as a 'critical incident' leading to a modification of an employee's beliefs regarding the mutual obligations for future exchange with their employer (Dries and Gieter, 2014). These modifications might be based on explicit agreements or implicit assumptions. On one side, employees are willing to commit to higher job demands. On the other side, they demand improved career opportunities and enhanced investments in training and development (Dries and Gieter, 2014).

In line with psychological contract theory, if talents perceive themselves to be valued and privileged, they will reciprocate favorable treatment with higher levels of job satisfaction, performance, motivation, and commitment (Bethke-Langenegger et al., 2011). However, if organizations do not fulfill a talent's modified expectations regarding the organization's promises or obligations, then talent will perceive a psychological contract breach (Robinson and Rousseau, 1994) and display increased turnover intentions (Zhao et al., 2007). Dries and colleagues (2014) compared employees identified as talents and a sample of non-talents. Talents had higher expectations of employer's obligations towards the time frame they will be employed (i.e., steady employment, secure employment, commitment to retain the employee in the future) and towards the employer obligation to sustain a high level of performance (i.e., involvement, training above what is required in the job, broad job responsibilities and complex tasks).

Examples that could lead to psychological contract breaches of talents are over-identification of talents or ambiguous communication (Dries and Gieter, 2014). Referring to the first example, organizations might raise the expectations of opportunities for career progress in too many of their employees but not be able to actually provide those opportunities (Cappelli, 2008). Referring to the second example, ambiguous communication has been identified by Dries and De Gieter (2014) as a relevant factor leading to a disagreement about the terms of the exchange relationship between talents and their employing organizations. The authors argue that ambiguous communication can enlarge the risk of a psychological contract breach and lead to higher

turnover intentions of talents. While the experiences of fulfillment of a psychological contract relates to increased organizational commitment (Bal et al., 2013), the breach of psychological contracts relates to increased turnover intentions (Zhao et al., 2007).

Seopa and colleagues (2015) find that employees identified as talents perceive their psychological contract with the organization to be more relational, which authors assume relates to the preferential treatment. Yet, the breach of a psychological contract did not lead to significantly higher intentions to leave among talents, compared to non-talents.

The Role of Financial Rewards and Compensations

As previously briefly discussed, compensation and other forms of extrinsic rewards are widely used as a remedy against voluntary turnover (Griffeth et al., 2000; Rubenstein et al., 2017). Companies that remunerate superior to the market and offer special pay premiums, stock options, or bonuses have workforces with higher organizational commitment (Boyd and Salamin, 2001; Chew et al., 2005). Trevor and colleagues (1997) find that that rise in base pay relates negatively to turnover, especially for talents. The authors identified base salary growth and promotions as a moderator, reducing the negative relationship between performance and voluntary turnover. In a more recent study, Nyberg (2010) once more provided evidence for the moderating relationship of base salary growth and relevant unemployment rates in the performance to voluntary turnover link.

However, several studies indicate that higher rewards lead to talent retention only under specific constraints. Basing their reasoning on expectancy theory (Vroom, 1964), scholars argue that higher-performing employees are less likely to leave an organization when the reward-retention link is clear. Griffeth and colleagues (2000) found in their meta-analysis that incentive systems that reward the fulfillment of predefined goals moderate the relationship between performance and turnover. But their results also showed that the relationship is negative when such reward consistencies exist but positive when contingencies are absent. Based on these findings, the authors propose that high performers might leave if their reward does not satisfy their expectations.

Other studies refer to equity theory (Adams, 1963) and claim that talents are less likely to leave an organization if the input-outcomes ratio is equitable to the ratio of referent others (McEvoy and Cascio, 1987). Scholars suggest that compensation must be externally and internally equitable to enhance retention and prevent voluntary turnover (Cardy and Lengnick-Hall, 2011). Wade et al. (2006) find that when low-level managers are underpaid relative to the CEO, they are more likely to leave the organization. Bloom and Michel (2002) found that organizations with higher degrees of pay dispersion have managers with lower tenures and higher probabilities of turnover. The authors refer to status literature (i.e., Frank's 1985 concept of relative standing) and argue that payment and status interact in such a way that employees with higher status might accept lower payment and that employees in lower-status positions need higher economic rewards to be satisfied. If this equilibrium is violated, employees might react with turnover. This assumption aligns with the findings by Tang and colleagues (2000), who found that higher compensation relates more positively to employee retention, for employee groups with low job satisfaction.

Despite being widespread as practice and commonly believed to do so, compensations and rewards are actually not that influential in preventing turnover. Griffeth and colleagues (2000) found in their meta-analysis low effect sizes for pay and pay-related variables on employee turnover. Stronger effect sizes were found for the quality of the leader-member exchange relationship, participative management, promotional chances, work group cohesion, role stress, distributive justice, and job scope. The authors conclude that other factors than pay are far more important for enhancing employee retention.

A similar conclusion was reached by Sidani and Al Ariss (2013). The authors suggest that compensations above the market and additional monetary rewards, such as shares and bonuses, are not enough to keep talents. The research on organizational commitment provides some explanations for why this might be the case. Research distinguishes among three components of commitment: affective, normative, and continuance commitment (Allen and Meyer, 1990). Employees show *affective commitment* if they are emotionally attached to, they identify with, and they are involved in the organization. *Continuance commitment* refers to perceptions of commitment shaped by an employee's association with costs by leaving the organization. *Normative commitment* is operationalized as an employee's perception of obligation to remain with the organization (Allen and Meyer, 1990). The distinction among these different types of commitment imply that those who are affective committed stay because they want to, whereas those that are continuance committed stay because they have to. Hence, this would also imply that as soon as competing organizations could compensate for the sunk costs and maybe offer even better incentives, these employees would be likely to leave.

Consequently, establishing affective commitment is a stronger preventive for voluntary turnover, especially for talents with high external employability, than establishing continuance commitment. A meta-analysis by Mathieu and Zajac (1990) supports this hypotheses. The analysis revealed that attitudinal commitment (i.e., the strength of an employee's emotional attachment, identification, and involvement with the organization) correlated more negatively with turnover than calculative commitment (i.e., employees being bound to an organization because of sunk costs and because they cannot afford to leave). In line with this theorizing and the meta-analytical findings by Griffeth et al. (2000), Armstrong (2006) suggests several areas for action that companies can apply to enhance talent retention beyond offering higher compensations (i.e., need-satisficing job designs, learning opportunities, the establishment of social ties, work-life balance improvements, elimination of unpleasant working conditions, train leaders to improve retention).

Consequences of Talent Turnover

Talent turnover differs from voluntary employee turnover as it is assumed to create higher costs (Allen et al., 2010; Cascio and Boudreau, 2010) and far-reaching negative consequences for the organization (Collings and Mellahi, 2009). However, only a few studies that actually test relationships between talent turnover and organizational outcomes are available. Even fewer of them focus specifically on the difference in outcomes between talents and non-talents. One consequence of talent turnover discussed in literature is the disproportionately higher loss of social capital (Kwon and Rupp, 2013). Talents are said to occupy key structural and relational networks in their organizations (Cross and Cummings, 2004). The turnover of talents is assumed to relate to an increased loss of social capital and consequently reduced firm performance. Ballinger and colleagues (2011) investigated the relevance of an employee's social capital on the relationship between turnover and organizational performance. A network analysis based on simulated data revealed that losing the best-performing and most-connected employees would create a significant loss of 17% in revenue-producing collaborations compared to 3% due to voluntary turnover of low-performing employees.

Another assumption is that talent turnover reduced organizational performance considerably more than voluntary employee turnover. Hancock and colleagues (2013) find that the negative relationship between turnover and organizational performance was stronger for managers compared to non-managerial employees. Arguing that talents receive higher HRM investments than their co-workers, the negative relationship to organizational performance might be stronger for talent turnover compared to voluntary employee turnover (Shaw et al., 2005). The intensity of

use of high-involvement work practices (HIWP) was found to moderate the negative relationship between employee turnover and productivity in such a way that productivity decreases even more when the use of HIWP was high and increased when the use of HIWP was low (Guthrie, 2001). Under the assumptions that talents are a group of employees exposed to work practices that require higher HR investments, such as HIWP, the loss of such employees might be more detrimental for organizational productivity than the loss of employees being exposed to a system with less investments. Shaw and colleagues (2013) find negative relationships of voluntary turnover rates on workforce productivity and financial performance, with HRM investment moderating this relationship.

Of high concern for practitioners is talent turnover in the context of mergers and acquisitions (M&A). Buying organizations are primarily interested in acquiring the talent and preserving the acquired firm's tacit knowledge when deciding to purchase (Ranft and Lord, 2000; Schuler and Jackson, 2001; Weber et al., 2011). However, top management turnover rates are commonly very high one year after the acquisition (22–30% one year after merger) (Krug, 2009). Talent retention has been related to an organization's post-acquisition performance (Kiessling and Harvey, 2006) and discussed as a core issue in the post-M&A integration process (Schuler and Jackson, 2001). Zhang and colleagues (2014) propose—based on nine interviews with leaders of an acquiring and acquired company—that talent retention relates to the effectiveness of post-M&A integration in China and that this relationship is affected by leadership style.

The assumption of an inherently negative linear relationship between employee turnover and organizational performance has been questioned, and more complex non-linear relationships have been tested (for a review, see Shaw, 2011). At some point, retention costs are assumed to exceed replacement costs, making it more economic to replace very costly employees in the organization (Glebbeek et al., 2004). Hellman (1997) discusses the concept of 'healthy turnover' where the replacement of old employees with new hires can reduce organizational blindness, stimulate innovation, and contribute to the development of new ideas. If talent turnover is always bad for organizations is questioned by Minbaeva and Collings (2013) The authors refer to the rational approach advocated by Somaya and Williamson (2011) and claim that voluntary turnover is not necessary a win-lose scenario. Not all voluntarily leaving employees join competitors, but they often move to current or potential partners or clients. While their human capital unavoidably leaves with resigning employees, social ties (i.e., the social capital with former colleagues) might remain if their departure is managed effectively. Several major consulting firms follow this approach and invest heavily in their alumni networks.

Practices that foster and encourage inter-firm cooperation and collaboration even between competing firms are increasingly applied in innovation, high-technology clusters. Examples of these regional clusters with a concentration of similar and related forms are Silicon Valley (Saxenian, 1996) or the Minalogic in Grenoble (Culié et al., 2014). The benefits of employee mobility between members of such a cluster are enhanced knowledge transfer (Dahl and Pedersen, 2004), the establishment of inter-firm linkages, and a stimulation of innovation (Grant and Baden-Fuller, 1995). Modern, innovative organizations within such industry clusters tend to have flat hierarchies and fewer opportunities for promotions (Ferrary, 2003). Intra- and interfirm collaborations provide further learning and development opportunities. Eriksson and Lindgren (2009: 38) argue that what makes firms in such knowledge-intense clusters successful is "the embodied knowledge of all individuals changing jobs within and between industries in various ways", not just the fact that similar and related forms are regionally concentrated.

Yet, research focusing on outcomes of specifically talent turnover (compared to general employee voluntary turnover) is scarce and provides potential for further research. The question remains: how damaging is talent turnover, and can it under specific conditions even be beneficial and desirable?

Implications for Future Research on Talent Turnover

Based on the current state of the literature presented in our review, it is clear that future empirical research is needed that investigates antecedents and consequences of talent turnover as well as studies distinguishing voluntary employee turnover and talent turnover. Several relationships are proposed and sometimes seemingly taken for granted among practitioners, yet they remain empirically untested. Future studies could focus on identifying factors that are most relevant in preventing talent turnover compared to voluntary employee turnover and the consequences talent turnover has compared to voluntary turnover of non-talents. Findings would provide valuable implications for practitioners and inform them about how to most efficiently prevent turnover of talents and at what point would the cost for preventing talent turnover exceed the costs that are created by talent turnover.

While some research exists exploring the human capital and cost-benefit perspective on turnover of high performers (e.g., Shaw et al., 2005; Cascio and Boudreau, 2010), the social capital perspective on voluntary turnover and especially talent turnover remains fairly unexplored. High-performing employees hold central positions in an organization with a central position in a network with qualitative ties (Cross and Cummings, 2004). Networks are argued to be critical for employees in how they get access to relevant information, solve problems, and are able to capitalize on opportunities and influence employee satisfaction, well-being, and turnover intentions (Ballinger et al., 2011) 'Special treatments' such as the allocation to a talent management program or assignments abroad might reduce the social embeddedness and social inclusion of the identified employee and not just reduce performance but also lead to enhanced turnover. Ballinger et al. (2011) discuss in their study the importance of cultivating networks to retain talent rather than investing in single practices. Friedman and Holtom (2002) examined the relationship between minority network group membership on turnover of managers that belong to a minority group. The study results show that minorities that join network groups have less turnover intentions. Findings point towards the importance of social embeddedness as defined by access to mentoring and social inclusion in predicting turnover.

The same argument for the importance of social networks on retaining talents applies to talents as external hires, expatriates, or repatriates. While individual practices have been discussed to reduce repatriate turnover (Tarique and Schuler, 2010), a social network perspective remains empirically unexplored.

Another unexplored field of inquiry is to investigate conditions that would make talent turnover beneficial. Employee mobility is increasing in many labor markets (Somaya and Williamson, 2011). Instead of heavily investing in preventing talents from leaving, organizations might follow a different approach and create conditions under which talent turnover would be beneficial. Empirical evidence exists showing that talent turnover promotes innovation (Tzabbar and Kehoe, 2014) and is positive for the organization due to spread of social capital (Somaya et al., 2008). Yet, more empirical research is needed investigating contingencies under which organizations can benefit from talent turnover.

Conclusion

Practitioners are interested in how to reduce avoidable and dysfunctional turnover of their talents to avoid associated replacement costs and other organizational losses. Despite employee turnover being the most frequently reported human capital metric (Boudreau, 2013), there exists surprisingly little research on talent turnover despite talent retention being one of the main purposes of global talent management programs (Collings, 2014; Tarique and Schuler, 2010; Thunnissen et al., 2013) and of high priority for many organizations (Cappelli, 2008). Comprehensive research on

voluntary turnover exists, yet potential antecedents and outcomes that might differ for identified talents compared to the general workforce are still scarcely researched. Existing research on talent turnover is reviewed in this chapter, and possible implications for future research on talent turnover have been drawn. The question of how talent turnover is different from voluntary employee turnover and what potential different outcomes it has remains unanswered, as well as how to prevent or manage talent turnover successfully. Extensive empirical investigation is needed and provides opportunity for further research.

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9

Employer Branding and Corporate Reputation Management in Global Companies

Theory and Practice

Graeme Martin and Katie Sinclair

Introduction

In this chapter our main aim is to combine ideas from human resource management (HRM), marketing, organisational theory and communications to show how employer branding might work in theory and practice in multinational enterprises (MNEs). In so doing, we hope to make a further contribution to the research-practice gap in this field. Firstly, we have amended and developed our previous context, content and process framework of employer branding by linking it to signalling theory and incorporating new ideas on organisational identity and employee engagement. Secondly, we illustrate certain features of our revised framework drawing on a case study of employer branding in the global motor vehicles industry. The case shows how Volvo Cars is developing a sophisticated approach to employer branding and talent management by drawing on subtle story-telling through social media and evaluating its impact using 'big data'.

Towards a Theory of Employer Branding

Employer branding has been an important element of HR strategy and practice in global organisations since the late 1990s (Backhaus and Tikoo, 2004; Martin et al., 2011; Taj, 2016). As such it has gone beyond the faddish status that some sceptical HR academics initially attributed to it, which suggests to us a potentially important research-practice divide. However, research is beginning to catch up with the practice of employer branding (Brannan, Parsons and Priola, 2011; Edwards and Edwards, 2013; Theurer et al. 2016) as academics with close links to industry realise the extent to which employer branding may even be synonymous with HRM itself rather than just another 'tool in the box' (Sparrow and Otaye, 2015).

Perhaps more importantly, employer branding can be seen as an essential element in building and sustaining corporate reputations, a strategic agenda item that is increasingly important for global organisations (Dowling, 2016; Martin and Hetrick, 2006; Martin et al., 2011). In this context employer branding has been linked with a trend towards 'corporateness', a term coined to describe a developing interest in corporate-level integration and identity management. However, the focus on corporateness also results in what has been called the 'paradox

of uniqueness' (Martin et al., 1983; Suddaby et al., 2017), which is the need for organisations to position themselves as being different from others while simultaneously being the same as others in an industry or region (Deephouse and Suchman, 2008; Highhouse et al., 2009). In the marketing and organisational theory literatures, this has been reimagined as a paradox of authenticity (Carroll and Wheaton, 2016; Caza et al., 2017; O'Connor et al., 2017). Thus, on the one hand, most organisations seek a form of authenticity, which is based on following an institutional script embedded in the institutions of the society and industry in which they are located or originate. On the other hand, they also seek to develop a form of moral authenticity in which they are exhorted to, and sometimes strive to be, 'true to themselves' or their core identity. This latter desire to 'be genuine' leads firms to seek to differentiate themselves from others in the pack (Suddaby and Foster, 2017).

In previous publications, we conducted reviews of the literature to develop a framework of employer branding (Martin et al., 2005; Martin and Hetrick, 2009; Martin et al., 2011). Since then we have refined our ideas and tested them in research and practical settings in a number of MNEs, which provide particular challenges for employer branding. As a result, we firstly argue that employer branding is best explained by incorporating insights from the authenticity (or uniqueness) paradox and how firms attempt to deal with them by drawing on signalling theory (Connelly et al., 2011; Highhouse et al., 2009; Taj, 2016) and organisational identity theory (Brown, 2017; Foreman et al., 2012; Martin et al., 2011). Secondly, we argue that recent calls for research into three foci of employee engagement—*work engagement*, *engagement with each other* and *organisational engagement*—are key to understanding and measuring the impact of employer branding signals and talent management practices in organisations (Bailey et al., 2017; Beijer et al., 2009; Martin and Cerdin, 2014).

Signalling Theory and Its Application to Employer Branding

Signalling theory, which has its origins in the biological sciences, has been used for decades in a range of social sciences to explain communications between individuals and organisations (Goffman, 1956; Highhouse et al., 2007; Spence, 2002). Central concerns of signalling theory are the *honesty* of signals, especially as interpreted by receivers, the *costs* associated with communicating honestly, and the possibility or potential for organisations and individuals to *fake* honesty. At one level, honesty in signalling theory refers to little more than communicating information that might be of use to receivers, such as cues about the instrumental rewards employees can expect when they join an organisation. From an HRM perspective, however, honesty refers to the symbolic and cultural cues employees can expect to find from good employers, including deeply held cultural values, assumptions and beliefs, and the meaning that they can expect to derive from working in an organisation (Taj, 2016). For such messages to be perceived by different audiences as honest and trustworthy, communications specialists have identified novelty, credibility, authenticity and sustainability as important variables to be communicated through organisational stories (Van Riel, 2003; Giorgi et al., 2015). The more these stories communicate these dimensions of honest signals, the more employees are likely to buy into the cultural and symbolic cues which organisations attempt to signal. Novelty is important to make organisational signals distinctive from others, although this also creates a built-in incentive to fake honesty. Credibility, authenticity and sustainability are needed to create a sense of respectability, social approval, prominence and prestige, typical criteria used by external and internal stakeholders to assess the legitimacy dimension of corporate reputations (Highhouse et al., 2009; Martin et al., 2011; Suddaby et al., 2017).

However, honesty in signalling theory terms refers not only to the content of the signal but also to its source, structures, processes and the channels used to convey and engage audiences

in messages. For example, leadership and organisational culture can be re-interpreted in this light: both strategic leadership and culture change have been defined in terms of constructing and communicating novel, compelling and credible stories created by leaders for key stakeholders, including investors, the business press, employees and potential employees (Barry and Elmes, 1997; Girogi et al., 2015). This signalling role of leaders has been brought to the fore because of recent events, such as the role of banks in the global financial crisis and almost constant furor over senior executive pay, thus requiring banking leaders to re-brand themselves as a source of honest signals with varying degrees of success (Hamel, 2009; Siebert et al., 2015; Ulrich and Smallwood, 2007). There is further evidence that employees have less faith in official corporate communications channels for honest signals about organisations, instead turning to the internet for credible information about prospective employers and, indeed, their own employers, especially from social media such as employee blogs and employee social networking sites (Bondarouk and Olivas-Lujan, 2013; Martin et al., 2015a).

Whether signals are read by receivers as being honest usually, but not always, means that they are costly (Cronk, 2005). Honesty refers to the intention behind and perception of messages by, in this case, prospective and existing employees, as novel, credible and authentic, and sustainable. The costs of signalling honest messages are not only financial but are also connected with their *strategic* impact, which can be both negative and positive. In addition, they are also associated with major *handicaps*, such as the multiple organisational and national cultural milieu in which MNEs operate. Honest signals also depend on their *strength* and *consistency* over time. Weak signals and/or inconsistent signals are typically seen by employees as delivering mixed messages and therefore lacking honesty or authenticity. For example, we have found in recent research that the failure of senior leadership teams to communicate strong and consistent honest signals about the logics that underpin healthcare decision making in the UK National Health Service is one of the main reasons for senior doctors in healthcare holding negative attitudes toward their employers (Martin et al., 2015b).

Consequently, organisations frequently engage in high-cost signalling, sometimes using ostentatious advertising and promotional events, to communicate messages they hope will be seen not only as honest but lead to the creation of significant reputational capital (which may subsequently be drawn upon to reduce future signalling costs). One of the reasons used by HR and corporate communications staff for engaging in competitions run by media such as *Business Week*, the *Financial Times* and the Best Place to Work Institute is the future leverage they gain from honest messages by doing well in such 'games'. And, as the evidence suggests, such efforts to play these games generate a positive pay-off (Theurer et al., 2016). However, as Cronk (2005) has also argued, honest signals are not always costly, especially if there is a natural convergence of interests between the signaller and receiver. This point can be illustrated by the extent to which bonus payments to key employees in the investment banking sector have become ingrained in the culture of the global financial services industry. Bonuses, while imposing short-term financial costs on many profitable banks, have not traditionally invoked strategic costs and handicaps precisely because they are an industry-wide norm. However, governments in a number of countries are now attempting to impose strategic, reputational costs on the banking sector by fuelling public outcry over excessive bonuses for 'fat cats' in addition to financial costs through windfall taxes.

Engagement

We have also woven into our model three key foci of engagement, which we argue have a major impact on how employees perceive honest employer brand signals, on employer brand capital and reputational capital. The first is the well-researched and empirically verified concept of *work engagement* (Bakker and Schaufeli, 2008; Bailey et al., 2017; Salanova and Schaufeli, 2008). The

second we label 'engagement with each other', which refers to the extent to which employees in a workgroup or team are relationally coordinated and trust each other (Gittell et al., 2010). The third is *organisational engagement*, which we take to mean the extent to which employees identify with the organisation and its values (Brown, 2017; Edwards and Peccei, 2007). Distinguishing among these three foci of engagement and showing how they interrelate is an important step forward in making engagement a more useful concept to academics and practitioners.

Work Engagement

Work engagement studies are increasingly based on a *demand-resources model of work engagement* (Schaufeli and Bakker, 2004). This model has identified three forms of engagement that people have with their work. These are the levels of *vigour* employees invest in doing the job, their levels of *absorption* or immersion and attachment to their work, and their *dedication* to their work. Work engagement has been shown to predict valuable outcomes such as positive evaluations of organisations, lower job turnover and higher levels of individual and unit performance. These forms of engagement are thought to be positively driven by the existence of key job resources and challenge demands, but negatively driven by hindrance demands, in turn resulting in employee burnout (Bailey et al., 2017).

Engagement With Each Other

The extent to which employees engage with, or relate to, each other in teams or workgroups has long been found to impact on organisational performance. To shed light on this we have extended existing research into relational coordination (Gittell et al., 2010) to include an assessment of trust dynamics within workgroups. Relational coordination has been shown to be highly correlated with independent measures of organisational outcomes in different industries such as healthcare and airlines, while the nature of trust dynamics in teams has been shown to have profound effects on their effectiveness. Relational coordination refers to the attributes that support the networks of relationships between people in a work process to improve overall levels of coordination and team performance. These three attributes are as follows:

1. shared goals, which transcend team members' individual or functional goals;
2. shared knowledge, which helps team members' understand how what they do fits into and shapes the work and overall performance of the clinical team; and
3. mutual respect, which helps clinical team members deal with status barriers that may prevent them from understanding and respecting the contribution of others to the overall performance of the clinical team.

According to the theory of relational coordination, these three attributes of teams will be most affected by the frequency, timeliness and accuracy of communications among clinical team members, and the extent to which teams focus on problem-solving rather than blaming others when problems arise.

While mutual respect among team members is important in explaining how they engage with each other, we further argue that trust among team members is a critically important attribute of a relationship likely to affect team performance in general and relational coordination in teams in particular (Siebert et al., 2016). High trust dynamics between members in highly interdependent teams, such as those found in clinical settings or in research and development, help team members suspend judgements of uncertainty and vulnerability towards other members of the team, so allowing them to act as if these were no longer issues. These trusting relationships are

affected by historical and present perceptions of other team members' trustworthiness, defined by their abilities (competence and characteristics), integrity (in upholding acceptable values and principles important to other team members) and benevolence (working in the best interests of team members) (Mayer et al., 1995).

Organisational Engagement

Recent academic work has sought to define organisational engagement in terms of emotions and attitudes (state engagement) and behaviour engagement (the traditional interest of management consultants). Key components of these different types of engagement with the organisation include organisational satisfaction and commitment, vigour and absorption displayed towards an organisation and positive organisational citizenship behaviours (Beijer et al., 2009; Macey and Schneider, 2008). However, we propose that the well-established concept of organisational identification (Douglas et al., 2008) is a more rigorous way of explaining employees' engagement with their organisations. Brown (2017: 299) has suggested that a generally accepted definition of organisational identification refers to the extent to which employees' individual identities align with collective identities, so leading to a 'sense of unity between the person and their organization'. Drawing on this line of reasoning, which originates in social identity theory (Ashforth and Mael, 1989), Edwards and Peccei (2007) and Edwards (2009), have proposed that three distinct but related factors comprise employee identification with their organisations. The first refers to how employees self-categorise their personal identities. For many staff, their employment in an organisation plays a major role in their answer to the question: who am I? The second refers to their sense of attachment and belonging to their organisations, often related to how long they have worked in it. The third refers to the extent to which employees share the goals and values of the organisation and incorporate them into their own goals, values and beliefs. High levels of organisational identification have been shown to predict all categories of workers' helping behaviours, turnover intentions and feelings of being involved in/engaged with the organisation and its mission (Bailey et al., 2017).

Modelling Employer Branding

Our revised model is set out in Figure 9.1, and in the first part of this chapter we explain these *signal design*, *signal evaluation* and *outcomes* stages of the model in some detail. Following a well-established logic of model building in business and management described by Whetten (2002), in which he argues that what needs to be explained should come before the explanation, we begin our discussion with the intended outcomes of employer branding.

The Outcomes of Employer Branding

The intended outcomes of employer branding can be defined as the creation of two forms of capital assets in organisations. These are *employer brand capital*, which refers to the extent of employee advocacy of the organisation, its products, services and reputation as an employer of choice (CIPD, 2007;Martin, 2007; Joo and McLean, 2006), and *reputational capital*, which refers to the degree of (a) corporate differentiation and prominence in product and labour markets *and* (b) legitimacy with key stakeholders for good corporate governance, leadership and corporate social responsibility (Pollock and Barnett, 2012; Deephouse and Suchman, 2008; Highhouse et al., 2009; Lievens et al., 2007; Martin et al., 2016; Martin et al., 2008). These capital assets are increasingly thought to be critical to the short-term and long-term performance and sustainability of organisations. This is particularly so in certain sectors of the economy,

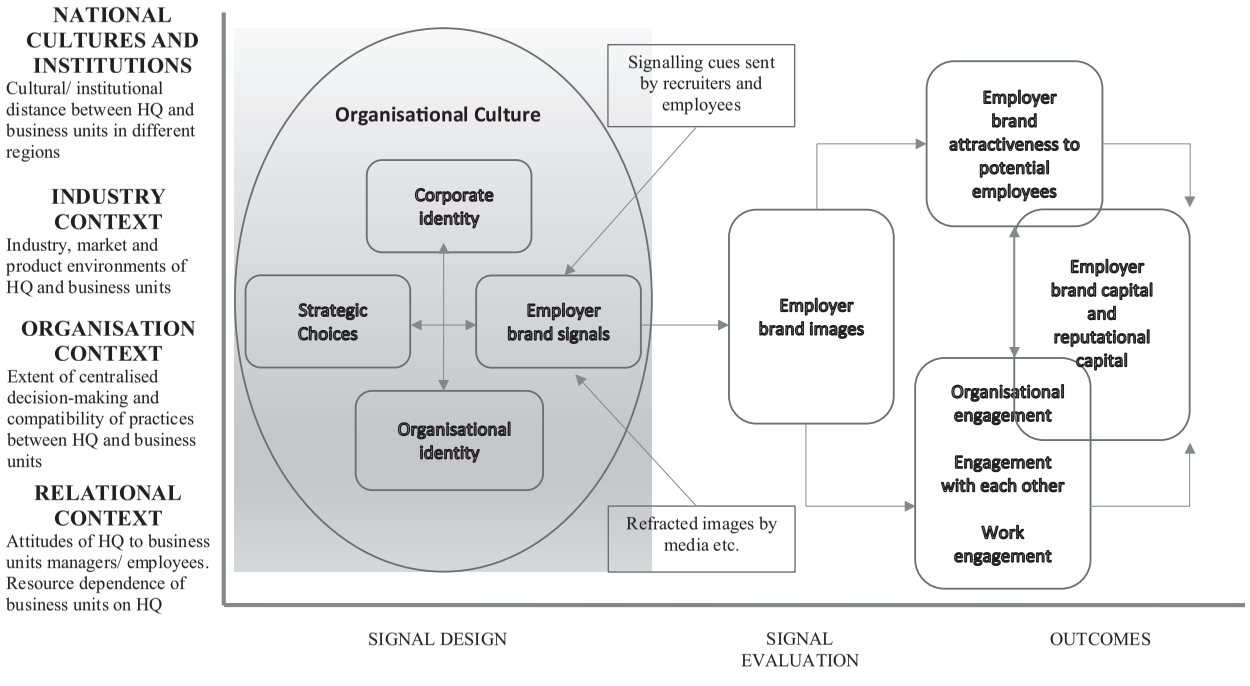

Figure 9.1 A Context-Content-Process Framework of Employer Branding

including the knowledge sector (Kay, 2004), high-technology firms (Birnik and Bowman, 2007), the service sector (Sparrow et al., 2004), international consulting firms (Armbruster, 2006), the public services (Martin et al., 2008) and in the financial services industry (Burke et al., 2010).

To achieve these positive outcomes, organisations need to secure and manage *human capital*—the appropriate quality of stocks and flows of individual skills and competences. This is sometimes characterised as having the right people, at the right time, with the right skills in the right place (Dyer and Ericksen, 2007). Human capital, in turn, depends on (a) attracting the right numbers and kinds of people in the right locations and right time frame interpreting positive and honest signals about working in the organisation, and (b) having existing employees accept the honesty, consistency and value of the signals sent by employers. It also depends on securing high levels of work and organisational engagement, as detailed in the previous section. These two foci of engagement are related but distinct. While work engagement is likely to be associated with moderate organisational engagement, employees can be engaged in their work without being engaged in the organisation (Martin et al., 2015). This lack of engagement or, indeed, positive disengagement with an organisation is often evident among professionals such as doctors and academics (Brown, 2017; Martin et al., 2016). Of course, the reverse situation is also evident: employees can feel pride in their organisation without being particularly engaged in their work.

Designing Employer Brand Signals: The Interactions Among Organisational Culture, Corporate Identity, Organisational Identity and Strategic Choices on Branding

The first stage of the model comprises five interacting factors: (1) the existing *organisational culture* shaping and being shaped by a collective sense of (2) *organisational identity*, (3) *strategic choices* on the customer-facing brand and a (4) *corporate identity* to produce an (5) *employer brand image*. These conscious and unconscious signals create employer brand images among prospective employees and existing employees.

Organisational Identity, Culture and Strategic Choice

Identity has become a core but contested concept in management research over the last decade (Brown, 2017). For our purposes in developing this model we use a definition of organisational identity as the collective answer by employees and managers to the 'who are we?' question, revealed in the organisation's shared knowledge, beliefs, language and behaviours (Foreman et al., 2012). This organisational self-concept is not just a collection of individual identities but has been described as having a metaphorical life of its own, independent of those who are currently employed in a corporation. In other words, it is a 'social fact', capable of having an impact on organisations' abilities to attract and retain resources, cause individuals to identify with its values, handle critical incidents, including brand advocacy, and prevent organisations from fragmenting (Oliver and Roos, 2007). Foreman et al. (2012), drawing on social identity theory (SIT), argue that the 'who we are' question is answered by describing the central (C) and enduring (E) characteristics that make it distinctive (D) from others. SIT predicts that these characteristics will be drawn from categories of organisations that they wish to identify with and those they do not wish to identify with. In turn, this suggests that organisations may be most concerned with being the same as others—a search for legitimacy or social approval by certain categories of organisations or stakeholders. However, it also predicts that organisations will seek to be different from others, which creates the authenticity paradox (Suddaby et al., 2017). Resolving this difference/similarity tension often leads organisations to occupy a

subjective 'middle ground', which may be optimal in some circumstances but seen, in others, as not making a choice. In contrast, the marketing-related concept of corporate identity has been depicted as an organisation's projections of 'who we want to be' or 'what we want to be known for', expressed not only in the form of tangible logos, architecture and public pronouncements, but also in its communication of mission, strategies and values (Balmer and Greyser, 2003). In relation to employment, this notion is often described as the employee value proposition (EVP) or employment proposition (Martin and Hetrick, 2006; Theurer et al., 2016).

Both of these drivers of employer brands are essentially products of the more deep-seated root metaphors of organisational culture (Giorgi et al., 2015), one of which is culture as values. This metaphor is probably best described by Schein's (2004) classic definition of organisational culture as the often hidden values, assumptions and beliefs of organisations that shape external adaptation and internal integration. This adaptation-integration definition highlights the two faces of organisational culture—the customer and employee-facing functions—so linking the disciplines of marketing and HR in a common project. Hatch and Schultz (2008) make a strong case for organisational identity being the link between organisational culture and its image with outsiders. Culture shapes how organisational members define themselves collectively and, through time, employees and managers self-consciously reflect on cultural values and assumptions to develop a collective sense of 'we'. In turn, organisational identity reflects back on culture to form a mutually reinforcing relationship.

Both organisational and corporate identity, however, are also consequences of strategic choices by key decision-makers. These choices are shaped by and reflect back on the culture of an organisation. They include the clarity of strategic objectives, especially in firms characterised by unrelated diversification, perhaps across international boundaries, and the feasibility of developing standardised customer or employee-facing branding (Martin and Hetrick, 2009), and, in an international context, choices over how to segment markets.

Employer and Employee Authorship of the Employer Brand Signals

These cultural, identity and strategic drivers shape the intended design of *employer brand signals*, which comprise the signals senior managers intend to communicate to existing and potential employees about the package of extrinsic functional and economic benefits and intrinsic psychological benefits on offer (Martin and Hetrick, 2009; Theurer et al., 2016). As we noted earlier, however, it is not just the communications content of a message that comprises the signal but the cues associated with bundles of HR practices put into place to reinforce the signals. These cues include the use of bonuses to reinforce the importance of key outcomes, workplace architecture to signal, for example, the importance of teamworking, and career development to signify relational psychological contracts. We can liken all of these signals and cues to an 'autobiographical account', which communicates to employees the company's intentions, so forming expectations among them and potential employees of the psychological contract 'deal' on offer (Conway and Briner; 2005; Rousseau, 1995). However, just as strategy and autobiographies can be intended/official and unintended/unofficial (Mintzberg, 1994), so too are employer brand signals. As a number of authors have noted (Dowling, 2016; Knox and Freeman, 2006) the most powerful source of signals about the employer brand are often the messages employees communicate to outsiders and new recruits about the 'reality' of working in the organisation, and their views of the honesty of the signals, including the material, symbolic and cultural signals (Dowling, 2016; Highhouse et al., 2009). Mangold and Miles (2007) suggest that the failure of employees to understand and/or treat as honest the intended signals of employers' internal branding is one of the main points of fracture in this design phase of the employer brand promise or employment proposition (Martin and Hetrick, 2006; Whetten and

MacKey, 2002). As we noted in the introduction, signalling theory predicts dishonest signals are relatively easy to send but can incur enormous future costs in the evolution of any organisation. Moreover, honest signals are typically costly in terms of the amount of senior management commitment needed to make them credible and authentic, and in removing barriers to change such as unnecessary organisational politics and bureaucracy, 'turf wars', perceptions of procedural injustice, bullying or incompetent line managers, all factors which inhibit employee engagement with their work and their organisations (Rich et al., 2010).

Researchers have also identified *refracted identity* as an important influence on employer brand signals (Foreman et al., 2012). This notion refers to how employees view external stakeholders' perceptions of their organisation, including family, friends, employees of other organisations, the press and other media. Press influence in shaping the reception of employer signals is one of the main rationales underlying the establishment of corporate communications departments in institutions as diverse as financial services, universities and healthcare, and for developing 'employer of choice' award schemes such as those produced by national media such as *Business Week* and the *Financial Times* (Joo and McLean, 2006; Van Riel, 2003). These communications and awards schemes raise the costs of signalling initially but, as noted earlier, are deemed by participating organisations to reduce them in the longer run because of the reputational capital they create (Theurer et al., 2016).

The Evaluation of the Employer Brand Signals by Employees and Potential Applicants

Employer Brand Reputations as Biographies

If the employer brand signal is self-authored, employer brand images refer to multiple audiences' perceptions of honesty, credibility, consistency and strength of these signals. In an earlier work we have likened these to the multiple *biographical accounts* of what an employer brand holds in terms of meaning for potential and new employees who, along with others, begin to write different stories about the signals. In doing so, they form themselves into distinct segments of interest and lifestyles. This notion mirrors debates in the literature on psychological contracting (Conway and Briner, 2005), whereby employee psychological contracts are sometimes defined in terms of their expectations arising from perceived promises or obligations on behalf of employers (the employer brand image), what value employees place on these promises, obligations or employment propositions, and the extent to which they perceive employers to have delivered on the psychological contract deal (Martin and Hetrick, 2006). The critical point here is that just as psychological contracts are essentially individual phenomenon, so too are the signals received and the biographies written about an organisation. In the literature on reputation management, images are seen as plural (Foreman et al., 2012); different audiences with different answers to the question of who they are and, equally important, who they are not—what we might call stakeholder identities—are likely to expect and attribute different values to particular employer brand signal cues and view them differently in signal strength, honesty, credibility and benefit. Thus, images are always 'for something (specific) with someone (specific)' rather than macro-level constructs.

The Instrumental and Symbolic Aims of Employer Branding

In discussing meaning, a further important feature of shaping the reception of employer brand signals is that they are intended to fulfil two levels of expectations, needs and meaning—the *instrumental* and *symbolic* levels—both of which have been identified as forming employees' views of their psychological contract (Conway and Briner, 2005) and the honesty with

which signals are treated. These distinctions also parallel developments in the branding literature (Holt, 2007; Lievens and Highhouse, 2003; Lievens et al., 2007). Instrumental needs and expectations of employees refer to objective, physical and tangible attributes that an organisation may or may not possess (Lievens, 2007; Lievens et al., 2007). These might include the ability to provide rewarding jobs, high salaries, opportunities for career advancement, job security, job satisfaction—all elements of high-performance work systems. Symbolic needs broadly translate into perceptions and emotions about the abstract and intangible image of the organisation, for example, employees' feelings of pride in the organisation, the extent to which it gives them a sense of purpose, beliefs about its technical competence and honesty in dealing with clients and employees, the extent to which it is an exciting or innovative place to work, and the extent to which it is seen as chic, stylish and/or as aggressively masculine or competitive (Davies and Chun, 2007; Lievens et al., 2005). Distinguishing between instrumental needs and symbolic meaning mirrors recent trends in branding models. These models have moved away from a focus on so-called *mind-share approaches*, which refers to a brand's capabilities to occupy a central, focused appeal to individuals (through specific employee value propositions on rewards, career development, etc.) to an *emotional* level, in which the brand interacts and builds relationships with people (Holt, 2007).

Contextualising the Employer Branding Process

Four Levels of Context

Like all HR policies, the design of employer brands, assessment by potential recruits and existing employees, and the outcomes of employer brands are often context-dependent. This dependency is also evident in the marketing and branding literature (Birnik and Bowman, 2007). In our previous work we have identified four, overlapping levels of contexts (Martin and Beaumont, 2001; Martin and Hetrick, 2006, 2009), which can be defined as more or less receptive to strategic HR change and employer branding in domestic and international organisations. These are the *industry context* of the organisation and its subsidiaries, the *corporate context* or relationships between headquarters (HQ) and its divisions, the *relational context*, which refers to the nature and quality of personal relations among managers and levels of resource-dependence of subsidiaries on organisational HQ, and, in the case of MNEs, *the national cultural and institutional context* of HQ and its subsidiaries.

To illustrate the influence of context, the marketing and strategy literature have been particularly strong in showing that industry and national-level institutional logics are influential in shaping key strategic decisions and industry recipes (Spender, 2007; Thornton et al., 2012) and key elements of the marketing mix (Birnik and Bowman, 2007). However, this literature also shows that different types of brands tend to be more standardised than others across international boundaries, although certain consumer products that are perceived to be culture bound or related to use in the home tend to be less standardised. In addition, the degree of local competitive intensity among subsidiaries in a country or region has been found to be related to local adaptation of branding and marketing strategies, and one might reasonably expect that such a finding would be especially important in labour market competition.

We have also shown how the nature of relationships among managers in a US-based MNE was influential in shaping strategic choices on branding and organisational culture and in the outcomes of a major rebranding exercise (Martin and Beaumont, 2003). In this case, attempts by the US headquarters to impose a corporate branding strategy on local subsidiaries failed because of the greater international experience of managers in the subsidiaries and because they enjoyed less dependence on financial resources from the head office (Martin and Beaumont, 2001).

The Tensions Between Corporateness and the Search for Authenticity

There is good evidence pointing to standardisation of brand signals and a growing corporateness as the preferred strategy of most MNEs (Stiles et al., 2006). Yet, many organisations seek to promote and benefit from authenticity and to give customers and employees greater voice, which is an important limitation on one-size-fits-all branding strategies. So marketers have turned to the interactivity of social media (Martin et al., 2009) and the street to 'discover' their own 'authentic' brands (Kovacs et al., 2014). Authentic brand images are typically local in origin, thus what is authentic in one community is not necessarily so in others. For example, the same MNE can attract quite different reputation rankings in countries as close in national culture and institutional make-up as, for example, Sweden, Norway and Denmark, as different criteria are used in these same countries (Apéria et al., 2004). Thus in signalling theory terms, one of the most difficult decisions facing organisations is securing an appropriate balance between honesty and costs of signalling in relation to one-size-fits-all versus segmented employer brands. Since honesty is most likely to be achieved when there is a close co-incidence between the signaller and individuals receiving the signals, the likelihood, especially in complex organisations such as MNEs, is that initially higher-cost, tailored signals—based on extensive research into the values, expectations and desires of different groups of employees—will be less costly in the long run. Investment in honest signalling in employer branding helps reconcile the competing logics of integration with local responsiveness; they also respond to the degree of value creation potential and unique market position of different groups of employees (Highhouse et al., 2009; Lepak and Snell, 2002).

How Does Employer Branding Work in Practice?

Thus far we have attempted to set out a model of how employer branding might work in theory and practice. In this next section our model helps to explain one major MNE's 'real-time' attempts to integrate employer branding into their strategic HR and global talent management processes. The company is Volvo Cars, which operates in the global motor vehicles sector. Like many MNEs, it is wrestling with the problems of reconciling the dual logics of global integration and local responsiveness (Rosenzweig, 2006), which are often in tension (Lengnick-Hall, et al., 2009; Martin et al., 2011).

To present the case, we follow the logic of our model by setting out the context of employer branding for the company, the different stages of signalling and the processes used to implement these. In our view, this case illustrates a sophisticated attempt to design, communicate and evaluate an employer brand that meet the demands of global integration and local responsiveness and attempts to resolve the uniqueness or authenticity paradox.

The Company History, Strategy and Organisation

Volvo Cars was established in 1927 and remained part of the Volvo Group (Sweden) until 1999, when it was bought by Ford Motor Company (US). In 2010, Zhejiany Geely Holding Group (hereafter referred to as Geely), one of the largest independent private car manufacturers in China, acquired Volvo Cars from Ford, but have addressed the global integration/local responsiveness problem in part by keeping its main headquarters in Gothenburg in Sweden. This Swedish heritage and location of the headquarters influences all aspects of its corporate culture, ethos, values and practices. However, with aspirations to become a truly global brand, Volvo Cars currently manufactures in Sweden, Belgium and China with plans to enter the US and India. It has also established design hub centres in Barcelona, Shanghai and Los Angeles

(Volvo Cars, 2013; 2014). One measure of its progress towards achieving its global aspirations are published growth figures in 2015, which saw Volvo Cars selling over half a million cars for the first time since its creation. This figure represented an increase of 8% over the previous year. Moreover, during the same period, 2014–15, sales increased in Europe by 10.6%, the US by 24.3% and China by 11.4%. To realise these growth figures, Volvo Cars employs 30,000 people worldwide (with 62% in Sweden, 15% in Belgium, 14% in China and other countries accounting for 9%) and sells in 100 countries across 2,300 dealerships (Volvo Cars, 2016b)

The company attempts to answer the 'who are we?' question by describing itself as 'a company with a purpose'—*people*. This corporate identity is consistent with Geely, who proclaim employees as their 'first resource' using a '人本' (RenBen) management method. This translates into 'people are the base of every activity and every activity should be conducted in consideration of people' (Wenku, 2014, cited in Von Bismark et al., 2016). However, Volvo Cars' focus on people is not new: since its founding in 1927, Volvo Cars has consistently presented *the safety of people* at the heart of its corporate message publications. The original owners', Assar Gabrielsson and Gustav Larson, philosophy is reflected in corporate messaging that: '*cars are driven by people. The guiding principle behind everything we do, is—and must remain—safety'* (Volvo Cars, 2015).

Volvo Cars has continually dedicated its innovation and technological advancement to develop this corporate identity. Thus, for example, Nils Bohlins, a Volvo engineer, created the first three-point seatbelt in 1959 (which he subsequently gave away its patent for so all cars would benefit from this safety—essentially the creation of a global safety mechanism), and in 1976 the company's engineers created the first catalytic converter, which reduced harmful exhaust emissions by 90%.

In 2017, Volvo Cars developed an even greater focus on sustainability and human life—with the landmark move as the first multinational car manufacturer to say that from 2019 on, all new cars launched by the company will be partially or completely battery-powered (battery only or plug-in hybrid) to meet EU carbon targets. The corporate communications of Volvo Cars embodies the safety of people, captured in its 'Vision 2020': '*that by 2020, no one should be killed or seriously injured in a new Volvo car*' (Volvo Cars, 2017c).

This focus on people and safety has also been expressed in its employer brand, which is a core part of its corporate vision. As the company's 2016 annual report highlights, its vision is:

> '*to be the most desired and successful transport provider in the world* [and to]:
>
> 1. *Have leading customer satisfaction for all brands in their segments—the only true measure of customer satisfaction*
> 2. *Be the most admired employer in our industry—by being the most admired employer we attract and retain the best people—create a culture of highly-engaged employees*
> 3. *Have industry leading profitability—through strong performance we are able to invest in products, services and people—and our own destiny*.
>
> (Volvo Cars, 2017a)

The report elaborates on the admired employer concept by defining it as:

> *being the most admired employer in our industry. Leading and embracing change. Attracting people with a strong business instinct and developing a skilled and agile workforce with the optimal knowledge and competencies at all levels. Trusting and empowering colleagues to use their intuition and make the right decisions.*
>
> (ibid, p. 28)

The Contextual Background

The context for the case is one in which the motor vehicle industry was and is facing multiple challenges, an unpredictable global economy, accelerated impact/change of digital technologies such as autonomous driving, social change in how cars are used (diverse or shared), mobility issues such as a demand for 'city' cars, and sustainability policies (on issues such as carbon emission targets, tightening regulations on cars being allowed in cities, and a demand for electrification of vehicles). These changes are forecast to create opportunities, not only for existing car producers but also for different players from new industries and collaborations outside the 'traditional' automobile networks. For example, the advancing technology for autonomous driving has seen new entrants such as Tesla, Apple and Google in the industry. As the industry diversifies into new technology, companies have identified recruiting talented employees with different types of skills as a fundamental competitive requirement, thus the need for credible, novel and effective employer brands/branding strategies has become a core HR problem.

As we noted earlier, Geely acquired Volvo Cars in 2010, but it has largely left control of the company's operations and decision-making to its headquarters and management team in Gothenburg, Sweden. This decision was aided by the degree of compatibility of Geely's Ren-Ben management philosophy and methods. During a discussion with the authors when visiting Volvo Cars in Gothenburg, senior HR staff stated that Geely management had left the Swedish-based team very much in charge of its Swedish heritage and culture, which shapes their corporate identity, communications style and signalling. These moves and their interpretation by senior Swedish HR staff points to Volvo Cars remaining a company with a strong Swedish identity but needing to find a solution to how an inherently Swedish-infused message would resonate across different national and cultural contexts. Thus, much of their global messaging, advertising and corporate communications links to its Swedish heritage, culture and landscapes. Nevertheless, they have also created sophisticated social media advertising and merging of branding and employer branding campaigns to target specific national regions in which they operate, particularly in the UK. To do so, Volvo Cars (UK) has entered a unique collaboration with premium telecommunications company Sky UK Limited (Sky Media, 2017). This collaboration shows how a company's corporate objectives can be signalled differently across international contexts with the assistance of unique collaborations outside of the car industry. In addition, Volvo Cars has made the strategic decision to promote and 'tell the story' of how it builds/intends to build its brand by becoming involved with a firm of international employer brand strategists—Brett Minchington. According to senior HR staff, this cooperation is intended to send a powerful message to employees, potential recruits and competitors in the industry of the extent to which Volvo Cars is dedicated to becoming an 'employer of choice'.

The Signal Design Stage

Volvo Cars makes extensive use of social media content, especially advertising and YouTube clips, to promote its corporate and employer brands. In 2014, Volvo Cars HR staff elaborated how they felt the need to '*update communication channels with a new global career site structure, a global umbrella strategy for employer branding in social media, along with a new 'tone of voice'*, *and new visual guidelines for recruitment ads'* (Brett Minchington, 2014). Thus the company introduced what they labelled as a people-centric message in their flagship advert 'Volvo—Made by People' (Volvo Car Sverige, 2016), a portrayal of a day in the life of an average employee. This short film cast a range of employees of diverse age groups, backgrounds, nationalities and religions. The clip is intended to capture what it was like to work in the company: people waking up at home, going to work, employees interacting and enjoying

their work in an environment, attempting to send a message of an ethos of design, craftmanship, engineering, teamworking and innovation. The clip finished with the message:

> *MADE BY CROATIA, GREECE, BELGIUM, FINLAND, GERMANY, CHINA, FRANCE, NORWAY, THE NETHERLANDS, POLAND, REPUBLIC OF KOREA, SPAIN, TURKEY, UK, MADE BY SWEDEN, MADE BY PEOPLE*.

The company's corporate and employer branding focused on this simple message of 'Made by People' and lists of diverse countries contributing to the creation of Volvo Cars in all its communications literature, video clips on TV and YouTube in an attempt to send honest brand signals to a range of audiences worldwide, which are important in creating an employer brand image, including those that refract the image such as powerful media.

In one of its most sophisticated campaigns, Volvo Cars (UK) became the official sponsor of Sky Atlantic in 2014. Building upon the initial globally reaching story for 'Volvo—Made by People', this unique collaboration saw the later creation in 2016/17 of a campaign called Human Made Stories:

> *a depiction of the Volvo philosophy centred around people. . . . Human Made Stories is a series of short films portraying defiant pioneers. People who do things differently and go their own way. Whose relentless pursuit of craft and innovation will change our world. These are the types of people that inspire each and every one of us at Volvo every day. We hope their stories will inspire you too*.
>
> (Volvo Cars UK, 2017)

These short films are made in a highly refined and stylish manner. With behavioural nudges towards the company's Swedish heritage, they seek to engage with a broad audience as they cover a range identifiable issues, including art, engineering, music, sustainability and technology. They can be seen as representing a highly differentiated collaboration between a car manufacturer and premium TV network to create a sophisticated approach to building an internal and external employer brand. These messages in the films are aimed:

1. Internally, by projecting of an organisational culture intended to resonate with current employees and help create, or further embed, strong personal and organisational identification.
2. Externally, to potential recruits, with the intention they interpret these clips in line with their self-identity—their work ethic, values and attitudes—and begin laying foundations for psychological contracts.

Employees' voices are communicated to audiences through the theme underlying the challenges depicted in the clips. However, these messages are communicated subtly: the clips do not explicitly tell the viewer what it is like to work day-to-day at Volvo Cars, since the 'Made by People' clip creates this narrative, but seek to create an impression of the culture and work ethic that characterise Volvo Cars.

The release of a second set of chapters in August 2017 of the Human Made Stories reaffirms the relationship the company wishes to portray between its core values and innovation ethos. These chapters first introduce a father and son, with no farming experience, finding a solution to ensure a successful harvest—literally, under the sea. However, it is in the final chapters that the underlying Volvo Cars corporate identity is fully revealed. One of these stories concerns a young aspiring violinist 'robbed of her speech and movement in a tragic car accident. Twenty

eight years later, she learns to create music again, using only the power of her mind' through current technology and innovation (Volvo Cars UK, 2017b).

Building upon these chapters, the company has released the advert for their latest vehicle, the Volvo XC60, which portrays a young child telling her mother the story of what she wished for the rest of her life: friends, university, career, marriage and children of her own. The end of the advertisement shows the latest vehicle release using modern 'stop technology' to brake as the young child crosses the road—depicting that a car accident could have happened. Volvo Cars describes this advertisement, and thus the new technology, as 'sometimes the moments that never happen, matter the most', thus allowing her 'future' to continue (Volvo Cars, 2017b).

The Evaluation Stage

We argue that one of the main future trends in employer branding lies in employers becoming better acquainted with identifiable, relevant and unique ways of measuring the effectiveness of their employer brands as well as perfecting the employer brand processes. To that end 'big data' has become a topic of interest for HR managers interested in aligning their activities with key business objectives. Big data has been defined as unstructured datasets which are too large for the average database programs to effectively obtain, manage and use. These vast datasets tend to originate in collections of data generated and shared by a wide range of public bodies, businesses and non-profit organisations (Manyika et al., 2011). It is argued that these data can offer insights into the everyday life of habits and actions of millions of people by capturing, integrating and transforming data into forms of analysis usable by businesses—a process sometimes referred to as 'datafication' (Mayer-Schonberger and Cukier, 2013).

Our case illustrates how Volvo Cars has used big data to measure the effectiveness and responsiveness of its employer branding activities when it became the official sponsor of Sky Atlantic. This sponsorship deal allowed the company to access Sky's Data Management platform (DMP), which is described on the Sky website as:

> *Delivering a digital campaign to viewers of a particular show, group of shows or genre (for example, those who watch food programmes, movie fans,* Game of Thrones *viewers). Its core to the proposition is the viewing data Sky collects from households on our viewing panels, this data is aggregated at either a programme, ad spot or sponsorship level and fed into the DMP. Within the DMP the viewing data is matched to online data to link household viewing with online cookies which allows cross platform targeting. . . . At the heart of Sky AdVance is data—Sky Media has expanded its TV audience measurement capabilities to now gather data from 3 million households, providing second by second viewing data. This massive scale allows insights from the Sky platform covering over 500 TV channels, providing programme, spot and sponsorship viewing as well as regency and frequency data. This combined TV, online and mobile knowledge opens the door to advanced understanding and delivery*.
>
> (Sky Media, 2016)

Using the Sky platform has allowed Volvo Cars to use Sky Atlantic's capabilities to target specific audience segments by: (a) collecting and analysing data on who is watching and engaging with their clips, then (b) repeating these clips online and across other Sky Digital platforms (such as phones and tablets), with accompanying advertising banners, which are targeted at specific users based on their historical web 'cookies'. In short, Volvo Cars can deliver advertisements to the specific audiences based upon their TV viewing habits and all other data held by Sky. Using this approach, the company in the UK has also gained the ability to use data to

direct Human Made Stories to potential employees, which is, as Sky profers, 'the next level of connected campaigns'.

External engagement. At the time of writing, Sky Atlantic has reported high levels of audience engagement with Human Made Stories, citing '*strong identity for the series and the quality of the brand*' (Sky Media, 2016). These audiences include not only potential vehicle purchasers but also potential and existing employees, and significant others who refract the brand image. Results show the initial chapters for the Human Made Stories gaining similar amounts of views since release in 2016. The newer releases of chapters (August 2017) achieved substantially higher levels of online engagement—almost double that of the first set of chapters—less than two weeks after released.[1] As Sara Axling, Volvo Cars' previous employer brand manager proposed, '[in] *collaborations with the best employer brand strategists, market research companies and creative agencies worldwide, you can bring together an outstanding team to drive your employer brand strategy*' (Brett Minchington, 2014).

Internal engagement. Whilst it is difficult to gain independent evidence of the internal impact of Human Made Stories, Volvo Cars has reported increased engagement and performance since the promotional campaign began. In its 2016 Volvo Group Attitude Survey, based on a 93% response rate, it showed an increase in engaged employees over the previous two years. In addition, the Global People Survey that specifically measures employee engagement asked employees for their opinions on their work and teams. A 90% response rate was recorded as showing employees as 'engaged and customer-orientated and have a good knowledge of corporate culture and ethical issues' (Volvo Cars, 2017a).

Conclusion for Theory and Practice

We have argued that employer branding has become an essential element in global HR talent management, and set out a model illustrating how the connections between different aspects of corporate identity management, organisational identity and branding activities create positive employer brand images among existing and prospective employees. Our revised model has incorporated signalling theory concepts, especially the need for honest signals, which are seen as authentic by different groups of employees who view these messages through different lenses. It has also built on social identity theory to explain how corporate identity and signalling needs to be firmly embedded in organisational identity. The model has also highlighted the complex interactions and relationships that shape employer branding in MNEs as they seek to engage new and existing employees to help the organisation build reputational capital. Thus, our principal message for research in the field of talent management in global companies and, indeed, HR in general is to assess the relevance of signalling theory and identity theory as relevant constructs for developing more sophisticated models of HR and high-performance work systems.

Evidence from existing employer branding research points to the honesty of symbolic and culturally authentic features of employer brands being the most important to employees but also the most costly and 'hard-to-fake' signals. Currently, much employer branding practice relies on rather simplistic, one-size-fits-all corporate messages and employer of choice propositions, which highlight instrumental benefits and corporate spin (Becker, Huselid and Beatty, 2009). The strength and consistency of signals, which are contingent on the sources, structures, systems and processes of employer branding, as well as the extent to which leaders and followers 'live the brand', will have a major impact on receivers' perception of the honesty of such signals and, through these, their willingness to engage with the organisation.

We also see employer branding and engagement being interrelated and interdependent, with more academic research needed to develop the potentially useful notion of engagement.

Our model has made a distinction among work engagement, engagement with each other and organisational engagement or identification (Bailey et al., 2017) as key influences on the creation of reputational capital by building brand advocacy and sending positive signals to potential employees. However, as we have also alluded to in the chapter, there are other potentially relevant engagement foci, including, as demonstrated in the case, the nature of the industry and its reputation for social responsibility and sustainability. Employer brand images and engagement are also an important test of the honesty with which employer branding signals are received by employees. Somewhat contrary to the trends towards global corporate branding, which is intended to reduce the costs of signalling vital messages to customers and employees, potentially more costly signalling of employer brands is more likely to reconcile the dual logics and negative capabilities inherent in the integration-responsiveness problems faced by global companies. Costly signals, in the form of extensive research, testing and evaluation, are likely to pay proportionately larger returns in the long run, which is the basic belief underlying the corporate HR team in the case study. Such costly signals are inherent in the needs to strike a dynamic balance between standardisation and integration on the one hand and local responsiveness and authenticity on the other. Short-term costs are also inherent in giving employees greater voice in the design and implementation of employer branding, but doing so may reduce the long-term costs by improving local responsiveness and authenticity.

Finally, we have used the case of Volvo Cars to illustrate certain aspects of our theory, how they have attempted to resolve key tensions, and how they have introduced the prospect of the use of social media and big data to improve employer branding in large MNEs. Volvo Cars has attempted to resolve the authenticity paradox through its commitment to the protection of human life. Volvo Cars' traditional focus on safety and in highlighting the dangers and outcomes of car accidents are intended to signal its authenticity, arguably by recognising errors and mistakes in existing motor vehicle design. In short, it is a portrayal of inherent weakness in motor vehicle use and how it is attempting to take a lead in dealing with this problem. We also regard Human Made Stories as a thought-provoking example of how MNEs can conduct employer branding activities and assess their effectiveness. However, the lack of published data on issues such as engagement and their veracity make it very difficult to assess the effectiveness of employer branding activities, which is a common problem in this field and suggests how further independent research by academics might assist breaking down the research-practice divide in HR.

Note

1. (28/08/2017): Chapters 1, 2 and 3 were published online 8 September 2016 and recorded views of 51,008, 49,571 and 66,064, respectively; chapters 4 and 5, published online 21 August 2017, recorded views of 112,983 and 58,648 (Volvo Cars UK, 2017).

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10

Global Mobility and Global Talent Management

Michael Isichei and David G. Collings

Introduction

A key advantage that multinational enterprises (MNEs) enjoy, relative to companies that operate in a single country, is the greater ability to source talent globally and to transfer talent internally to meet staffing needs (see chapter 4; Scullion and Collings, 2006). Delivering on this mobile talent agenda is, however, complex and challenging. The current chapter is focused on how an MNE can use global mobility to meet its global talent needs. Empirical insights confirm the importance of international employee mobility in an MNE's global talent strategies (McDonnell et al., 2010; Sparrow, 2007; Stahl et al., 2012). For the purposes of the chapter, we define *global mobility* as encompassing the temporary transfer of employees internationally within an MNE (Collings et al., 2011). These employees are in turn generally referred to as international assignees or corporate expatriates—"employees who are temporarily relocated by their organizations to another country . . . to complete a specific task or accomplish an organizational goal"[1] (Shaffer et al., 2012: 1287). Traditionally, international assignees were transferred from headquarters (HQ) to subsidiaries for a period of three to five years. However, in recent years the landscape of global mobility has altered significantly. We now recognise the importance of third country national (TCN) international assignees, individuals employed at a subsidiary that are neither a national of the HQ country nor the focus subsidiary country, and transfers of host country national (HCN) employees from subsidiaries to the HQ, termed inpatriates (Collings et al., 2010; Reiche, 2006, 2011). Equally, short-term international assignments, longer than a business trip and shorter than a year, have become increasingly important as a staffing mechanism over recent years (Collings and Isichei, 2018). Indeed, the landscape of global mobility has shifted significantly in recent years, and we return to these various forms of international assignees. The growing complexity of global mobility is reflected in the decision of the global sporting company, Adidas, to rebrand its global mobility function from 'international mobility' to 'cross-border employment', as they felt it better captured the increasingly complex reality of global mobility, reflecting the greater range of cross-border employment arrangements it was managing (Gray, 2018).

The importance of global mobility in staffing MNEs has long been recognised (Collings, 2014; Cerdin and Brewster, 2014). For example, upper-echelons research provides empirical

support for the positive relationship between top-management team international assignment experience and indicators of firm performance (Carpenter et al., 2001), and levels of international diversification (Tihanyi et al., 2000). Similarly, the use of parent country national (PCN) expatriates to staff subsidiary operations has been shown to improve subsidiary labour productivity, particularly in new operations in culturally distant locations (Gong, 2003). An emerging body of literature also points to the strategic benefits of inpatriate assignments (Reiche, 2012). Indeed, in many MNEs, being open to an international job rotation is a condition of being a member of the organisation's leadership talent pool (Hall et al., 2001).

International assignments generally serve one of three functions (Black et al., 1999; Edstrom and Galbraith, 1977). From a strategic perspective, Black et al. (1999) emphasises the use of international assignments (1) for succession planning and leadership development; (2) in coordination and control; and (3) in information exchange around the multinational network. While on the surface the first of these has the closest resonance with global talent management (GTM), it is arguable that all three have a potential link with GTM. This is particularly the case when one considers a definition of GTM which emphasises, as ours does, the importance of critical roles in the MNE's GTM strategy (we outline our approach to GTM as follows). Practitioner evidence would seem to support the view that global mobility is considered important in the MNE context. For example, SantaFe's (2017) Global Mobility Survey found that some 96% of business leaders believed that international assignments were critical to the career success of managers. Indeed, the role of global mobility in delivering on an MNE's global talent strategies is also widely acknowledged. The authors of the Brookfield GRS (2015: 4) annual report argued that "more than ever mobility must be ready to play a central and more 'mindful' role in a company's global talent management strategy".

Notwithstanding the recognition of the importance of global mobility and the increasing desire to integrate mobility and talent, it appears that progress has been slow. For example, only 10% of respondents in the SantaFe study felt that their global mobility functions were focused on strategic manpower planning, but rather they were more grounded in operational and compliance issues. This is consistent with data from the RES Forum, with only 7% of respondents to that study viewing their global mobility function as enacting the role of talent manager, compared to some 79% focused on due diligence. Thus, it appears while the value of global mobility from a strategic perspective is recognised by stakeholders in organisations, there is significant value remaining on the table in terms of how mobility is leveraged in delivering on the organisational global talent agenda.

The chapter begins by outlining how we define GTM. We then consider the role of international assignments in the development of global talent. Finally, we explore the potential of the integration of global talent and global mobility.

Defining Global Talent Management

The lack of consensus on how global talent management is defined has been one of the key criticisms of the concept since its emergence as an area of interest for practitioners and scholars alike. While a comprehensive review of the emergence of GTM is beyond the scope of the current chapter (see, for example, Al Aris et al.,2014; Cascio and Boudreau, 2016; Schuler et al., 2011; Tarique and Schuler, 2010), it is important to note that one of the key constraints on the development of effective GTM strategies has been the failure to develop a shared understanding of what GTM means in the context of the MNE. Collings and Mellahi's (2009) definition has been identified as the most widely adopted definition of talent management (see Gallardo-Gallardo et al., 2015), and we use their definition of global talent management, which expands

our understanding to the global scale (Mellahi and Collings, 2010). Mellahi and Collings (2010: 143–144) define global talent management as:

> The systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage on a global scale, the development of a talent pool of high potential and high performing incumbents to fill these roles which reflects the global scope of the MNE, and the development of a differentiated human resource architecture to facilitate filling these positions with the best available incumbent and to ensure their continued commitment to the organization.

This definition is important because it broadens the discussion of GTM beyond the leadership succession agenda, which is often the focus for MNE leaders. It argues for the recognition of the importance of identifying pivotal positions that have the greatest potential impact on MNE performance. These positions share two key characteristics. Firstly, they are central to the MNE's strategy and, secondly, there is significant potential for performance differential between a top performer and an average performer in the role. This means that when an MNE puts a top performer in a pivotal role, or indeed increases the number of people in these roles, there will be a disproportionate increase in output. This stands in contrast to the situation in many organisations currently, where overinvestment in non-pivotal roles is common. In contrast to the past, where jobs were evaluated on the basis of the inputs required to do them, for example, qualifications or experience, it argues that jobs should now be evaluated on the basis of potential outputs.

The second key element of the definition, the development of talent pools that reflect the global scope of the MNE, emphasises the importance of employees at subsidiaries as well as at HQ and further challenges the assumption that HQ employees alone are the focus of GTM. The key objective of global talent pools is to create a pipeline of talent to fill these pivotal roles with high performers with the potential to grow and develop in the organisation. The most sophisticated MNEs from a talent perspective ensure the parallel development of leadership talent pools to meet the leadership requirements of the MNE globally. Peter Cappelli (2008) likens the idea of talent pools to the management of talent as a supply chain with an emphasis on minimising risks in that pipeline. The key risks are not having the quality or quantity of talent to deliver on the MNE's strategic objectives. However, of course the MNE could also be over-resourced, which could result in the requirement for redundancies. Either way, the MNE's global talent pools should be aligned with the firm's strategy. Collings et al. (2018) outline in detail how the MNE's strategy significantly influences the nature of GTM and how these key activities should be adapted based on the strategy of the MNE.

Finally, the development of a differentiated HR architecture to support the deployment and retention of this talent pool should reflect the development of a GTM strategy that is aligned with the MNE's competitive strategy. Collings et al. (2018) argue that better management of this pool of critical employees will likely have the greatest impact on value creation within the firm. However, the cross-border development, deployment, and management of this talent pool is particularly complex in the global context. Effective management of the talent pool helps in delivering the MNE's strategic objectives by generating and developing the knowledge, skills, abilities, and other characteristics (KSAOs); motivation; and opportunities required for higher performance at the MNE level.

We now turn to the role that global mobility plays in the MNE and go on to integrate global mobility and global talent management.

The Role of Global Mobility in the MNE

International assignments play a critical role in an MNE's global staffing strategies (Collings and Isichei, 2018; Gong, 2003; Scullion and Collings, 2006; Tarique and Schuler, 2010). The landscape of global mobility has shifted significantly in recent years, and the nature of global mobility is far more complex than it has been in the past. That said, the broad reasons for international assignee development have remained relatively consistent over time.

As noted earlier, global mobility tends to be driven by one of three factors in MNEs (Black et al., 1999; see also Edstrom and Galbraith, 1977). These are for succession planning and leadership development; in coordination and control; and in information exchange around the multinational network. More broadly, Pucik (1992) differentiates between learning-driven and demand-driven motives for expatriation. Assignments for the purposes of succession planning and leadership development are generally classified into the former category while assignments for the purposes of control and coordination or information exchange fit into the latter. More recent work has developed on this perspective, and in considering the duration of international assignments, Pucik et al. (2016) developed a useful framework for classifying the duration and purposes of international assignments.

It turns out that this differentiation is important because, as Shay and Baack (2004: 218) have demonstrated: "managerial development reasons for the assignment will foster expatriate personal change and role innovation, whereas control reasons will focus attention on the expatriate making personal changes and on role innovation in the subsidiary". This is because in learning-driven assignments, expatriates are conditioned to adapt their frame of reference in adapting to the new environment. They in turn adapts their behaviour to meet the requirements of the new country in which they are based. In contrast, in control-driven assignments, international assignees expect local employees to absorb their new demands and approaches and to change their frames of reference. Thus, role requirements are adapted to meet the transferred manager's expectations (Shay and Baack, 2004). This is because in control-driven assignments the expatriate strives to align the operations of the subsidiary with those of the parent organisation (Delios and Bjorkman, 2000). In knowledge-driven assignments the expatriate's focus is on transferring the parent company's knowledge to the host subsidiary under conditions where the parent is considered to have greater proprietary knowledge.

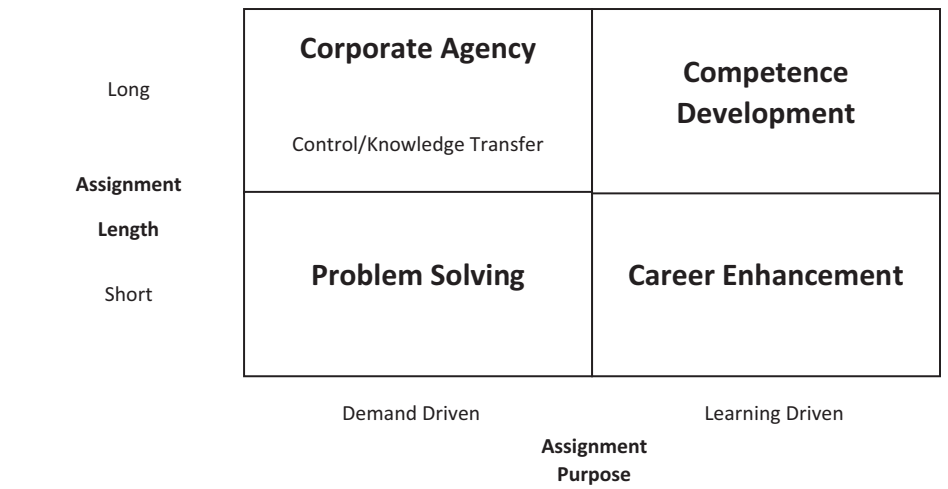

Figure 10.1 The Purposes of Expatriation
Source: Adapted from Pucik et al., 2016

Regardless of the purpose, international assignments afford employees the opportunity to live and work in different countries, broaden their experiences, learn new skills, and develop a global network (KPMG, 2016; see also Caligiuri and Dragoni, 2015). They are considered to be the most influential force in the development of managers (Stroh et al., 2005), with potential benefits for the MNE and individual alike. There is little doubt that the international experience of senior managers can influence the strategic direction and performance of their organisation (Carpenter and Fredrickson, 2001; Carpenter et al., 2001). Recent practitioner research suggests that MNEs intend on capitalising on the developmental benefits of international experience by increasing their use of assignments that have explicit developmental objectives. A recent survey indicated that 72% of MNEs believe that their use of developmental and training assignments will increase over the next five years (KPMG, 2016).

Thus, it is apparent that the relevance of global mobility for the development of high-potential employees, which is a central concern for organisations (Heneman et al., 2000; Scullion et al., 2010) and a central tenet of talent management (Collings and Mellahi, 2009; Stahl et al., 2012), will not decrease in the near future. Furthermore, the growing significance of several different types of international assignments over the last decade (cf. Bozkurt and Mohr, 2011; Mäkelä et al., 2017; Mayerhofer et al., 2004; Meyskens et al., 2009; Pate and Scullion, 2016; Scullion et al., 2007; Tahvanainen et al., 2005) has made global mobility even more relevant within the context of global talent management. MNEs now have greater flexibility in providing high-potential employees with the international experience necessary to move them into executive roles within the global enterprise. We provide a brief overview of a number of different types of international assignments which are initiated and managed by MNEs. Specifically, we focus on the traditional long-term assignment, and in line with previous reviews of alternatives to this assignment type (cf. Collings et al., 2007; Collings and Isichei, 2018), we also focus on short-term assignments, international business travel, and commuter and rotational assignments. We then proceed to consider the impact of international assignments on the development of organisational talent.

The *traditional long-term international assignment* has historically been the most dominant type of international assignment (Collings et al., 2007). This assignment type involves the relocation of an assignee and his/her family, and typically lasts one to three years, but can last up to five years (Baruch et al., 2013; Dowling et al., 2008). The traditional long-term assignment remains an important staffing tool in MNEs. A recent industry survey indicated that 97% of MNEs offer long-term assignments (KPMG, 2016). Nonetheless, challenges to long-term assignments, such as pressure to reduce costs, demand and supply imbalances in globally mobile talent, and changing attitudes towards careers (see Collings et al., 2007), have resulted in increased recognition of the value of less lengthy alternatives.

Short-term international assignments are one such alternative. Short-term assignments may be defined as temporary internal transfers to foreign subsidiaries, which are between one and twelve months in duration (Collings et al., 2007). Short-term assignments have historically been, and remain, the most popular alternative to the traditional long-term assignment (KPMG, 2015a; PWC, 2014; Santa Fe Relocation Services, 2016, 2017; Tahvanainen et al., 2005). This assignment type is often used to staff projects within MNEs (Suutari et al., 2013). Short-term assignments often do not require the relocation of the assignee's spouse or family, and remuneration and social security benefits are handled in the home country (Starr and Currie, 2009; Tahvanainen et al., 2005).

Like assignees on short-term assignments, employees who engage in *international business travel* embark on assignments without being accompanied by their spouse or family, and they maintain their residency in their home country. International business travellers (IBTs) may be defined as employees who are required, as part of their role, to make frequent international visits to foreign markets, units, projects, and the like (Welch et al., 2007). This type of assignment

generally lasts between one and three weeks (Shaffer et al., 2012), but the duration of international business travel may vary based on the purpose of a given business trip. Although technological advances enable easy communication between people operating in different geographic regions and time zones, international business travel enables fact-to-face communication with clients, partners, and stakeholders. This is an important component in the development and sustenance of effective working relationships. Compared to long-term and short-term assignments, international business travel is less structured. IBTs are deployed to meet organisational needs, which evolve on an on-going basis (e.g. negotiations, conferences, meetings with stakeholders, etc.). They therefore often embark on international business trips having received little prior notice.

Compared to international business travel, *commuter assignments* follow a more structured pattern (Stahl et al., 2012). Commuter assignments involve travelling from a home location to take up a post in a foreign location on a weekly or bi-weekly basis (PricewaterhouseCoopers, 2005; Mayrhofer et al., 2012). While these are often within Europe or locations in relatively close geographic proximity, they can often involve substantial commutes. For example, the term *NYLON commuters* is often used for employees typically working in the financial services sector who regularly commute from New York to London (Gray, 2018). While on location, commuters may have work responsibilities in both their home and host country, but maintain their residence in their home country, returning at frequent intervals (Deloitte, 2013a). In contrast, employees on *rotational assignments* often only have work responsibilities in the host country, and return at less frequent intervals. Specifically, rotational assignments involve the relocation of an employee from their home location to take up a post in a foreign location for a short period of time followed by a period of time off in their home location. While industry surveys indicate that commuter assignments are being used more frequently, with one survey finding a 42% increase in this assignment type over a seven-year period (Deloitte, 2013a; KPMG, 2015b), less is known about the actual extent to which rotational assignments are used. However, survey research which indicated that 65% of MNEs expected their number of rotational assignments to increase over the following five years (Deloitte, 2013b), suggests that this assignment type may also be used more frequently than it was in the past. Commuter assignments are a particularly viable alternative in places like Europe, where it is common for people to live within short distances of national borders and have the legal rights to work across those borders (Mäkelä et al., 2017; Mayrhofer and Brewster, 1997). Mayrhofer and Scullion (2002) illustrate this nicely in their example of German quality engineers in the clothing industry who travel frequently to countries in Eastern Europe, and return regularly to be briefed and to spend time with their families. Commuter assignments are commonly used when an employee's role spans multiple locations (Deloitte, 2013a).

Rotational assignments, on the other hand, are commonly used to staff roles in remote locations, such as oil rigs or in construction. They are also used in development programmes where rotation between jobs and locations is part of the learning experience. Although international assignments can yield positive outcomes for assignees, such as personal growth (Starr and Currie, 2009), within the context of GTM, little is known about how they impact the development of high-potential employees. However, literature which considers the impact of international assignments on the development of an assignee's career may enlighten our understanding of the potential impact of international assignments on the development of organisational talent (see also Caligiuri and Dragoni, 2015).

On balance, research indicates that international assignees often believe that assignments will result in the development of career competencies that will ultimately further their careers (Dickmann and Harris, 2005; Dickmann and Doherty, 2008, 2010; Doherty and Dickmann, 2009; Jokinen, 2010). In contrast to this expectation, some research suggests that international assignments do little, if anything at all, to positively impact an assignee's career. For instance, a study of 1,001 chief executive officers (CEOs) across Europe and the United States found

that international assignments can slow down career progression (see Hamori and Koyuncu, 2011). The study indicated that longer assignments, and a greater quantity of assignments, can negatively impact an executive's rise to top corporate positions. In addition, assignments undertaken in MNEs other than the executive's present employer and those taken at a later stage in the executive's career were found to adversely affect their career advancement. These findings may support the notion that while on assignment, assignees may miss out on opportunities at the home unit that can advance their careers (Stahl and Chua, 2006). Furthermore, the post-assignment expectations of assignees are often unmet (Baruch et al., 2016) in that promotion promises go unfulfilled, and difficulties are often encountered in finding suitable positions for assignees when they return from assignments (Stahl and Chua, 2006). Subsequently, career progression continues to be a significant concern for repatriated assignees (e.g. Kraimer et al., 2009; Lazarova and Cerdin, 2007). The unmet expectations of repatriated assignees may further signal the weak effect of international assignments on the career development of assignees.

Conversely, some empirical research does suggest that international assignments can positively impact an assignee's career. In a study of 88 employees from five U.S.-based MNEs Kraimer et al. (2009) found that assignees who undertook developmental assignments, rather than assignments focused on problem solving or other objectives, were more likely to progress within their organisation when they returned. The provision of mentors, in the home or host country, during an assignment has also been shown to increase the likelihood of promotion upon return (e.g. Carraher et al., 2008). Furthermore, research also points to the benefit of multiple assignments for the development of a manager's career capital (e.g. Suutari and Mäkelä, 2007). Despite the wide acceptance of the developmental value of international experience (Bird and Mendenhall, 2016; Caligiuri and Bonache, 2016), empirical research tracing the impact of international assignments on the career development of international assignees has presented mixed results. Thus, the impact of international assignments on the development of global talent remains unclear.

The emergence of alternatives to the traditional long-term assignment has, however, provided MNEs with greater scope in relation to the development of organisational talent. Beyond their flexibility and cost-effectiveness (Tahvanainen et al., 2005), alternatives to the traditional long-term assignment have, in practice, proven to be valuable tools for MNEs in the development of organisational talent. For instance, both short-term and rotational assignments have demonstrated their developmental value. Some MNEs utilise short-term assignments in the form of 'talent swaps', in which individuals employed by the same company in different countries temporarily switch jobs for up to a year (Mohn, 2015). Rotational assignments, on the other hand, are often an element of development programs within MNEs. Such programs often serve the purpose of training graduate employees or preparing high-potential employees for executive roles (e.g. Unilever's three-year Future Leaders Programme and GE's five-year Corporate Audit Staff programme). These programs see participants work in various roles across an MNE's global network of subsidiaries. At the insurance company MetLife, employees on the organisation's Global Leadership Development Program undertake functional and regional rotational assignments in the organisation's core areas of business.

Thus, like traditional long-term assignments, less lengthy alternatives can provide a means of developing employees (Tahvanainen et al., 2005). However, empirically, we know little about the developmental impact of short-term assignments, international business travel, and commuter and rotational assignments (Collings and Isichei, 2018). Future research should consider the developmental impact of these assignment types on groups such as high-potential employees. Intuitively, it seems that shorter-term assignments may be quite beneficial for the development of high-potential employees because they can provide such employees with more frequent and varied international experiences. For instance, in the time that it would take for one high-potential employee to complete a long-term assignment in just one location, another

high-potential employee can complete several short-term assignments in various locations. Furthermore, in the case of international business travel and commuter and rotational assignments, the opportunity to attain frequent international experiences increases because of shorter duration of these assignment types.

We now turn to how MNEs can effectively integrate global mobility and global talent management.

Integrating Global Mobility and Global Talent Management

Global mobility and global talent management play equally important roles in the realisation of an MNE's strategic objectives (Scullion et al., 2010; Tarique and Schuler, 2010; Stahl et al., 2012). There are inherent ties between both functions as GTM strategies often involve the movement of talent across an MNE's global network through the use of international assignments (McDonnell et al., 2013; Shen and Hall, 2009). However, the management of both functions has often been overseen by two separate sets of specialists (Cerdin and Brewster, 2014). In recent times there have been calls for greater integration between the functions. A recent industry report noted that "more than ever mobility must be ready to play a central and more 'mindful' role in a company's global talent management strategy" (Brookfield Global Relocation Services, 2015: 4).

Despite calls for greater integration between both functions, the integration between global mobility and GTM is relatively poorly developed (Collings, 2014; Cerdin and Brewster, 2014; Farndale et al., 2014). The 2015 *RES Forum Annual Report on Strategic Global Mobility and Talent Management* provides clear evidence of this. As illustrated in Figure 10.2, the report found that global mobility leaders predominantly enacted the roles of strategic advisor (57%) and expert on due diligence (79%), with little attention paid to the people-centred roles of global talent manager (7%) and global people effectiveness expert (14%). Furthermore, the roles of strategic advisor (56%) and expert on due diligence (42%) were found to be valued more by top management compared to global talent manager (15%) and global people effectiveness expert (9%). The relatively small degree of importance attributed by global mobility leaders and top management to the role of GTM within the global mobility function represents a significant challenge in the development of the integration between global mobility and GTM. In line with much of the academic and practitioner insights on the level of integration between global mobility and GTM in MNEs, a recent survey indicated that 67% of MNEs do not align their global mobility program to their talent management initiatives (KPMG, 2016).

Figure 10.2 Global Mobility Leaders Currently or Mostly Act as Experts on Due Diligence
Source: Dickmann, 2015

One approach which may improve the level of integration between both functions is to integrate GTM and global mobility in the context of the pre-assignment, assignment, and post-assignment stages of the international assignment cycle (see Collings and Isichei, 2017). For instance, during the pre-assignment stage, assignee selection is a key concern for MNEs. During this stage the employment of a global talent-pool strategy (Collings, 2014) has the potential to link assignee selection to GTM by ensuring that all high-potential employees across an MNE's global network are considered for international assignments as part of a career development process (Collings and Isichei, 2017). Within the context of GTM, the development of employees is a key objective of international assignments. During assignments the global mobility function plays an important role in the development of high-potential employees. The provision of adequate support (e.g. home and cost country mentors) can contribute to the integration of global mobility and GTM by ensuring that assignments yield the expected developmental outcomes for high-potential employees and their organisations. Considering GTM within the context of the international assignment cycle may facilitate better management of the repatriation process and subsequently improve the level of integration between global mobility and GTM. Many assignees experience frustration during the post-assignment stage because of the failure of their organisation to link their international experience to their career development (Collings, 2014; Lazarova, 2015; Lazarova and Cerdin, 2007). Industry research shows that few MNEs guarantee positions for repatriated assignees, have someone in place to help repatriates find suitable positions, or have a formal repatriation strategy linked to career management and retention in place (Brookfield Global Relocation Services, 2015; Dickmann, 2015). This might be because many MNEs view repatriation as an end-point in the international assignment cycle. However, viewing repatriation as an intermediate stage (e.g. Doherty et al., 2008), which is connected to longer-term career and development issues, can help improve the level of integration between global mobility and GTM by "ensuring that MNEs are intentional about the development of employees beyond international assignments" (Collings and Isichei, 2018: 6). Research confirms that assignees who have a clear line of sight between their international assignment and their career development are more likely to remain with their organisation (Shaffer et al., 2012). In addition, a greater focus on the development of employees beyond assignments is also likely to improve an MNE's ability to ensure that key positions that differentially contribute to the organisation's sustainable competitive advantage are filled by the most suitable employees (Mellahi and Collings, 2010).

For MNEs that do integrate global mobility and GTM, it appears that international assignments play a more formal role in the development of their high-potential employees. A survey by KPMG (2016) observed that 51% of MNEs, who aligned their global mobility program to their talent management initiatives, indicated that international assignments were a formal part of their talent management initiatives. Future research should build on the approach to improving the integration between global mobility and GTM discussed here (i.e. Colling and Isichei's, 2017), by empirically exploring the effect of GTM on key outcome variables at different stages of the international assignment cycle.

Conclusion

There is little doubt that global mobility can and should be a vital element of MNEs' global talent management programmes. However, the evidence of the extent to which the functions are truly integrated in practice is limited. This means that multinationals often struggle to develop effective global talent pipelines, often leading to critical talent failures (Mellahi and Collings, 2010). It also means that individual assignees often emerge from assignments frustrated by the value of their international experience, from a career perspective, within the firm that sent them

on assignment (Collings et al., 2011). This further means that MNEs often struggle to retain high-potential talent when they return from international assignments. This challenge is amplified by the increasing number of forms of global mobility that global mobility functions have to manage. In this chapter we have outlined the benefits of the integration of global mobility and global talent and have identified some of the reasons why there remains a lack of integration between the two functions. We have also pointed to some potential means by which MNEs can better integrate mobility and talent in more effectively managing global talent.

Note

1. Shaffer et al. prioritise assignments lasting several years in their definition. Given the incorporation of short-term assignments in the present discussion, we recognise the importance of such shorter-duration assignments. This definition also excludes self-initiated expatriates, those individuals who relocate internationally in search of work without the support of an employer. Although these employees clearly represent an important source of global talent, they are not generally managed by the global mobility function, and hence fall beyond the scope of the current discussion. For a discussion of these and other staffing options, see Al Ariss and Crowley-Henry, 2013; Fang et al., 2013.

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Section 3
Contemporary Challenges in Global Talent Management

11
Global Talent Analytics

Dana Minbaeva and Sara Vardi

Introduction

Despite paying years of lip service to the importance of talent management, managers have only just begun to build talent strategies that go beyond a standardized approach (Meyers and van Woerkom, 2014). The rationale behind such strategies relates to *workforce differentiation* in which organizations make "disproportionate investments [for which they] can expect disproportionate returns" (Becker et al., 2009: 3). In the talent-management literature, this approach has been labeled "exclusive" because it focuses on the top players, high potentials, high performers, or strategically important employees, which stands in contrast to "inclusive" talent-management activities directed towards the entire workforce (Iles et al., 2010; Lewis and Heckman, 2006; Stahl et al., 2012).

Critiques of the talent-differentiation approach focus on biases in talent selection (Silzer and Church, 2010); the reliability of measures used to identify talent (e.g., intelligence tests); the fairness and reliability of performance-management systems (Landy and Farr, 1980; Prendergast and Topel, 1993); and structural, geographical, and social distances that prevent multinational corporations (MNCs) from making "fair" decisions in talent management (Minbaeva and Collings, 2013). In this chapter, we argue that talent analytics, which is part of human capital analytics (HCA), can help organizations address these critiques and fully exploit the potential of their talent management. More specifically, based on insights derived by the HCA Group[1] from collaborative projects undertaken with numerous companies in northern Europe, we detail and explain how companies have successfully used talent analytics to: (1) identify pivotal or strategic positions within the organization that have the potential to affect performance (i.e., the basis for differentiation), (2) identify a talent pool of high-potential and high-performing employees to fill those positions, and (3) monitor performance and actively manage retention.

In the following section, we outline the main reasons for the rise of talent analytics. Thereafter, we define the main elements of talent analytics and provide examples. We conclude by formulating several guidelines for organizations interested in building talent analytics and pointing out potential pitfalls.

Why (Talent) Analytics?

In general, "analytics" refers to "the use of analysis, data and systematic reasoning to make decisions" (Davenport et al., 2010: 4). HCA is defined as the process of answering questions, providing insights, and making recommendations to assist decision making related to an organization's human capital (Minbaeva, 2017a). The ultimate objective is to create an HR organization that balances "intuition, experience, and beliefs with hard facts and evidence, and [is grounded] in the vast knowledge of organizational behavior" (van der Togt and Rasmussen, 2017: 128). Researchers and practitioners concur that the "effective use of analytics . . . may be the biggest contributor to the building of great, sustainable organizations in the future" (Beatty, 2015 p. 285).

We believe that using HCA in general and adopting analytics in talent management in particular offer organizations at least three significant benefits: (1) the possibility to make better evidence-based decisions in talent management, (2) the ability to enhance the value of talent-management programs, and (3) the opportunity to build and sustain a performance culture that is conducive to talent development.

Make Better Evidence-Based Decisions

Talent-management decisions should be fair and well substantiated, so that the people who are the most productive and talented are rewarded accordingly (see McDonnell, Collings and Carbery, 2019). Unfortunately, biases and a lack of information often cloud such decisions, and managers are left to make their decisions based on "gut feelings" and intuition (Minbaeva and Collings, 2013). For example, several cognitive biases are associated with talent assessment during performance appraisals—the *central tendency bias* (Landy and Farr, 1980) makes managers more likely to assign a mid-level rating to the majority of employees regardless of actual performance, while the *halo effect* (Borman, 1975) leads managers to base their ratings on their perceptions of employees rather than actual performance.

Many of these biases can be mitigated by adopting an evidence-based approach to talent management, as data and analytics can make managers aware of potential biases and, thereby, enable them to act. For example, one internal analytics project showed that the company's male managers systematically rated male employees higher than female employees. These ratings were defended with seemingly valid explanations of behavioral aspects. However, this bias proved to be harmful to the performance of female employees, who sought to move away from male-dominated teams or under-delivered because they did not feel their contributions were acknowledged. On the basis of these findings, the analytics team initiated conversations with managers to make them aware of these (subconscious) biases and the reasons for their existence. They then initiated a broader discussion of what the company should view as "good" behavior. Managers quickly realized that what they perceived as "good" behavior when exhibited by male employees was actually perceived as "poor" behavior when enacted by female employees. By sharing the analyzed data with managers, the analytics team helped managers recognize the unintentional biases and uncover ways to avoid them.

The findings of this analytics project were by no means unique or groundbreaking. The extant research offers plenty of evidence of biases stemming from a "similar-to-me" effect (Baskett, 1973; Rand and Wexley, 1975; Turban and Jones, 1988). One may wonder whether the efforts of the analytics team in the prior example were worthwhile—the organization could just choose to educate the managers about the extant research and tell them what to do. Such a solution sounds easy, but it will not work. There is a tendency among managers (and employees) to think "my organization is unique," "my department is special," and "the theory does not apply here." Organizations need their own data, and managers want evidence from their own teams. Google, for instance, faced resistance when trying to persuade its engineers that management mattered (Garvin, 2013). In

their hearts, Google's team members believed that management, with all its development tools, was "more destructive than beneficial, a distraction from 'real work' and tangible, goal-directed tasks" (Garvin, 2013: 75). The challenge for top management was to turn highly talented skeptics into believers and to persuade them to spend time managing others. The solution was to "use data to test your assumptions about management's merits and then make your case" (Garvin, 2013: 76). Google's analytics team did exactly this. Its Oxygen project used data and analytics to convince engineers that good management and leadership actually mattered for Google's well-being and productivity (Garvin, 2013). The Oxygen project did not come up with radically new notions of "good management," but it tested and validated extant knowledge using the company's own data, which resonated with the company's highly analytically minded workforce.

Enhance the Value of HR

In most organizations, talent-management activities are still viewed as an expenditure rather than an investment (Collings et al., 2019; Farndale et al., 2019). This perspective is attributed to the difficulties of measuring the return on investment (ROI) on talent-management efforts: "creating a line of sight between investments in talent management and corporate performance is . . . undoubtedly a key challenge for the HR function, especially in MNCs" (Minbaeva and Collings, 2013: 15).

Talent analytics offers a way to demonstrate the value created by talent-management initiatives, thereby making the owner of talent-management programs a more credible partner for the business. As Ed Iames, Wawa Inc.'s Senior Director of HR, says: "We've found that the more data we (HR) produce and send to our business partners, the more questions we get and the more they want. They become very engaged with what we are doing, very engaged with the solutions."[2] The creation of a "business case" while working with talent analytics helps to ensure organizational buy-in and eases the implementation of talent-management programs across organizational boundaries (Schiemann, 2014).

To be viewed as a valuable partner for the business, talent managers must speak a language that stakeholders outside the HR department can understand—the language of value creation. As Green (2017: 137) argues, "successful people analytics teams focus on projects that actually matter for business." Thomas Rasmussen, General Manager of People Analytics, Insights, and Experience at National Australia Bank, also notes: "Connecting HR to HR is only interesting for HR."[3] The analytics team at Shell intentionally avoids working with traditional HR metrics: in its analytics projects, the team chose to focus only on business outcomes. For example, instead of just focusing on engagement (a traditional HR metric), the team looked at safety, a business-critical output. On the basis of seven years of global data, they found that a 1% increase in employee engagement resulted in a 4% decline in "recordable case frequency" (an industry safety statistic) (van der Togt and Rasmussen, 2017).

Build and Sustain a Performance Culture

Talented individuals are motivated by recognition and development. Organizations that do not acknowledge and reward talented individuals for their contributions risk creating a culture of mediocracy in which top performers leave and low performers are retained because there are no (or few) reprisals associated with poor performance. On the other hand, a performance-driven culture makes talented employees aware of their own responsibility for their development, including their responsibility to seek out challenging assignments, cross-functional projects, or new jobs within the corporation (Stahl et al., 2012).

Top management's commitment to evidence-based decisions sends a strong signal to the whole organization that performance matters. In that sense, investments in talent analytics are

investments in a performance-driven culture. Evidence on individual performance can be gathered through analytics projects. This, in turn, makes individuals accountable for their contributions and deliverables, as each individual's contribution to productivity, quality, or other business-relevant outcomes can be traced and managed. However, analytics projects are not intended to serve solely as a monitoring mechanism, but rather as a way to help the organization acknowledge great effort and learn from it. For example, the Danish multinational Vestas Wind Systems investigated how diversity affected the bottom line and simultaneously looked at the diversity practices of each manager. The analytics team found that female managers generally exhibited more diverse hiring patterns and were rated higher than their male counterparts. The team also found that females consistently outperformed their male manager-peers in all areas regardless of the composition of the team they managed. Instead of "punishing" or criticizing male managers, Vestas asked a key question: "What makes the female managers so great and how can we learn from them?." The answer to this question was that female managers had a more inclusive leadership style. As a result, the organization started to focus more on inclusive leadership, instead of only focusing on diversity initiatives, which might result in unintended backlash from male managers.

The results of analytics projects can also be used to motivate employees, as they can receive accurate and timely feedback on their performance, which enables them to make necessary adjustments. For example, Maersk Drilling looked into the relationships among employee engagement, training, and safety incidents on drilling rigs. The company found that training and higher levels of employee engagement reduced the number of incidents and increased the likelihood that such incidents would be reported. The implications of this finding were something the rig managers and staff could easily understand, as ensuring a safe working environment and maximizing rig uptime were critical for business success. These insights helped the organization communicate that "employee engagement matters," not only with regard to employee well-being but also in terms of business outcomes and the bottom line.

What Are Talent Analytics?

We define talent analytics as *the process of providing evidence-based input for talent-management activities and processes, and thereby informing talent-related decisions in the organization*. Talent analytics are about taking "the guesswork out of employee management by leveraging analytics to improve [organizations'] methods of attracting and retaining talent, connecting their employee data to business performance, differentiating themselves from competitors, and more" (Davenport et al., 2010: 55). Talent analytics directly ties talent-management decisions to strategic business outcomes by systematically measuring the contributions of talent and talent management to the bottom line (Marler and Boudreau, 2017).

In defining the exact areas in which talent management obtains inputs from talent analytics, we take our point of departure in Collings and Mellahi's (2009: 311) definition of talent management

> as activities and processes that involve the systematic identification of key positions which differentially contribute to the organization's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation—emphasises the identification of pivotal positions as the point of departure for strategic talent management systems.

Accordingly, we identify three areas in which talent analytics can provide direct input for talent management: (1) identifying pivotal or strategic positions within the organization that have the potential to affect organizational performance, (2) identifying a talent pool (both external and internal) to fill those positions, and (3) monitoring talent performance and active management of talent retention.

Identifying Pivotal or Strategic Positions

As mentioned in the Introduction, a growing body of literature on strategic talent management calls for the consideration of strategic *positions* as a key point of departure for building differentiated talent-management systems. This approach follows more general calls for a greater focus on strategic jobs (Becker and Huselid, 2006), especially those organizational roles that can have an above-average impact (Boudreau and Ramstad, 2007). Talent analytics can help with workforce differentiation by answering key questions, such as "What are the key strategic positions in the organization?" and "How should those positions be managed?." As Minbaeva and Collings (2013) explain, such positions: (1) relate to company strategy and have a direct impact on the effectiveness of strategic implementation, (2) exhibit high variability in the quality of the work carried out by the people who occupy them, and (3) require unique, firm-specific know-how, tacit knowledge, and industry experience that cannot be easily found in the external labor market (see also Evans et al., 2011; Huselid et al., 2005).

As Becker et al. (2009: 51) explain, the process of identifying strategic positions begins with "the development of a clear statement of the firm's strategic choice (how will we compete?) as well as the firm's strategic capabilities (what must we do exceptionally well to win?)." These questions need to be answered *before* looking into existing data or collecting new data. In most successful cases, this conversation is often initiated by the Chief Human Resources Officer (CHRO) before the analytics team embarks on the project. Lucien Alziari, a former CHRO at A.P. Møller-Mærsk, offers an example of such a conversation:

> Talent is not generic. It is defined by the business strategy. For example, if your shipping company is pursuing a cost-leadership strategy, what kind of capabilities are required and who are your talents? If you are thinking about the CFO, think again. To deliver the cost-leadership strategy, you will definitely need a good CFO, but you are unlikely to need world-class finance capabilities. Where is the true value added? At Maersk Line, we learned that the key capabilities relate to network design, as network designs affect the shipping infrastructure, which account for almost 70% of the costs.[4]

After the strategic positions are identified, the analytics team can investigate whether there is high variability in performance among the people who occupy them. This requires creating metrics able to capture performance variability. For example, Nathan Myhrvold, former Chief Technology Officer at Microsoft, says "the top software developers are more productive than average software developers not by a factor of 10X or 100X or even 1,000X but 10,000X" (Becker et al., 2009: 61). This does not imply that these developers write more lines of code than their peers, but that they write *better* lines of code. Obviously, few positions exhibit such enormous variation in performance. However, as Becker et al. (2009: 61) argue, "differences in performance of twenty to fifty to one are common, especially in knowledge intensive roles, or in jobs with substantial span of control or sphere of influence." This exercise may yield surprising findings, as high performance variability does not usually exist at the top or among the most senior roles in the organization. According to Professor Mark Huselid:

> The sorting and selection process used to choose senior executives is very extensive. Each step of this process is based on a variance-reduction system in which poor performers are sorted out or developed into good performers. However, at the bottom and middle of the organization, such variability can still exist. Therefore, there is a much greater opportunity for improvement.[5]

If performance variability in a position is low either because variability is inherently low or because all employees in that position are already performing well, there is little room for improvement and no opportunity to deploy additional practices to encourage better performance. This non-traditional way of viewing talent implies that instead of investing development resources on the executive level, organizations should invest them in areas where returns are likely to be greater and cumulative over time.

At the same time, the analytics team needs to confirm that these positions require types of unique, firm-specific know-how, tacit knowledge, and industry experience that are not widely available on the external labor market. For example, a large European multinational struggled to find employees to meet its growing demand for chemical engineers within a very specific field. The organization tapped external data on global talent availability (where possible), including forecasts of likely future supply from educational institutions. These insights confirmed the fragmented availability of the sought-after types of chemical engineers in different locations and were used as inputs when making a decision regarding the location of a new plant (see Textbox 1 for additional details).

Textbox 1.Sourcing "A" players: a supply demand dilemma

A large European multinational had experienced tremendous growth and was, therefore, about to expand its manufacturing facilities abroad by constructing a new production plant in the United States. Production uptime was a key factor in the business's success, as it maximized scale opportunities and, thereby, lowered marginal costs. As such, it was essential to staff the new plant with people with chemical engineering backgrounds within a very specific niche who could effectively operate and maintain the facility. However, the supply of people with the necessary background was limited, as this employee profile was also desired by other industries. Given the workforce trends in the organization, which indicated that the company would experience problems in meeting its own demand for new employees, management knew it had to act (see Figure 11.1).

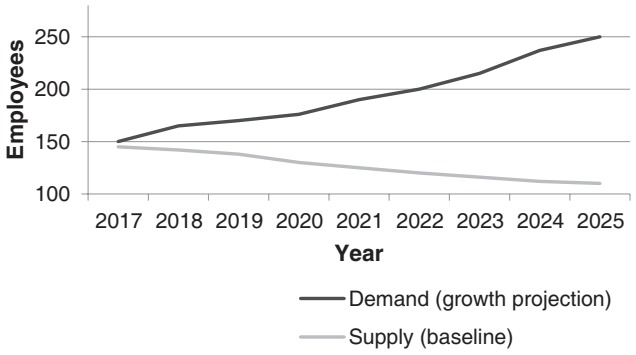

Figure 11.1 Strategic Workforce Planning Scenario

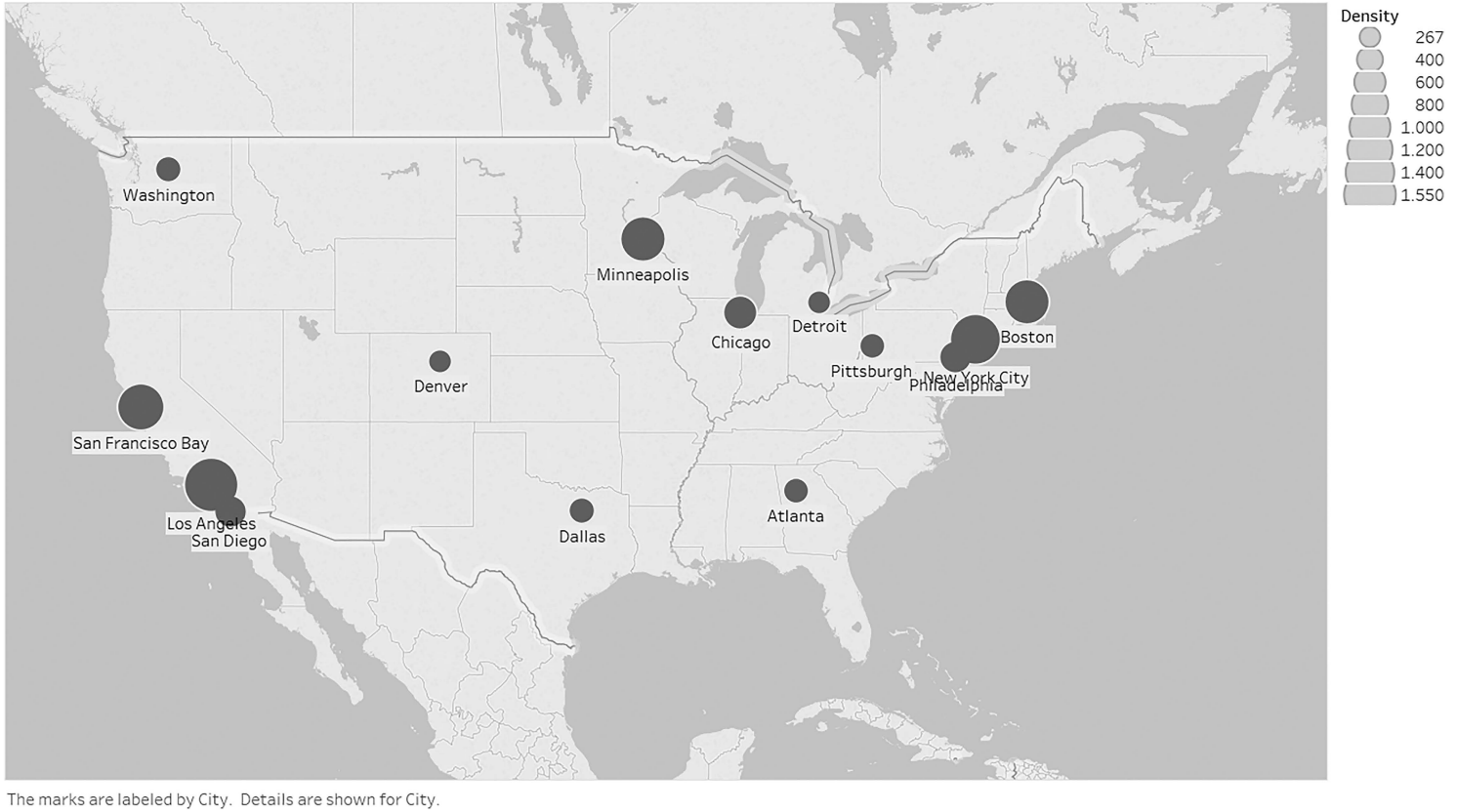

Figure 11.2 Talent Location Density: Chemical Engineer

The organization had already started to focus on reducing unwanted employee turnover, but an analysis showed that this action alone would not be enough to keep up with demand. The decision to establish a new production location offered an opportunity to mitigate the supply shortage by thinking about how the supply of chemical engineers could be maximized. This led to a decision to analyze where to locate plants based on talent availability—recruiting in such areas should yield a greater response, as the pool of potential candidates was larger. The organization decided to acquire external data on talent availability in order to better understand which locations would be able to accommodate its demand for chemical engineers (see Figure 11.2). Based on this information, along with data on salaries in the different locations, the analytics team could determine where it would be most appropriate to locate the new facility given the availability and salary costs of talent as well as other aspects, such as local culture, taxation, and corporate climate. Top management used all of these insights to make a decision regarding the new plant's location.

The process of identifying strategic positions requires myth-busting and is likely to challenge existing beliefs in the organization (Pfeffer and Sutton, 2006; van der Togt and Rasmussen, 2017). In many instances, the conversations with CHRO and executive management will need to be restarted. Shortcuts should not be taken in this process, and the trap of data mining without a clear research question must be avoided (Levenson and Fink, 2017; Minbaeva, 2017a; van der Togt and Rasmussen, 2017). In addition, generic solutions suggested by consultants cannot be accepted. For every company, the solutions and follow-up actions will be different given the importance of *fit* with organizational culture as well as business strategy.

Identifying a Talent Pool

A second central area in which talent analytics could provide direct input for talent management is identifying a talent pool. Talent analytics could take the guesswork out of the discussions around the very basic question—"who are our top performers?" By looking at the historical data over time, an analytics team could not just identify the top performers but also pinpoint some common characteristics of top performers (e.g., gender, age, internal vs. external recruit, tenure, etc.) (see Textbox 2).

Textbox 2.Top performers at University X

One university's strategic goal was to be regarded internationally as a well-established university doing research of significant value and impact. Top management considered the university's ability to produce high-quality research as its core strategic capability. Therefore, the top management asked its analytics team to look into the impact their researchers had in their individual fields and potentially identify who top performance are.

They found that 20% of the university's academic faculty did not publish more than one article per year on average. The same researchers were also cited less frequently. In other words, they were less productive in terms of publications, and they were less impactful researchers in their respective fields. Only 10% of the academic faculty were "top performers." These top performers were, on average, much more productive in terms of publications, and their citation rate was much higher, suggesting that these researchers made a marginal contribution that was much greater than the contribution made by the bottom 20% (see Figure 11.3).

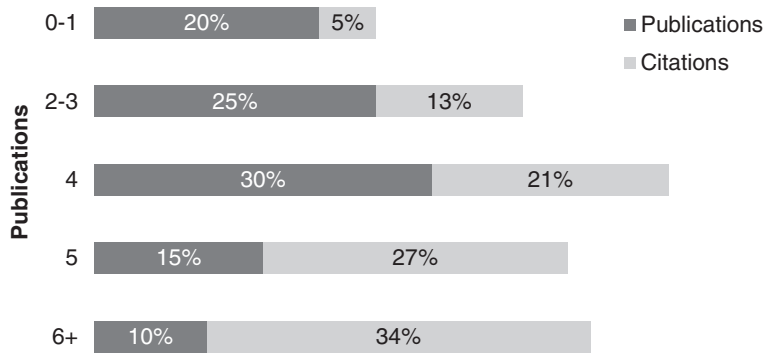

Figure 11.3 Average Yearly Publications and Citations

The analytics team also found that the top-performing researchers are also:

- More successful in attracting grants
- Teach slightly more than the low performers (approaching significance)
- Have higher other overall workload (teaching + administration)

Since the university actively recruited at the international job markets, it was also interesting to identify the "ideal hire." Based on the longitudinal analysis, the team concluded that the highest probability of becoming top performers are the candidates with at least one previous publication (within certain journals), the candidates who are non-local, hired externally and females.

Furthermore, succession planning plays a major role in ensuring that the organization has the right people in the right place at the right time (Nyberg et al., 2017). Talent analytics can assist in succession planning if historical data are analyzed in conjunction with information on general growth trends. Such analyses help organizations predict and anticipate future workforce needs. More advanced models, like scenario analysis, can produce "what-if" scenarios in which the likely effects of different internal or external events on talent-related supply and demand can be evaluated. Such scenarios might, for example, focus on the possible effects of policy interventions or layoffs in the organization. By doing so, talent analytics can help address a key criticism of succession planning—the assumption of a stable environment coupled with long-term career plans of a small number of people who can take on key positions (see McDonnell et al., 2019).

If a decision has been made to recruit externally, several tools and techniques can assist in the identification and evaluation process. These tools often provide data that can be used to generate useful insights for recruitment decisions. For example, personality tests and ability tests can provide recruiters with information about candidates' personalities and abilities. Similar data on existing employees can be combined with demographic data and performance data from the organization's enterprise resource planning (ERP) system and analyzed to see which characteristics are most consistently associated with good performance, which can help recruiters make decisions about who to hire. For example, the software company Praice helped its client examine which personality traits were predictive of sales performance among the client's call-center employees. To do so, Praice collected personality data and linked that data

to performance data (e.g., commission-based salary data, sales data, and customer satisfaction scores), while controlling for other individual variables. It then analyzed which traits could explain the performance variables. Praice found a number of traits that affected sales performance or customer satisfaction, but it also found that one trait had a positive effect on customer satisfaction but a negative effect on sales. In other words, there were instances in which a tradeoff had to be made between customer satisfaction and sales. The client could use this predictive model to make better decisions about who to hire and how to make more precise projections of future sales performance.[6]

Neither internal nor external sourcing can stand alone, and most organizations must sometimes look externally for talent to fill roles. Therefore, a balance between internal development and external recruitment is critical. Organizations should also carefully weigh the benefits of external sourcing, such as "new blood," changing demographics, and availability of skills, against the costs (McDonnell and Collings, 2011: 63). In this regard, the analytics team can guide the careful monitoring of external trends affecting internal and external labor markets. Talent-analytics projects should also be able to make meaningful predictions about the competition and what implications competitors' decisions can have for the corporate talent-management initiatives. Especially in tight labor markets or for strategic positions, predictions should include the likely impact of "any changes related to human resources at rival companies—such as modification of their incentive systems, an increase in turnover, or change in talent acquisition strategies" (Charan et al., 2015: 65). For example, Apple's new focus on the use of Apple devices for medical purposes will have consequences for talent acquisition and retention of a medical device manufacturer or a medical technology clinic operating in the same region.

Moreover, many MNCs are beginning to recognize the need for a more inclusive talent strategy, which includes leveraging diversity, as "talent is attracted to places with low entry barriers for human capital" (Florida, 2002: 744)—locations that are characterized by diversity and openness (see Collings and Isichei, 2019). Furthermore, millennials largely dominate the workforce (Bersin et al., 2015) and have different motivations than their predecessors: "They expect to burn through a number of employers during their career and they're looking for job satisfaction, fulfilment and fast career progression. Their focus is on interest and opportunity rather than on monetary awards" (PwC, 2012: 19). Consequently, we argue that organizations must be very attentive in their management of such talents and monitoring the effectiveness of their own actions, as loyalty to the firm might not be enough to keep them from leaving. With employees who are constantly looking for progression and new opportunities, the employee value propositions that organizations offer are becoming increasingly important (see Martin and Sinclair, 2019).

For example, a large, multinational pharmaceutical company had been experiencing significant growth in the number of full-time employees, most of whom were recruited directly from universities. The top management team was worried about the consequences of this extensive growth for the company's culture and way of working, as most of the recruits were "millennials." Therefore, the analytics team initiated a multi-method study (i.e., archival data, external search, interviews, focus group, quantitative analysis). With input from PwC, CEB, McKinsey, and others, the analytics team analyzed global megatrends, global workforce trends, and workforce preferences inside and outside the company. Key senior managers were also interviewed. The insights this study generated were used as the basis for a company-wide survey of high-profile employees who had been with the company for a maximum of one year. Top management was continuously informed of the results and, as a follow up, initiated a large-scale analytics project on corporate values and their effects on employee engagement, intentions to leave, and individual and team performance.

In addition to monitoring the external supply of talent (e.g., by tapping into LinkedIn data), analytics teams can play a key role in speeding up the onboarding process and placement decisions by combining data gathered during recruitment with historical data on the team or unit in which the newly hired talent will be placed.

Monitoring Performance and Actively Managing Retention

In any organization, performance depends on a number of complex organizational and human dynamics. The first step in uncovering what truly creates value is to monitor these dynamics. Unfortunately, many organizations still rely on intuition and guesswork when making decisions rather than on evidence and data that support performance evaluations (Davenport, 2013; Rasmussen and Ulrich, 2015).

For example, a typical performance evaluation looks back at an employee's performance over the past year and sets a course of action to deal with identified problems. However, the analytics team of a European MNC used a different approach. The team looked at the historical data for all team leaders, and found that those team leaders that were both results-oriented and people-oriented constituted true leadership talent for this company. In their work with the panel data, they found that:

- Better leaders scored high on both results-oriented and people-oriented measures. In some instances, however, a higher people-focus score concealed a low result-focus score.
- 51% of leaders with a low score also received a low score the next year. This was particularly pronounced in result-oriented performance—leaders scoring low on this measure had an 80% probability of a low score the following year.

The analytics team's message for the HR unit was the following: the high probability of repetition suggests that interventions are required if there is reason to believe that improvement is possible. Such interventions should be initiated in the first year to avoid repetition. Consequently, instead of waiting another year, some leadership-development initiatives were designed and implemented for underperforming team leaders, starting with those scoring low on result-oriented measures.

Another example of a successful algorithm for monitoring and predicting performance is found in the Team Performance Risk Model that Rasmussen (2013) developed while working with a Fortune 500 company. Together with his team, Rasmussen identified four factors that in combination predicted poor team performance (measured on the scale ranging from 1—very poor to 5—very good):

1. Low team-leader performance (score of 1–2 out of 5),
2. Less-effective performers constitute more than 20% of the team,
3. Engagement scores near 30%, and
4. More than 50% of high performers on the team indicate low eNPS (an expression of how keen employees are to recommend their workplace to others).

This list may seem obvious for anyone familiar with management. However, this organization's top management was impressed with the ease and predictive accuracy of the model even when applied globally. The results of this analytics project had clear implications for the organization's talent management.

However, increased measurement does not guarantee enhanced performance or actionable results. Despite the saying that "what gets measured gets managed," not all that is measured is acted upon. As Green (2017: 148) explains,

> the most effective organizations design every analytics project with a key question or investment decision as the focus. They design the research process and measurement to generate data that are useful specifically for answering the question or informing the needed decisions.

This implies that most talent-analytics projects should focus on continuously monitoring supply and demand in strategic positions. This enables the organization to proactively work with those positions and ensure that when an "A" player moves on—within or outside the company—a new employee is ready to fill the spot. Talent analytics can help uncover how to manage the employees in these positions by using different management practices, policies, and incentives to ensure optimal performance and deter mediocre performance.

This is where differentiation plays a crucial role, as strategic positions "require a disproportionate level of investment" (Huselid et al., 2005: 114). For example, compensation schemes must be designed to incentivize performance, and drivers of unwanted employee turnover must be identified. This requires a move away from meaningless metrics standardized across the organization, such as time-to-fill, training costs, and turnover rates. Such "metrics do not provide a robust insight into why something occurred, what explains differences in outcomes, or what the likelihood is that an event will reoccur in the future" (van den Heuvel and Bondarouk, 2017: 161). The organization must instead focus on developing metrics and testing relationships that can help with strategy execution, track progression, and keep employees and managers accountable. For example, instead of asking "Is our workforce satisfied?," it might be more appropriate to investigate relationships between employee engagement/experience related to strategic capabilities and performance outcomes, and subsequently zoom in on satisfaction among "A" players in strategic positions. As a result, workforce differentiation is also a question of resource allocation, as organizations must investigate where to invest more in top talent than in the rest of the workforce. In other words, organizations need to answer the question of: "What do we do the same for everyone, and where do we differentiate?" (Huselid and Becker, 2011: 426).

Finally, another critical role of talent analytics is to help manage turnover and talent retention. For instance, the international pharmaceutical company Novo Nordisk has identified a number of business-critical roles (strategic positions) that are central for the organization's competitive advantage. One such job segment is entitled "market access," which describes people who analyze new markets and decide on which entry strategies to use when entering a new market or introducing a new product to an existing market. Knowledge about the specific market and relevant strategies is very important for success in such instances. Even though the downsides of a "wrong" entry strategy are not necessarily devastating (e.g., it may be costly but manageable), the upsides of choosing the right strategy can be enormous, especially in terms of revenue. Therefore, both the strategic impact and the performance variability qualify this type of role as a strategic position. Consequently, the organization was particularly concerned with turnover in this segment, as top talent for such positions is extremely scarce and, therefore, "A" players are hard to replace. The Workforce Analytics team investigated the drivers of turnover among this group of employees and found a high rate of turnover. It also uncovered several drivers that could be addressed. As a result, Novo Nordisk was able to monitor and actively manage turnover in the identified strategic positions. The project had a spillover to the whole organization as other business areas experiencing high turnover have also begun to request more information and insights on turnover on a continuous basis, in order to track and prevent unwanted turnover.

Succeeding With Talent Analytics

Thus far, the arguments for adopting talent analytics are compelling. However, in many organizations, the shift to a more evidence-based approach to talent management has yet to occur. Despite the popularity of talent analytics, the majority of organizations are very immature in their approach to working with their people-related data.

Research by Deloitte shows that while the majority of organizations (75%) believe that human capital analytics are important for business performance, only a small number (8%) evaluate their own organizational capabilities in this area as strong (Bersin et al., 2015). Most companies are stuck on the lower levels of reporting, such as performing benchmark analyses and creating dashboards (85%). Few companies (10%) are at advanced levels, while an even smaller amount (4%) are able to make predictions about their workforce (Bersin et al., 2015). European-based research also finds that while many organizations recognize the effect of HR investments on business outcomes, few excel at developing their analytics capabilities. In fact, only 26% of surveyed companies report that they have fully dedicated teams working exclusively on analytics projects (Nagy, 2015).

Why do companies struggle in their attempts to move to analytics? According to Deloitte (Bersin et al., 2015), the main reason is the difference between average "readiness" and "importance" ratings for human capital analytics. Deloitte refers to this difference as a "capability gap," which highlights the fact that "organizations are still new to this discipline, and many suffer from poor data quality, lack of skills, and a weak business case for change" (Bersin et al., 2015: 71). Firms may attempt to fill this capability gap by buying expensive solutions from external vendors. However, most professionals agree that such capabilities are best built and developed internally (van der Togt and Rasmussen, 2017). Despite this widespread view, little information on how such in-house development should take place is available.

Our research stresses the importance of building and developing human capital analytics as an organizational capability (Minbaeva, 2017a). In many, if not all, of the companies with which we work, the initial organizational investment in analytics and the establishment of an organizational HCA function can be traced to a specific individual—the champion and change agent. Unfortunately, we also see numerous examples in which the organization's success with analytics ends when that individual leaves the organization. However, if HCA is developed as a true organizational capability, it should stay within the organization even if the individual leaves.

Minbaeva (2017a) defines HCA as an organizational capability that is rooted in three micro-level categories (individuals, processes, and structure) and comprises three dimensions (data quality, analytical competencies, and strategic ability to act):

- **Data quality:** When analyses are based on data that are outdated, wrong, or simply lacking, analytics-based decision making suffers, and such decisions are rarely comparable or combinable. With such biased results, the value of HCA diminishes, making it more difficult to build a business case for it. Holistic data quality covers the entire organization—from individuals to processes to structures. It is, therefore, very costly and requires buy-in from top management. To achieve such a buy-in, organizations should start with an initial assessment using available data and then create a business case for gathering more data.
- **Analytical competencies:** An analytics team should be able to apply rigorous statistical methods, to understand complicated academic research, and to tell a compelling story. While the need for the two former competencies is widely known, the importance of the latter is often neglected. Yet, selling analytics projects to HR business partners and the rest of the organization is often the most important task of the analytics team. The team

Table 11.1 HCA as an Organizational Capability: Components and Dimensions

		HCA dimensions		
		Data quality	**Analytical competencies**	**Strategic ability to act**
Micro-level components	*Individuals*	Ensure flawless data organization	Acquire and develop analysts with needed KSAs	Encourage boundary-spanning behavior outside the HCA team
	Processes	Build systems and establish workflows	Link the results of analytics projects with existing organizational processes	Encourage experimentation and enable follow-up actions via HBRPs
	Structures	Continuously invest in formal, centralized coordination of data collection and organization	Create a culture of inquiry and a habit of making evidence-based decisions	Equip top management with tools for action, which should be linked to current and future strategy discussions

Source: Adapted from Minbaeva (2017a)

must be able to communicate its findings in a simple and comprehensible manner and to link the results to the organization's overall strategy.

- **Strategic ability to act:** The true measure of the value of HCA is whether analytics projects have a strategic impact. The results must be actionable and meaningful for top management, and this is often achieved by thinking about analytics projects as reaching beyond the boundaries of the HCA team. The biggest challenge for analytics teams is often to persuade top management that HCA projects offer a positive ROI. Therefore, the strategic ability to act is crucial to any analytics team.

Table 11.1 explains how these three HCA dimensions need to be addressed by the three micro-levels of an organization. Minbaeva (2017a) argues that the development of HCA as an organizational capability requires working with all three dimensions simultaneously on the individual, process, and structure levels.

Practitioners can start by examining the current stage of their own organizations' analytics in order to establish priorities and start working in the right direction. We also encourage organizations to build analytics teams that not only include people with sophisticated statistical KSAs (knowledge, skills, abilities) but also individuals with high degrees of intrinsic motivation, diverse backgrounds, and an ability to create and utilize networks across organizational boundaries.

In addition to these efforts, which apply to HCA in general, we believe the following three questions must be answered in relation to talent analytics.

1. "Why Are We Doing This? What Do We Wish to Achieve?"

In order to change the organizational mindset, organizations should start thinking about the rationale for adopting analytics. Far too often, organizations invest heavily in the newest IT infrastructures, brilliant analysts, and expensive consultants without considering what these resources should be used for or the ultimate objective of applying analytics. Therefore, "before starting to invest significant organizational resources in building HCA, companies should ask a simple question: are we doing this because it is fashionable . . . or because it is rational?" (Minbaeva, 2017b: 114).

If your organization truly believes that data and analysis can provide knowledge that is valuable for addressing business challenges and making talent-management decisions, all stakeholders must be onboard. In the end, HR, talent managers, or line managers are responsible for utilizing the knowledge and implementing the policies or practices emerging from analytical insights. However, the initiative should start from the top. Unfortunately, according to the 19th Annual Global CEO Survey by PwC, only 4% of CEOs see analytics as an important part of their talent strategy. PwC finds this "alarming":

> Workforce data and measurement are extraordinarily valuable tools that can give organizations a competitive edge in talent management—and are essential in monitoring and measuring the impact of employer values on employees. It's possible that HR is yet to successfully impress on the board the importance of workforce analytics and the link between investment in HR initiative and bottom line metrics. If that's the case, there's important work to be done.
>
> (p. 15)

As an initial step, organizations must "establish a culture of inquiry, not advocacy" (Davenport, 2013: 123). In other words, they should not look for data to support arguments or existing beliefs. Instead, they should seek data that can help answer their questions. Analytics "can be misused to maintain the status quo and drive a certain agenda, i.e. when you know what story you want to tell, and you then go look for data to support same" (Rasmussen and Ulrich, 2015: 2). This occurs, for example, when a talent manager asks the analytics team to "validate the talent onboarding program" instead of asking "Is our talent onboarding effective?." Analytics professionals should do their part to avoid such approaches to projects by asking stakeholders wishing to launch a project: "What is your hypothesis about the problem? What will you do if we find the opposite?." Such questions force stakeholders to consider possible alternatives.

2. What Is Our Main Question?

A second necessity for developing organizational capabilities in analytics is to ask the right questions. Far too often, talent managers approach their analytics team with a generic request or a desire to validate existing beliefs. Consequently, results and insights from analytics projects are never brought to life. Instead, in the worst case, they are never used. Organizations should start any talent-analytics project with an interesting question, a business problem, or a thought-provoking hypothesis. The inspirations are often found in the business strategy or strategic intent (see an example in Textbox 3).

Textbox 3.Connecting talent and strategy with analytics in Grundfos

The Danish multinational Grundfos is a world-leading pump manufacturer. In recent years, Grundfos has changed its business strategy and has been modifying its business model by shifting the focus from product portfolio to services. Following this, Grundfos started rebuilding its service organization by taking service sales out of the existing sales organization. A key question was: "How can we increase service-sales performance?." As service-sales people needed very specific tacit knowledge about the products and their functions, one hypothesis was that service-sales professionals equipped with the right

knowledge would be better suited to sell services to clients. The company already offered a range of internal training courses to all sales personnel, but it did not know which training courses actually had an impact on the sales staff's ability to sell services.

Through talent analytics based on historical data on service-sales performance, course participation, and various demographic characteristics, the company was able to predict which training courses were likely to enhance service sales. This was a major breakthrough, as the organization could then accurately target the training and development of service-sales personnel. It also helped make a business case for continuously monitoring and collecting data on service sales in order to track performance and differentiate management accordingly. In addition, the company was able to verify that there was significant performance variability in this role given the major differences between the best-performing and worst-performing service-sales professionals (see Figure 11.4).

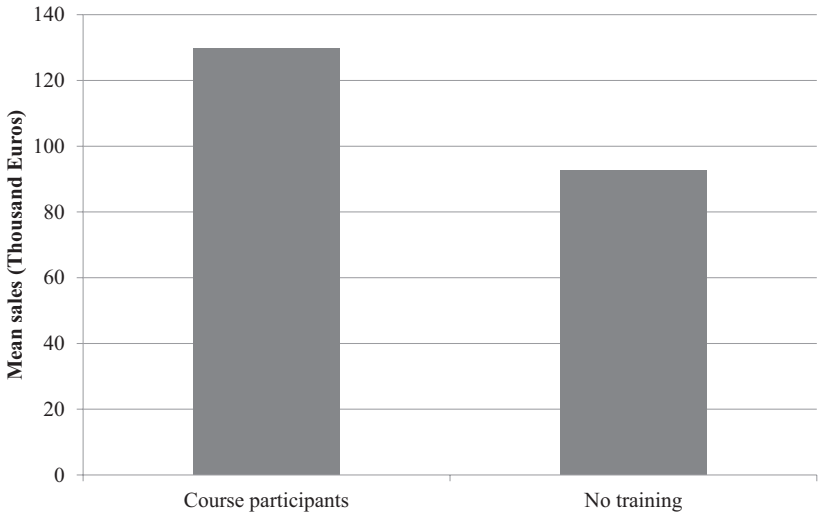

Figure 11.4 Yearly Sales Performance by Groups

A call for more problem-driven talent analytics is therefore prominent: "the most effective organizations begin every analytics project with a key question or investment decision as the focus. . . . This approach avoids the dreaded 'that's interesting' response to analytic results" (Levenson and Fink, 2017: 162). This does not always occur easily—most HR or talent professionals are not used to this way of working. At the same time, they are unfamiliar with the analytical process. In order for an organization to succeed on its analytics journey, HR and talent managers must have an opportunity to develop analytical literacy. However, this can be a challenge in itself, as "most HR professionals are not attracted to HR because of the opportunity to work with data and analytics" (Rasmussen and Ulrich, 2015: 4). It must be made clear that these people do not need degrees in advanced statistics or econometrics. Rather, they need a basic understanding and appreciation of data, which will help them ask the right questions by thinking in terms of relationships. Such questions might include: "How does employee engagement affect employee productivity?" or "Is there a relationship between development opportunities and talent turnover?."

This becomes even more critical in organizations that do not have a dedicated talent- or workforce-analytics team. Analysts typically come from outside HR and rarely know about

organizational psychology or talent management. In companies without dedicated analytics teams, it is often necessary to rely on employees outside of HR for help with analytics projects. This can also be an effective method of accelerating progress with talent analytics before deciding to establish a full-scale team (Green, 2017: 173). However, in such situations, talent professionals must be able to work together with analysts and guide them in their analysis by asking questions, providing hypotheses, thinking about potential moderating relationships, and helping interpret results.

3. How Can We Bring the Analytics-Based Insights to Life?

Notably, "any high-impact analytics project is a change management project" (Minbaeva, 2017b: 113). Gathering insights without taking action does not equate to analytics. Therefore, taking responsibility for change is even more important than the analysis stage.

Changes in culture, behavior, and processes can be very difficult to achieve, as most organizations are accustomed to their current ways of doing things. Analytics projects often fail to have a real impact on the organization because insights and results are never brought to life. Much cognitive research on change has proven that "given the choice between existing beliefs and new data showing your beliefs are misguided, people will choose their belief system and reject the data" (Rasmussen and Ulrich, 2015: 4). If people are inherently reluctant to change, how can they be persuaded to change? According to Rasmussen and Ulrich (2015: 4), analytics "is not just about science and data—it is about activism and having a point of view, about intervention and change."

In order to facilitate change and intervention, results must be communicated to stakeholders in a way that enables them to select appropriate actions. As we discussed in the previous section, few HR or talent professionals are comfortable with data and analytics. As a result, insights from talent-analytics projects should be presented in sensible ways through the use of visualization and storytelling: "Turning analytical insights into concrete business actions begins with effective storytelling with data" (Boudreau and Cascio, 2017: 122). Green (2017: 174) also highlights that because R-squares and p-values do not make much sense to most organizational stakeholders, they will not understand the results unless they are presented in a digestible manner: "You can create the best insights in the world, but if you don't tell the story in a compelling way that resonates with your audience then it is highly likely that no action will be taken." Our experience from working with numerous companies in northern Europe over the past several years led us to the conclusion: the simpler the story, the more powerful is the message (see Textbox 4 for an example of such a story).

Textbox 4: Engaged "A" players are the key to client experience and profit in ISS

The Danish facility-service multinational ISS World Services A/S employs more than 500,000 people worldwide. The front-line technical, cleaning, security, property, and support personnel interact with clients on a daily basis. Those employees' feelings and actions on the job are critical for the services they deliver and, therefore, critical for the client experience. The company knew that an improvement in client satisfaction could reduce churn (i.e., secure contract retention) and lead to new contracts. Moreover, the service industry is known for its thin margins, so even small improvements in the margin could produce significant increases in profit. Therefore, these positions and the employees in them were a strategic priority.

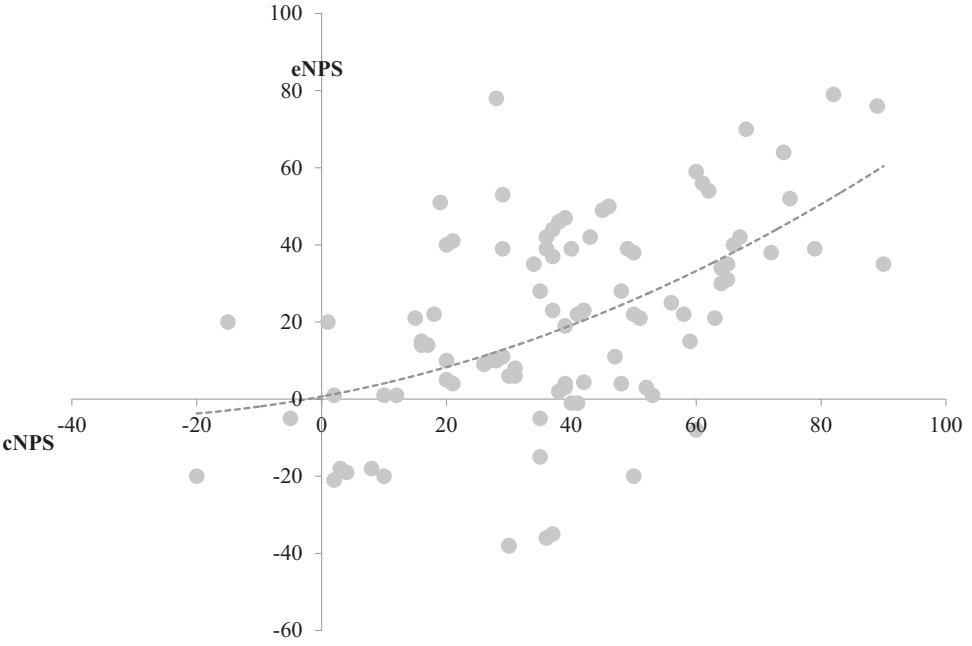

Figure 11.5 Correlation Between eNPS and cNPS

Therefore, ISS set out to investigate exactly how employee engagement affected the client experience (Andersen et al., 2015). The analytics team collected data through the ISS Employee Engagement Survey and from responses to customer surveys. All employee responses (eNPS) were matched to corresponding contracts (customer experience scores, cNPS). The team found a strong, positive correlation between the eNPS score and the cNPS (0.55). See Figure 11.5.

An investigation of the links among employee responses, customer experience, and profit margins showed that customer experience and employee engagement greatly affected profit margins, suggesting that margins would be higher if both scores were high than if either one of them were low. In other words, "you cannot earn a profit unless you are able to engage your employees and your customers to a high level at the same time" (Andersen et al., 2015: 11).

The team also analyzed the root drivers of engagement for its front-line personnel. In this regard, it found that adequate training, motivation, and communication were important for ensuring high employee engagement. The results were immediately put to use in new initiatives aimed at securing high employee engagement. For example, ISS introduced a full-day training module for all front-line personnel designed to enable them to identify certain situations and to react appropriately. Furthermore, employees were encouraged to examine their reasons for working and how their work related to the firm's vision. To help employees better comprehend that vision, managers were trained to understand and communicate the value proposition that ISS offered its clients.

Researchers also concur that most successful analytics projects include qualitative data, which helps to put results into perspective and contextualize findings (Boudreau and Cascio, 2017; Rasmussen and Ulrich, 2015). We agree with this view, as one of our most successful research collaborations with a large multinational organization combined qualitative and

quantitative data. The project examined how corporate values traveled across the organization and how such values could be sustained throughout a significant expansion process. The results showed that six core values traveled across the organization and characterized the "identity" of the company as a whole. These values were identified through interviews and focus groups, and validated using quantitative analysis. The results were presented as a coherent storyline along with recommendations, which made it easy for decision makers to set a course for action to mitigate the risk that the core values would be lost during the expansion period.

Conclusion

Recent advancements in information technology and growing stakeholder expectations of economic gains pose significant challenges to HR in general and talent management in particular. However, these advancements also offer tremendous opportunities to demonstrate the value added by talent management programs. Analytics offers talent managers a unique opportunity to deal with long-standing criticisms and reinvent themselves in a way that ensures value creation for the organization. However, this will require "hard work, stamina, and the right cross-fertilization between academic rigor and business relevance" (van der Togt and Rasmussen, 2017: 131).

Notes

1. www.cbs.dk/hc-analytics.
2. www.nugress.com/resources/images/HR%20Analytics%20%20Gaining%20Insights%20for%20the%20Upturn%20[1].pdf.
3. Presentation at the PDW on "HR Analytics," Academy of Management, 2015.
4. Presentation at the EIASM workshop on Global Talent Management, Copenhagen Business School, September 2016
5. Presentation at the mini-conference on "Human Capital Analytics," Copenhagen Business School, October 2016
6. www.cbs.dk/files/cbs.dk/how_i_did_it_-_praice.pdf.

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12
Managing Diverse Talent in the Global Context

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Introduction

In the competitive world order, identifying and managing diverse talent has become a requisite to address for organisations since investing in human capital brings organisations forward in the global competition (Mullholand et al., 2005). Reviewing studies of management of talent and diversity, we aim to explicate how existing research contextualises talent and diversity and how these two terms are interrelated in the global context, where the management of knowledgeable and skilled employees from diverse backgrounds are crucial for the competitiveness of global organisations. Our chapter reveals that despite an apparent lack of agreement in definition of key terms such as talent and diversity, attention to both issues has been exponentially growing in the field of management. In responding to this upsurge of interest, we explore the utility of dealing with talent and diversity together, rather than as mutually exclusive constructs. In this chapter, we first examine management of talent and diversity in a global context since globalisation influences human resource practices which are dissimilarly applied by different organisations. In order to do this, we investigate the concept of talent in its historical context, identifying a number of reasons for the prominence it has gained in management circles in recent decades. We turn to the global context of talent management, in the second section of the chapter, reviewing the theory and practice of talent management and identifying its scope and definitions. We then turn to management of talent and diversity to explore how a focus on diversity can help improve our understanding and management of talent.

Talent and Diversity

Organisations have various knowledge resources and, among these, people, who have talent and know-how, are often regarded as the main resource (McQuade et al., 2007). We owe this conception of talent as a strategic resource to the expansion of capitalist interests beyond material resources. In global corporations' search for resources to exploit, talent appears as one of the main strategic and competitive resources. Organisations need to have strong human resources in order to achieve effectiveness and dynamism in their processes. Many alternative perspectives and competing terms, such as talented and highly skilled workers, have been concurrently

developed and interchangeably used in order to frame people as a strategic resource in organisations. Although there are some similarities between these terms, the main difference is that talent contains soft skills required by leaders while this may not necessarily be a characteristic of highly skilled workers (Lee Cooke et al., 2013; Groutsis et al., 2016). In this paper, we focus on management of talent, rather than highly skilled workers, and retain a connection with issues of leadership for effective management of human resources.

There is vast literature that highlights the strategic significance of focusing on talent management. It is noted that identifying key talents is a strategic imperative for an organisation since talent is pivotal and valuable as a competitive resource for a firm (Festing et al., 2015). In other words, intellectual capital and employee talent have become significant resources for survival of organisations (Calo, 2008). In addition to the identification of key talents, it is worth noting that bringing people with the right kind of talents together is also considered a fundamental and important part of managing talent (Scholz, 2012). The notion of talent and diversity are often treated as mutually exclusive. Yet research shows that (Ng and Burke, 2005) talented workers do care about organisational attitudes towards diversity, and that talent pool is diverse. Therefore, it is important to explore competition and the war for talent from the perspective of diversity. Furthermore, Tatli and Özbilgin (2007) studied the attachment of diversity managers to the idea of diversity, noting that managerial commitment to the subject is not as one would expect. The authors illustrate that while some managers are drawn to diversity management for personal and evangelical reasons, others are assigned to the role of diversity management and may remain unconvinced. Thus, the authors caution that it is important to explore the individual competencies and commitment of managers in order to understand how they perform their managerial functions, such as diversity or talent management.

Although talent has become a commonly used term in business and management scholarship, there is no universally agreed-upon definition of talent (Groutsis et al., 2016), and thus, it remains elusive and ambiguous to identify (Mehdiabadi and Li, 2016). This ambiguity on talent identification has resulted in a call for greater focus on definitional and implicit inference (Boudreau, 2013). In this regard, some researchers gave priority to the definition and identification of talent. For instance, Tansley (2011: 267) pointed out that talent is a "*special ability or aptitude, with those seen as talented able to demonstrate outstanding accomplishments in mental and physical domains*". According to Nijs et al. (2014: 182),

> talent refers to systematically developed innate abilities of individuals that are deployed in activities they like, find important, and in which they want to invest energy. It enables individuals to perform excellently in one or more domains of human functioning, operationalized as performing better than other individuals of the same age or experience, or as performing consistently at their personal best.

In addition to these, Lynne (2005) and Jantan et al. (2011) emphasised that talent is a capability of a person to make a remarkable difference to the present and future performance of an organisation, clearly linking talent to dynamism and change in organisations. As can be seen from these examples, researchers mostly provided little definition of talent in the literature (Boudreau, 2013), yet the main focus in the literature on talent in organisations has been on talent management (Mehdiabadi and Li, 2016).

Talent Management: The Global Context

Talent management is a relatively new research area, which has been popularised with the oft-used term *talent wars*, and gained particular relevance in the latest financial crises, when

competitive and strategic approaches to talent management was required (Scholz, 2012). The economic downturn in the last decade compelled organisations in advanced economies to invest in human capital in order to maximise their competitive advantage and, therefore, the management of knowledgeable workers and high-potential employees has recently become a lot more critical for global organisations (Beamond et al., 2016). More importantly, managers and business leaders are cognizant of the importance of implementing talent management and improving leadership skills in order to overcome organisational barriers and to increase their organisational success (Rowland, 2011). Therefore, managing talent and retaining key employees are considered crucial activities in creating long-term business success (Baruch et al., 2016).

Due to an intensely competitive environment, organisations are driven to have strong human resources, which fundamentally includes recruiting, hiring and training capable employees at all levels. In this respect, talent management is often regarded as a competitive stimulus and a priority in the human resource management system of any organisation, rather than being regarded as a passing fad (Calo, 2008). In order to be competitive, organisations seek talented employees in diverse areas of work and retain them through talent management systems, with the help of evaluation mechanisms that are built on evidence and information that support managerial and individual decisions (Lopes et al., 2015). Accordingly, since talent management is invariably considered a core competitive element for organisations, providing a clear definition would be helpful for exploring connections between talent management and diversity in the global context.

Concerning the meaning, the literature yields different definitions of talent management, as the concept is comprehensively and dynamically framed in the literature. For instance, Davies and Davies (2010: 419–421) suggest that talent management is "*a systematic and dynamic process of discovering, developing and sustaining talent*" while Jantan et al. (2011) indicate, based on Cubbingham's (2007) view, that it is "*a process to ensure leadership continuity in key positions and encourage individual advancement; and decision to manage supply, demand and flow of talent through human capital engine*". In another study, Cappelli (2008: 74) highlighted that the phrase of talent management is "*simply a matter of anticipating the need for human capital and then setting out a plan to meet it*". According to the Chartered Institute of Personnel and Development (CIPD), talent management is about finding ways for attracting, identifying, developing, engaging, retaining and deploying individuals who are considered particularly valuable to an organisation. Although definitions of talent include notions of competition, the resource-based view of human resources, and leadership for managing these valued people effectively, there has not been a universally agreed-upon definition of the concept of talent management (Nilsson and Ellström, 2012), and most definitions are process-oriented by incorporating actions, such as acquiring, developing and retaining employees (Mehdiabadi and Li, 2016).

In addition to the uncertainty of its definition, the "talent management" term is frequently used in an interchangeable way with the terms of "talent strategy", "succession management" and "human resource planning" (Lewis and Heckman, 2006), and this also adds to the vagueness of this phenomenon. Although it is not easy to define and specify talent management in explicit terms (Stewart and Harte, 2010), the ambiguity in defining talent management leads us to provide a more grounded definition with the inclusion of activities, roles and diversity concepts. Based on the previous statements in the literature, we approach talent management as a strategic move towards being competitive and sustainable in the global context by attracting, identifying, developing and retaining valuable and highly competent individuals for organisations, especially for critical positions within an organisation, while incorporating equality and diversity approaches in processes due to the existence of diverse (e.g. gender, age, race, culture, physical and mental ability) workforces.

On the other hand, besides a lack of a common definition, talent management also suffers from a lack of theoretical support (Harris and Foster, 2010; Groutsis et al., 2016; Mehdiabadi

and Li, 2016), empirical research (Lopes et al., 2015) and measurement frameworks concerning operationalisation of talent (Nijs et al., 2014), although it is considered as a critical component of human resource management (Groutsis et al., 2016). In terms of the scope, Scholz (2012) argued that the lack of a concise definition on talent management has brought along four research streams: the first stream of talent management is regarded as the collection of human resource practices and activities, while the second stream focuses on talent pools and the flow of employees in an organisation. The third strand is about the classification of individuals into performance levels, and the fourth strand is based on the identification of key positions in an organisation to deliver a competitive advantage. Yet, despite these discussions on the scope of talent management, talent management still remains as one of the under-researched topics, in theory and practice, within international human resource management (IHRM), and further exploration is needed on this matter (Al Ariss and Sidani, 2016).

Globalisation is one of the notable factors influencing the workplace where different human resource practices are applied (Tawadrous et al., 2016). Originating from globalisation, talent management has received a more international focus in human resource management and became known as global talent management (Al Ariss and Sidani, 2016). However, due to the lack of clear definition on talent management, Tarique and Schuler (2010) emphasised that there seems to be no consensus for the exact meaning of global talent management, which is a more internationally focused comprehension of talent management (Al Ariss and Sidani, 2016), in the literature. As can be garnered from the review of the global context of talent management, the concept of talent management suffers from a lack of theoretical grounding and empirical support. Yet, it is one of the areas of major growth in the literature. We now turn to our central focus of diversity as it relates to talent management.

Managing Diverse Talent in a Global Context

When managing talent, it is an imperative for organisations to attend to the demography of supply of and demand for talent. Demographic diversity is one of the significant factors in the workplace (Tawadrous et al., 2016). Since organising diversity is critical for effective management, just as in talent management, managers need to be aware of management of diverse talent, stereotypes, biases and discrimination at work, which may occur across various aspects of organisational life (Baruch et al., 2016).

In fact, the relationship between the concepts of discrimination, diversity and talent management goes a long way back. In the past, equal opportunity was used as a concept to deal with equality at work. However, in the late 1980s, the notion of diversity management was introduced in order to render issues of equality and diversity more strategically aligned with management interests. Since the 1990s, there has also been an expansion of social categories that are covered by diversity management literature (Stewart and Harte, 2010).

Diversity management is emanated from the philosophical idea of recognising and valuing heterogeneity in organisations as a response to social inequalities (Özbilgin and Tatli, 2011) since diversity constitutively, in the literature, refers to real or perceived differences (e.g. backgrounds, beliefs, religions) among people. In the competitive global environment, it is significant for organisations to comprehend how a diversity policy is interpreted and implemented during the activities and processes. Among the latest discussions, diversity is emphasised as a major issue, and the shortage of skilled and talented workforce supply from minority groups is a challenge regarding diversity (Mehdiabadi and Li, 2016). In line with these, Festing et al. (2015) underlined the scarcity of the inclusion of diverse workforces, conceptually and empirically, and suggested the gender inclusion in the talent management context.

Furthermore, diversity management and talent management have much in common, and both are seen as overarching and overlapping components of human resource management

(Stewart and Harte, 2010). More specifically, diversity management is a concept that should notify the approach to talent management, but the link between diversity management and talent management has been irregularly examined in the literature (Harris and Foster, 2010; Groutsis et al., 2016), where they are evaluated both as complementary and as also discrete by researchers (Baker and Kelan, 2017). As a result, similar to talent management, diversity has remained another under-researched topic that needs further exploration (Al Ariss and Sidani, 2016). Apart from the growing attention, Baruch et al. (2016) anticipated that talent and diversity management will continue to gain increasing interest in the literature, as both the demand for talent and diversification of the talent pool are predicted to grow.

In the context of talent management, previous studies have explored a broad spectrum of issues pertaining to diversity, such as the importance of managing local talent, cultural diversity among talented workers in multinational corporations (MNCs), adopting diversity and gender inclusion, and managing ageing and retirement as part of talent management.

Regarding the importance of local talent, Rowland (2011) pointed out that, based on the CIPD report, the economic downturn enhances the importance of talent management and, as a result of this circumstance, organisations tend to develop more talent in-house. Additionally, the author underlined the focus on engagement and retention of existing employees, which should be among the priorities of organisations and, also, noted that investing both in talented employees and in talent development strategies is a crucial activity for companies. According to Bhatnagar (2008), the employee dialogue practice constitutes a pivotal role for the employee engagement intervention, which is important in talent management, and the future will belong to home-grown leaders rather than those attracted from outside the organisation. Therefore, due to the fierce competition in talent, companies need to nurture local talents (Ready et al., 2008).

Most of the talent management literature is based on evidence garnered from multinational corporations due to their keen interest in recruiting and retaining talented workers. For instance, Beamond et al. (2016) examined the talent management literature and then presented a framework by synthesising two theories, the resource-based view and the institutional theory, in order to investigate the translation of corporate talent management strategies for MNCs to subsidiaries in emerging economies. Similarly, Zander et al. (2010) introduced the intersectionality concept and supported the idea of implementing intersectionality as a theoretical lens in the examination of MNCs.

In addition to these studies, some researchers highlighted the growing importance of the research area in the intersection of two main fields, talent management and diversity. For example, Stewart and Harte (2010) first investigated the degree and the ways of connection that human resource professionals associate talent management and managing diversity in their practices and then examined how human resource development practice supports or hinders these connections. Early findings of their exploratory study presented that there is little evidence whether professional practice supports or prevents making connections, although there is a potential, conceptually, for human resource development in terms of providing the link for these two concepts. In another study, Beamond et al. (2016) pointed out that the level of diversity influences talent management in organisations. Yet, it is worth mentioning that there has been a dearth of attention in the literature on the definition of talent development and management, and diversity is a major issue that needs more attention by researchers (Mehdiabadi and Li, 2016).

Additionally, concerning diversity and talent management within human resource management, Boudreau's (2013) paper highlighted two concepts, namely, retooling human resources from other disciplines to reframe human resources, and considering shared mental models that enable positive effects on team members in an organisation. In the paper, the author also emphasised that the diversity of the talent concept is not something to be fixed; in contrast, it can be

regarded as a call to be nurtured. On the other hand, Harris and Foster (2010) added the equality concept to the discussions on diversity and talent management, by underlining the challenges for approaches of public-sector managers regarding equality and diversity management, and indicated that there is a need to revisit the constituted organisational principles of equality and diversity within the application of talent management activities for public-sector line managers.

With a slightly different perspective, Du Plooy and Roodt's (2013) information technology–related contextual study, as similarly considered by Tawadrous et al. (2016), aimed at exploring the moderation effects of biographic (e.g. gender, race groups, age) and demographic (e.g. job level, geographic region) variables on a prediction model of turnover intention, through work engagement, burnout, organisational citizenship behaviour and work alienation. In such a study, they contributed to the comprehension of the implications regarding workforce diversity and the prediction of such trends in the studied context by implementing a cross-sectional survey.

As a summary of these studies on diversity and talent management within human resource practices, it can be deduced that although talent management and managing diversity are two conceptual indicators to be considered for competitiveness of organisations, particularly for MNCs, the limited amount of research in the literature contradicts the growing attention on these two concepts. Thus, beginning with the formation of a widely accepted definition for both talent management and diversity can be a stepping stone to provide more robust insights on these concepts.

Moreover, some researchers discussed the concept of diversity and talent management in terms of gender inclusion either as a case study (Festing et al., 2015) or as a conceptual study, with some given examples from practice (Ready et al., 2008). Among these, the conceptual paper of Al Ariss and Sidani (2016) initially defined talent management and its more internationally focused understanding, global talent management, followed by the discussion on whether convergent or divergent approaches occur in the global talent management of organisations. Then, the authors extended the topic into gender and ethnic distinctions by underlining the difference between male and female migrants as well as vulnerability of certain ethnic backgrounds in some countries.

In addition, in respect of the gender inclusion and gender diversity in talent management, several researchers advanced the discussion towards the importance of women in the workplace. In these discussions, the importance and necessity of equal representation of women leaders in the executive-level positions when there have recently been new vacants left by baby-boomer retirements was stressed since lack of commitment to developing women executives may result in competitive disadvantages for organisations (Beeson and Valerio, 2012). To illustrate, Crumpacker and Crumpacker (2008) noted that the percentage of women in the Senior Executive Service (SES) of the federal government were behind the percentages of women in both the civilian labour force and the government workforce. In another discussion, the role of perceived gender equity and locus of control were investigated by Sharma and Sharma (2015), as independent variables, on employee well-being, as a dependent variable, measured by three factors (i.e. optimism, general satisfaction with life and work, executive burnout), at the workplace. Hence, these studies underlined the value and the need of considering gender equality in the workplace as a part of diversity in talent management practices.

Furthermore, some researchers draw attention to the retirement and ageing circumstances, in relation to diversity and talent management. In this regard, addressing both some challenges that organisations face (e.g. rapid ageing of the workforce) and some changes occurring in organisations (e.g. the rise of racial and ethnic diversity as well as larger numbers of women workers) with the help of proactive ways to deal with the disadvantages of the transition of knowledge and experience due to the retirements of baby boomers are of importance in a globally competitive environment (Calo, 2008). As a proactive approach, either strategic human resource

practices (e.g. diversity analysis) with the integration of averaging performance appraisal and assessment ratings (Lopes et al., 2015) or a strategic workforce plan in the areas of current recruitment and retention strategies, as well as talent management and succession planning, may need to be revisited and revised (Madichie and Nyakang'o, 2016). Also, identifying and making provisions for the potential loss of company knowledge and expertise when experienced and expert employees retire (McQuade et al., 2007) may bring benefits to organisations. Accordingly, in case of a need, human resource professionals in organisations must develop a new set of competencies to find a way of transferring knowledge held by older workers to the institutional knowledge and to appointed individuals (Calo, 2008).

Apart from these, culture, diversity and talent management relationships were also tackled in some studies. For instance, concerning the research gap in the combination of culture and talent management phenomena, Scholz (2012) aimed at seeking answers to the following research question: "does culture affect the process of talent management?" and propounded that culture can affect talent management in its different stages. Regarding the culture and diversity relationship, Tarique and Weisbord (2013) examined how early international experience (through four components) and personality variables (through two characteristics) impact cross-cultural competencies (through three dynamic characteristics) in the adult third-culture kids. Their findings suggested five significant predictors of cross-cultural competencies in the adult third-culture kids, namely, variety of early international experience, language diversity, the number of foreign languages spoken as a child, family diversity and the personality trait of openness to experience. In a recent study, Groutsis et al. (2016) aimed at identifying, measuring and assessing the cultural and linguistic diversity in the senior executive ranks and the talent pipeline. Drawing on a study on pension trusteeship and diverse talent in the boardroom, Sayce and Özbilgin (2014) demonstrated that demographic change alone does not generate change of cultures in terms of effective acquisition of talent and diversity. Authors noted that cultural change may be slower than changes in regulatory systems and numeric representation.

To sum up, the previous studies show that, at first, there is a need of constructive reflexivity for theory building in international human resource management (Mahadevan and Kilian-Yasin, 2017) and, as a human resource practice, diversity is the area that needs to be revisited and nurtured with more research from different perspectives (e.g. equality, gender), empirically and conceptually, since the concept of diversity management is far from being a broadly accepted universal human resource practice (Al Ariss and Sidani, 2016).

As suggested by these studies and others, attending to diversity and talent together, rather than as separate and mutually exclusive issues, have advantages. In this line, in their cross-national comparative study, Tatli et al. (2013) found that attending to diversity and talent together can unleash the female talent potential in countries which have severe skills shortages and gender inequalities. They demonstrate that gender equality and gender diversity can allow not only organisations but also nation-states to address their skill shortages. Yet, for that to happen, authors argue that concerted efforts are needed both to diversity-proof the definition and scope of talent, and to actively combat traditional and entrenched forms of gender inequality.

Conclusion

In recent years, global organisations have exploited talent in diverse areas of work as their strategic as well as competitive resource and comprehended that diversity and talent are two interrelated drivers that can enable them to step forward in the global competition. Concordantly, there arises a contextual drive to consider management of talent and diversity together. Both issues are often relegated to secondary status in times of economic downturn, social unrest or political uncertainty. Rowland (2011) demonstrated that counterintuitively diversity and talent

management should be prioritised, rather than being sidelined, in times of such contextual distress in order to reveal the untapped potential of different groups and allow for their full integration and contribution. Thus, the interface of diversity and talent could be managed in order to address crises and downturn in economy, politics or social life, as effective management of diversity and talent has benefits across these contextual frontiers.

A stream of research has focused on diversity as a means to expand definitions of talent and broaden strategies and scope of talent management. For example, Al Ariss and Sidani (2016) identified three under-researched topics in the field of comparative international human resource management (talent management, international migration and diversity) and noted that diversity provides new ways of expanding talent management strategies in order to address vulnerable communities among staff and to unleash their potential. Zander et al. (2010) suggested that intersectionality, as a diversity concept, can be mobilised to innovate in the field of human resource and talent management. Similarly, Beamond et al. (2016) noted that diversity and talent are intricately linked, and the level of diversity impacts talent management approaches in organisations. Boudreau's (2013) cautions against the static treatment of diversity categories suggest that the dynamism of diversity categories and issues should be considered as part of talent management.

Attending to categories of diversity, such as gender (Bhatnagar, 2008; Sharma and Sharma, 2015), ethnicity, race (Du Plooy and Roodt, 2013; Mehdiabadi and Li, 2016), age (McQuade et al., 2007; Calo, 2008), nationality (Ready et al., 2008), and culture and language (Scholz, 2012; Groutsis et al., 2016) can help expand talent management approaches in local and global organisations. One way this could be done is to diversity-proof definitions of talent, with a view to identify and combat bias across diversity criteria. In a similar vein, Harris and Foster (2010) and Stewart and Harte (2010) noted the complementarity of applying equality and diversity principles to develop robust ways and strategies to manage talent. To conclude, although the convergence and divergence of human resource discourses seems to continue to receive much attention in the future (Al Ariss and Sidani, 2016), more particular interest needs to be given to considering diversity and talent together.

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13
Managing Virtual Talent

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Introduction

Collaborations within and across firms now span increasingly large geographical spaces. Multinational enterprises (MNEs), therefore, tend to rely on high performers who are dispersed across the globe, and the need to manage the talent involved in virtual collaborations has become omnipresent. The management of such virtual talent does, however, face specific challenges, which need to be addressed through specific practices.

Virtual talent comes in many forms. In this chapter, the term 'virtual talent' refers to high-potential or high-performing employees in strategic roles *who are part of a virtual collaboration*, i.e. a collaboration that spans geographical boundaries and relies to a significant extent on electronic communication media. Such collaborations can take place within or between firms, or between a firm and an independent contractor who works remotely. Keeping with the theme of the book, this chapter focuses on the management of 'global virtual talent', i.e. virtual talent that is dispersed *across national boundaries*.

In what follows, I will firstly highlight the specific challenges and levers of managing talent involved in global virtual collaborations in general, with a special attention to distances, boundaries, and perceived proximity. Secondly, I will elaborate on particular, important issues of managing global virtual talent within MNEs, by drawing lessons from evidence on onshore-offshore collaborations. Finally, I will take a very brief look at the emerging practices of managing virtual contractors.

Managing Talent in Global Virtual Collaborations

As yet, there is little research on the management of global virtual talent, i.e. on how best to attract, select, develop, motivate, and retain talent that is involved in global virtual collaborations. Relevant lessons can, however, be drawn from extant research on global virtual collaborations, which indicates how various types of distance and associated boundaries can affect global virtual work. Talent managers need to take these effects into account, not only to support effective collaborations between high-potential employees across the globe, but also to succeed in the various aspects of managing global virtual talent. In what follows, I will briefly review

research insights regarding the effects of distance and boundaries in global virtual collaborations, and will then highlight implications for global virtual talent management.

Distances and Boundaries

Perhaps the most frequently examined characteristics of global virtual collaborations are the distances and associated boundaries between collaborators. Distances are created foremost by different geographical locations, cultural and organisational contexts, and time zones. Due to these distances, members of virtual collaborations need to cross certain boundaries, such as those between countries, regions, cultures, institutional contexts, firms, and firm units. The predominant use of electronic communication media tends to amplify the effects of these boundaries.

There is now abundant evidence to suggest how *geographical* and *cultural* boundaries can inhibit the relationships between members of virtual collaborations, thereby endangering the performance of these collaborations. For example, geographical and cultural boundaries restrain the frequency and closeness of interactions and hence the strength of social ties between members (e.g. Hansen and Lovas, 2004). Geographical distance is further likely to destabilise social networks. Movements of staff in a remote unit are likely to be more opaque compared to a collocated unit, making it harder for members of a virtual collaboration to maintain cross-unit networks over time.

Geographical and cultural distance are also well-known to inhibit trust building, not only due to the mentioned weaker ties and less stable networks, but also because distance makes it harder for collaborators to interpret each other's competence and motivation, which would justify trust. Trust has, however, been found to be important in facilitating global virtual collaborations, for example, by helping to achieve a safe climate that supports team innovation (Gibson and Gibbs, 2006).

It is also harder to develop a shared team identity in global virtual collaborations, as members here rarely meet face to face and have limited opportunities for informal bonding. A shared team identity is, however, a crucial coupling mechanism that encourages trust (Maznevski et al., 2006) as well as knowledge sharing (Fulk et al., 2005), and motivates members to assist each other and spend effort in the team's goals (Harvey et al., 2005). In the same vein, global virtual teams tend to split into subgroups along national and organisational boundaries, which can again inhibit trust building (Gibson and Manuel, 2003) as well as knowledge sharing (Cramton, 2001).

When national and organisational boundaries have to be crossed, it is also harder for collaborators to achieve a shared understanding, for example, with regard to each other's social norms and communication codes, which can in turn inhibit the development of trust (Jarvenpaa and Leidner, 1999). It further tends to be more difficult for virtual collaborators to develop a shared understanding of their tasks, goals, and member roles, which would be important in order to exchange relevant knowledge and collaborate effectively (see Zimmermann, 2011). Distance also tends to create barriers to transferring knowledge, particularly when it comes to tacit knowledge. For example, knowledge about dealing with clients can sometimes be obtained only by communicating with the client face to face, which can be hard to arrange for overseas members. Similarly, procedural knowledge about the workings of high-end technology such as a car engine can often not be obtained without hands-on experience of this technology, which may not be available in certain countries (Zimmermann and Ravishankar, 2016).

It is important to note that geographical and cultural distance in global collaborations can also have certain benefits. For example, cultural diversity can enhance creativity by allowing for a larger range of ideas and approaches to problem solving (e.g. Stahl et al., 2009). In the

same vein, forming national subgroups can facilitate team learning, as long as the subgroups share a number of attributes (such as profession) and maintain an 'inclusive atmosphere' (Gibson and Vermeulen, 2003). It has further been suggested that virtual communication can be beneficial for building trust between members of different cultures, as it makes visible culture characteristics such as accent and demeanors less obvious (Jarvenpaa and Leidner, 1999).

It is important to distinguish between different types and degrees of virtuality. Chudoba et al. (2005) for example, highlight that virtual collaboration creates different types of 'discontinuities', in terms of geography, time zones, culture, work practices, organisation, and technology. They advocate distinguishing between different types and degrees of virtuality depending on scores on these dimensions. It is further important to discriminate between objective and perceived distance. Recent research has shown that frequent and close virtual communication as well as a strong shared identity can lead to 'perceived proximity' in international collaborations, i.e. a 'cognitive and affective sense of relational closeness' (O'Leary et al., 2014: 1219). In O'Leary et al.'s (2014) research, perceived proximity and not objective distance affected the quality of the relationship between remote colleagues, i.e. their satisfaction with the relationship, their learning from the distant colleague, and the desire to work with the colleague again in the future. The authors argue that perceived proximity emerged both from frequent communication (including face to face as well as information and communication technology [ICT], i.e. e-mail, telephone, video conference, instant messaging, chat, text, and social media such as Facebook), and from a shared identity regarding age, gender, personal values, and work commitment. In cases, colleagues even reported communicating more frequently and feeling closer to remote colleagues compared to colleagues in the same office. By creating perceived proximity, frequent communication and shared identity hence reduced the effects of objective distance.

The way ICT is used is another important factor that can facilitate or inhibit global virtual collaborations. Malhotra and Majchrzak (2014) point out that a high degree or exclusive reliance on ICT does not necessarily harm the performance of a distributed team, provided that the type of ICT use matches the focal task. In the same vein, Maznevski and Chudoba (2000) suggest that effective virtual teams tend to match the function of communication with the form of communication. For example, virtual communication can be most effective and efficient for information gathering, whilst regular face-to-face meetings should be reserved for tasks such as problem solving and comprehensive decision making. When applied to the right types of tasks and functions, virtual communication can have several benefits. Apart from being necessary due to physical distance, virtual meetings also tend to be shorter than face-to-face meetings and can therefore help in avoiding unnecessary, time-consuming meetings. ICT-based communication also helps in documenting communications and decisions (e.g. via e-mail trails). Moreover, non-synchronous communication via ICT provides non-native speakers with additional time for formulating their thoughts and helps avoid accent-related misunderstanding.

Implications for Managing Global Virtual Talent

When firms tap into talent around the globe, the challenges of collaborating across distances and boundaries become inevitable. Talent managers will have to address these challenges throughout the process of talent management, not only to support the success of the global virtual collaboration but also to succeed in attracting, selecting, motivating, and retaining global virtual talent. I will now highlight important learning points for each of these aspects of talent management and suggest certain *levers* of managing global virtual talent. Table 13.1 provides an overview of the main levers presented in this chapter. It includes (a) lessons from the reviewed research on global virtual collaborations and (b) lessons from case studies on onshore-offshore collaborations, to be detailed in a later section.

Attraction

It is paramount that talent involved in global virtual collaborations are both willing and able to work across distances and boundaries. In order to attract highly qualified recruits with a high performance potential, it is therefore not sufficient to advertise for technical qualifications and general social skills such as team-working or leadership qualities. Rather, the requirement of

Table 13.1 Levers for Managing Global Virtual Talent

Aspect of talent management	Levers for managing global virtual talent
Attracting	**Lessons from research on global virtual collaborations:** — In job descriptions and advertisements, include the requirement of collaborating across geographical and cultural distance. — Avoid mismatch between job incumbent's professional identity and their actual responsibility of global virtual working. — Promote the skills of cross-cultural virtual collaboration, communication, coordination, teamworking, and leadership as desirable skills that can be further developed in the job, yielding desirable career paths. **Lessons from case studies on onshore-offshore collaborations:** — Underscore career promises through a clear and explicit strategy for the distribution of tasks and responsibilities across international units. — Thereby assure applicants in emerging economies that the local units can grow and will not face narrow career ceilings.
Selecting	**Lessons from research on global virtual collaborations:** — Use skills for intercultural and virtual communication, coordination, teamworking, and leadership as criteria in the talent selection process. — Assess language skills and prior experience of working abroad and in virtual and cross-national settings. — Use assessment tools such as virtual team exercises, cross-cultural role plays, and cultural intelligence tests. — Use de-centralised selection practices to avoid selection biases created by the geographical and cultural distance between decision makers and potential talent pool candidates, homophily, and network position of the potential candidate. **Lessons from case studies on onshore-offshore collaborations:** — Additional selection criteria: onshore employees' willingness to support offshore colleagues' career interests, to spend necessary effort on task and knowledge transfer, and to support their firm's offshoring operations.
Developing	**Lessons from research on global virtual collaborations:** — Formal training: intercultural and virtual team training — Social learning: create opportunities for exchange with colleagues from the same and other nationalities — On-the-job experience: o Provide opportunities of working as part of an international team, rotate between different international teams and different countries. o Create international leadership development programmes. o Organisational structure needs to allow for the movement of staff in all geographical directions. **Lessons from case studies on onshore-offshore collaborations:** — Distribute tasks in a way that allows for high offshore performance and for a combined career pyramid: o Career paths are necessary for offshore employees to progress and develop their skills. o Offshore employees' training and development depends on onshore employees' motivation to transfer tasks and spend effort in sharing expertise. This depends on whether onshore employees believe the task transfer will lead to poor performance or will jeopardise their own careers.

(*Continued*)

Table 13.1 (Continued)

Aspect of talent management	Levers for managing global virtual talent
Motivating and retaining	**Lessons from research on global virtual collaborations:** — Counteract distance-related obstacles to global virtual collaborations to support performance and relationships in global virtual collaborations, and thereby strengthen employees' motivation to continue with this work and with the firm: o Support the development of 'perceived proximity' by making candidates aware of their shared attributes. o Encourage employees to communicate frequently, including social media. o Create shared goals, a clear communication structure, well-defined roles of team members, use boundary spanners, create high task interdependence. — Design rewards systems to support global virtual team performance and commitment: o Identify members' efforts of international virtual communication, teamwork, and knowledge transfer as criteria in employee performance appraisals. o Focus rewards not just on the outcomes but also the process of the global virtual collaboration. **Lessons from case studies on onshore-offshore collaborations:** — HR and general managers in the different locations have to work together to o look beyond the high-potential employees in their own locations, and take into account the motivational drivers of talent that is (from their perspective) virtual. o achieve a 'combined career pyramid' and a distribution of tasks and that answers to the career aspirations of onshore as well as offshore sites. — Ensure that onshore employees perceive the distribution of tasks to be feasible, i.e. that it can lead to satisfactory offshore performance without unacceptable training workload for onshore employees.

collaborating effectively across geographical and cultural boundaries has to be included as an additional, important part in job descriptions and advertisement. Whilst this is often the case with regard to managerial positions, the requirements of international, virtual working are often not explicit in calls for technical experts, such as IT developers in India or mechanical engineers in Europe. Research with my colleague Ravishankar (Zimmermann and Ravishankar, 2011) suggests that this can even result in a mismatch between job incumbents' professional identity and their actual responsibility of global virtual working. For example, we found that certain German engineers did not identify with the assigned role of coordinating IT development across India and Germany, as they perceived themselves primarily as engineers. Some of them also felt they were not sufficiently skilled in intercultural communication, and for this reason eschewed the contact with counterparts abroad.

Skills such as international and virtual communication, coordination, teamworking, and leadership should therefore be not only advertised but also promoted as desirable skills that can be further developed on the job, yielding desirable career paths. Talent managers should aim at attracting employees who desire to work internationally and over distances, and for these, the option of working in an international team or becoming an international leader can be a particular attraction of the job.

Selection

In line with the recommendations for job descriptions and advertisements, skills for virtual and intercultural communication, coordination, teamworking, and leadership also need to be used as criteria for talent selection. Tapping on these skills will help tackle the aforementioned challenges of global virtual collaborations, such as the difficulties of building trust and a shared

team identity, avoiding strong subgroups, and creating a shared understanding. A simple means of selecting for these skills is to place an emphasis on applicants' language skills and prior experience of working abroad or in virtual settings. In addition, the skill of using ICT effectively and coordinating activities across time zones can be assessed through virtual team exercises where simulated global teams have to work across time zones under pressure of a tight deadline and limited mutual knowledge (see Erez et al., 2013; http://x-culture.org). There are now also many methods and tools to assess cross-cultural competence which can be used in assessment centres, such as self-reported measures, behaviour description interviews, situational (critical incident) judgement tests, cross-cultural role plays, and cultural intelligence tests (Earley and Peterson, 2004). Given that intercultural competence is complex and has many dimensions, it is advisable to use a range of such instruments (Leung et al.,2014).

Perhaps the most detailed conceptualisation of the competencies required for cross-cultural interactions is in terms of 'cultural intelligence'. Cultural intelligence has been defined as a person's capability to function effectively in culturally diverse contexts (Ang et al., 2015), and is measured in terms of a cultural quotient. Cultural intelligence includes four factors, namely (1) meta-cognitive cultural intelligence, reflecting an individual's capability to acquire and understand cultural knowledge; (2) cognitive cultural intelligence, which reflects an individual's knowledge about cultures and cultural differences; (3) motivational cultural intelligence, which refers to an individual's capability to direct and sustain effort toward functioning in intercultural situations; and (4) behavioural cultural intelligence, which reflects an individual's capability for behavioural flexibility in cross-cultural situations (Ang et al., 2015: 436).

Extant research clearly implies that cultural intelligence should be an important criterion in the selection of global virtual talent. In particular, evidence suggests that people who score high on the meta-cognitive dimension of cross-cultural intelligence are more likely to trust people from other cultures. Moreover, multicultural teams with higher average team member cultural intelligence have been found to experience greater cohesion and performance (Ang et al., 2015). In the same vein, cultural intelligence has been found to predict the performance of leaders of multicultural teams and the emergence of leaders in such teams (Ang et al., 2015). Cultural intelligence should thus be applied for the selection of talent from both outside and within a firm.

When it comes to creating a talent pool within an MNE, the talent selection process can be *biassed* by the geographical and cultural distance between decision makers (e.g. headquarter senior managers and HR managers) and a potential talent pool candidate. Mäkelä et al. (2010) argue that talent pool inclusion is a two-stage decision process in which primarily experience-based (on-line) performance appraisal evaluations and ratings are used as input in primarily cognition-based (off-line) managerial decision making. The authors provide evidence that during the second stage, the decision process is affected by institutional and cultural distance, as well as homophily and the network position of the potential candidate. The smaller the cultural and institutional distance between the locations of the talent pool candidate and the decision maker, and the more central the candidate's network position, the more likely that an individual will be included in a talent pool.

As an explanation, the authors suggest that institutional and cultural distance are likely to influence the extent to which decision makers involved in talent reviews trust the performance evaluations from different parts of the MNC. Moreover, homophily implies that there is a tendency for decision makers to rate persons more positively who are similar to themselves and therefore judge their career potential more positively. This is primarily because decision makers will interact more frequently with candidates and firm units that share their language and culture, and are therefore more aware of the accomplishments and performance of more similar candidates than those who are more dissimilar (Mäkelä et al., 2010: 138). Network centrality in turn is crucial because it affects the visibility of potential candidates. Decision makers are likely

to have fewer interactions with virtual talent in remote units and will know less about their performance. It will therefore be harder for decision makers to 'spot' talent that is (from their perspective) virtual. Decision makers, therefore, have to be aware of such biases and make an effort to gain additional information on the performance potential of candidates who are more dissimilar to themselves and located in remote units. Moreover, Mäkelä et al. (2010) point out that their findings may be particular to firms that apply quite centralised practices of identifying talent, which implies that more de-centralised selection practices help to avoid these biases.

Development

In line with the suggested selection criteria, talent managers also have to enable global virtual talent, once recruited, to acquire the necessary skills of virtual and cross-cultural working. As major routes for developing these skills, I will here distinguish among formal training, social learning, and on-the-job experience.

There is now a vast repertoire of methods of *formal intercultural and virtual team training* that talent managers can draw on. Sit et al. (2017) provide a useful classification of formal cross-cultural training approaches into four types: didactic, cognitive, behavioural, and cognitive-behavioural. Didactic approaches generally comprise teaching of relevant knowledge. This can include explanations regarding cultural and country differences and intercultural interactions, practical information such as 'do's and don'ts' of interacting with members of another culture, and instructions on the use of information technology in virtual collaborations. This kind of training is most common, because it is time-efficient and inexpensive. Cognitive approaches involve cultural awareness and sensitivity training. Behavioural approaches in turn focus on practicing verbal and non-verbal behaviours during cross-cultural interactions (Sit et al., 2017: 4). A large range of experiential training methods can be incorporated in cognitive and behavioural training sessions, for example role plays, simulations of intercultural interactions, and virtual teamwork. Outside of training sessions, global virtual team exercises that span several weeks or months (Erez et al., 2013; http://x-culture.org) can serve as experiential training that is even closer to real life.

Experiential intercultural learning is generally more effective the more individuals *reflect* on their experiences (Li et al., 2013; Sit et al., 2017). Talent managers can therefore support the development of virtual and cross-cultural collaboration skills by offering workshops in which internationally working employees can reflect on their experiences and receive expert advice on the use of virtual communication media, cultural differences, and behavioural repertoires.

Social learning is another fundamental mechanism of intercultural learning. An exchange with colleagues (both from the same and other nationalities) about cross-cultural and virtual work experiences will support not only individuals' learning from others' experience, but also their reflection on their own experiences of intercultural encounters. Talent managers can here assist by creating situations where social learning can occur, including formal training sessions and reflective workshops. Furthermore, employees who have acquired strong international experience, such as returnees from international assignments, can be invited to cross-cultural training and workshops to inform the discussions and to facilitate firm learning (see Mayrhofer et al., 2008).

Perhaps the largest amount of learning of international, virtual collaboration skills will occur *on the job* (see Leung et al., 2014). It is therefore crucial that talent who are involved in international virtual collaborations have a chance not only to work as part of an international team from early on in their career, but also to rotate between different international teams, and if possible between different countries. Working as part of an international team will provide the opportunity for experiencing and practicing the effective use of virtual communication media.

Moreover, global teamworking, training visits, and work assignments abroad (for example, at headquarters or other national subsidiaries of a firm) are invaluable for developing the four factors of cultural intelligence. On a cognitive level, first-hand experience of intercultural collaboration, both virtually and on on-site visits, serves to develop an awareness of different national and organisational contexts. Such visits also serve to learn, in an experiential manner, about cross-cultural communication and miscommunication, and to acquire behavioural repertoires to cope with such miscommunication. Notably, people often become conscious of cultural differences only when they have experienced intercultural misunderstanding first-hand (e.g. DiStefano and Maznevski, 2000). Awareness of cross-cultural differences and difficulties can enhance individuals' motivation to sustain effort in cross-cultural encounters, and new behavioural repertoires may help increase individuals' cross-cultural self-efficacy, which in turn feeds into the motivational aspect of cultural intelligence. Having experienced such learning, individuals will also train their meta-cognitive cultural competence, i.e. their capability to acquire and understand cultural knowledge.

Notably, rotational assignments and assigned short-term projects abroad also serve to enhance the collaboration in the global virtual team and its success more directly, by allowing members to develop a better shared understanding of the tasks, goals, and social norms, and to build stronger social ties, trust, and shared team. Moreover, rotation between countries and international teams is an important means of developing technical competence, particularly if knowledge cannot be transmitted easily across the distance (see Zimmermann and Ravishankar, 2016).

For members of a high-potential talent pool, the opportunity to develop international leadership skills becomes an important concern. Potential international leaders can be developed through a targeted programme whereby potential leaders are selected internationally and trained in different locations. Such programmes can include a real-life international project where identified leadership talent from different locations manage an international business project over a set time period (Mayrhofer et al., 2008: 243).

Importantly, the development of international collaboration and leadership skills through rotational assignments requires an organisational structure that allows for the movement of staff in all geographical directions. This is to say that the firm's global set-up needs to be aligned with the strategy of managing global virtual talent. An ethnocentric organisational set-up with a highly centralised organisational structure will inhibit not only the identification of remote virtual talent (as mentioned before) but also the development of such talent through international teamworking, assignments, and international careers.

Motivation and Retention

By counteracting distance-related obstacles to global virtual collaborations, talent managers can support the performance of a global virtual collaboration and foster strong relationships amongst its members. This is likely to contribute to employees' motivation to continue with this work, as well as their commitment to the firm.

Firstly, talent managers can support the development of 'perceived proximity' and use it as a lever to overcome some of the impacts of distance. Talent managers can, for example, help members of global virtual collaborations become more aware of their shared attributes, by encouraging them to communicate frequently and even use social media to exchange personal information. Compared to more traditional bonding events such as team workshops and social events, the use of social media can be an effective and less expensive means of detecting similarities and fostering a shared identity amongst virtual colleagues. Perceived proximity will contribute to strong relationships, which are generally particularly hard to achieve, but also particularly important in global virtual collaborations (Zimmermann, 2011).

Talent managers can also become active in supporting the virtual collaboration through other well-known measures. For example, defining strong shared goals can help in creating a shared team identity and motivation to achieve these goals (e.g. Adler, 1997). A clear communication structure, interaction rules, and well-defined roles of team members can help to develop a shared understanding (e.g. Earley and Peterson, 2004). Boundary spanners and team facilitators can be invaluable in easing communication across boundaries (e.g. Søderberg and Romani, 2017). As mentioned, it is further important to provide appropriate ICT, and to train members in using ICT in an effective manner, to match communication form and function (Maznevski and Chudoba, 2000). Moreover, high task interdependence can make it easier to build trust, as it entails more frequent interactions and greater familiarity amongst virtual team members (Gibson and Manuel, 2003).

By strengthening shared identity and understanding, communication, and familiarity in the team, such team-building measures are likely to increase team performance as well as the commitment of global virtual team members to the team. Moreover, a well-functioning global virtual team will create a positive work experience for virtual employees, which is likely to increase not only their motivation to continue their work in the team but also their commitment to the firm.

The commitment of members of global virtual teams can also be managed more directly, through reward systems. For example, employees' efforts in international virtual communication, teamwork, or knowledge transfer can be included as criteria in employee performance appraisals, making them directly relevant for rewards and promotion. Moreover, rewards should focus not just on the outcomes of a global virtual collaboration but also on the group process. This evaluation of group process is likely to encourage members of global virtual collaborations to spend effort in building relationships and collaborating effectively in their global virtual team.

I will now turn to the second part of this chapter. Here I will use case study evidence on onshore-offshore collaborations to highlight particular issues of managing global virtual talent in the context of MNEs. This will result in further recommendations for talent management levers.

Managing Virtual Talent in the Context of MNEs

In today's MNEs, increasingly higher-end, core roles and responsibilities are located in subsidiaries in different countries. This is true not only for global firms, i.e. firms at the latest stages of internationalisation or 'born global' firms, but also for MNEs that do still have a corporate headquarters that holds significantly centralised functions and responsibilities. Responsibilities in MNEs are distributed increasingly equally across the globe, following local expertise and resources rather than the hierarchy between headquarters and subsidiary (Contractor et al., 2010; Mudambi and Venzin, 2010). This development has generally been enabled by modern ICT that supports global virtual collaboration. In the case of MNEs that span developed and emerging economies, this international distribution of responsibilities has also been driven by the increasing expertise attainable in the emerging economies where subsidiaries are located (e.g. BRIC economies and Eastern Europe).

A lot of research has looked at headquarter-subsidiary relationships of Western companies operating in India. Many Indian subsidiaries have, for example, become centres of IT development, taking significant responsibility for the development of new software functions to be used in high-end technology (Dibbern et al., 2008; Metiu, 2006; Zimmerman and Ravishankar, 2014, 2016). This development goes hand in hand with the growth of management responsibilities in such subsidiaries, sometimes resulting in largely independent financial management of

subsidiaries and local market interfaces (Zimmerman and Ravishankar, 2016). Hence, a global network structure has often replaced the more traditional hierarchical relationships between headquarters in developed countries and firm units in emerging economies.

With this increasingly even distribution of knowledge work, more strategic positions are located in remote units, which need to be filled by highly qualified, top-performing employees. Talent management has therefore become paramount across international units. At the same time, the global set-up of MNEs often creates specific challenges to talent management.

Firstly, the challenges of managing talent in virtual global collaborations described in the first part of this chapter apply to this setting. Secondly, the international distribution of talent can create a situation where headquarter and subsidiary employees compete for attractive tasks and career prospects, entailing a whole range of issues for talent managers. Highly qualified employees in key positions tend to have high career expectations, which can in an international setting not always be met easily. In emerging markets such as India, this has led to the well-known issue of high employee turnover and to cases of underperformance (Dibbern et al., 2008).

I will argue that a greater focus must therefore be placed on strengthening subsidiary employees' intrinsic work motivation, and their relationships with headquarter employees, feeding into their affective and continuance commitment to the organisation, and ultimately strengthening both performance and retention of subsidiary talent. I further suggest that the retention levels of subsidiary employees in emerging economics also depend crucially on headquarter employees' motivation to support the career progression of their subsidiary colleagues. It is therefore necessary to 'co-design' onshore and offshore talent management practices. I will now explain these views in detail, with reference to a paper published with my colleague M.N. Ravishankar (Zimmermann and Ravishankar, 2016).

Case Study Evidence

Zimmermann and Ravishankar's (2016) case studies feature typical offshoring settings, namely the transfer of knowledge-intensive tasks (IT development and legal services) from European (German and UK) MNEs' headquarters to subsidiaries in India. Increasingly high levels of technical expertise and managerial responsibility were here transferred to the offshore sites, such as IT development tasks, project management, and the client interface. Onshore and offshore tasks and responsibilities were nevertheless to certain degrees interdependent, requiring regular interactions between onshore and offshore colleagues. Our findings are based primarily on qualitative interviews conducted on-site with onshore and offshore employees at different hierarchical levels.

Consistent with other research (e.g. Metiu, 2006), we found that the highly qualified offshore professionals in these cases were generally ambitious and keen to take on successively more challenging tasks and responsibilities, and to progress in their careers. However, a pervasive challenge in these settings was to provide sufficiently attractive (i.e. novel and complex) tasks to the highly skilled Indian professionals. In the areas of the firms where this challenge was not met, this created a degree of disappointment and decline in work motivation and effort amongst these employees, resulting in sub-optimal performance and above-average employee attrition. Motivation and employee attrition were thus important concerns for HR professionals, and were addressed systematically by offering frequent opportunities of training and certification/qualification, regular job rotation, leadership development programmes, and on-site visits at headquarters. Whilst such talent management measures appear commonplace, we unveil other important mechanisms of employee motivation that have to be taken into account in such a virtual collaboration setting (Zimmermann and Ravishankar, 2016).

In particular, we take a systems perspective to highlight how onshore employees' motivational drivers are interlinked with the motivational drivers amongst their onshore colleagues, and with the offshoring strategy of the organisation. Figure 13.1 presents the details of these interlinkages. In our case studies, an important reason for the difficulty of providing attractive career prospects for offshore employees pertained to the motivational drivers amongst the onshore (i.e. German or UK) counterparts at headquarters. In certain cases, onshore middle managers and employees did not feel motivated to transfer attractive tasks to the offshore unit and withheld such tasks, or did not spend sufficient effort in training and mentoring their Indian colleagues after a transfer. These findings resonate with prior case studies demonstrating resistance against offshoring, entailing a lack of cooperation (Cohen and El Sawad, 2007), of knowledge transfer and communication (Zimmermann and Ravishankar, 2014), and 'status closure' (Metiu, 2006) towards offshore colleagues.

As a result, Indian colleagues in our study felt that they were not sufficiently trusted, and that they did not have a chance to attain their career aspirations. When looking at the reasons for the lack of task and knowledge transfer effort, a range of factors became apparent. Firstly, the availability of attractive alternative tasks for onshore employees was important, as employees were naturally reluctant to 'offshore their own jobs' and thereby endanger their own careers (see arrow from 'expectations about career prospects' to 'actual task transfer' in Figure 13.1). Secondly, the prior performance by offshore colleagues on similar tasks was crucial for onshore members' decision to offshore further tasks (see arrow from 'expectations about performance' to 'actual task transfer' in Figure 13.1). To illustrate, if a transferred task had been completed poorly and was full of errors, onshore employees thought twice about trusting the Indian counterparts with other tasks. Thirdly, in cases where the transfer of tasks had caused a great amount of additional work in terms of training offshore colleagues and correcting their faulty outputs, onshore employees refrained from transferring further tasks, as they felt they did not have the necessary capacity to offer such support. Such expectations of additional workload depended in turn on the prior experience of the quality of work received from the offshore unit (see 'expectations about workload' in Figure 13.1).

Zimmermann and Ravishankar (2016) further observe that *offshore and onshore motivational drivers were interdependent*. As mentioned, we found that onshore members' expectations regarding consequences for their own careers, offshore performance, and the associated workload affected the extent to which they transferred further tasks offshore. This task transfer in turn influenced how many attractive and challenging tasks would be available for offshore colleagues, which again determined offshore employees' career expectations and task ownership. In the cases where Indian employees felt they were not trusted with sufficiently challenging tasks, they consequently did not believe they had attractive career prospects and did not feel they 'owned' the task or had to take responsibility to do their best. Such poor career expectations and task ownership could result in sub-optimal effort and performance, and in some cases even to the decision to leave. In other words, the actual task transfer by onshore colleagues affected offshore employee task performance as well as retention (see Figure 13.1, arrows from 'actual task transfer' to 'expectations about career prospects' and 'task ownership', to 'retention' and to 'task effort', and to 'task experience'/'task performance'). Additionally, the degree to which tasks were transferred to offshore units fed into offshore employees' performance simply by providing an opportunity for offshore employees to gain experience and thereby develop the competence to perform increasingly advanced tasks.

As mentioned before, offshore task performance was in turn a crucial determinant of onshore members' expectations about offshore performance and the workload created through offshoring (see Figure 13.1, arrows from 'task performance' to 'expectations about performance' to 'expectations about workload'). Moreover, as mentioned, these performance and workload expectations fed into onshore employees' motivation to transfer more advanced tasks to their offshore

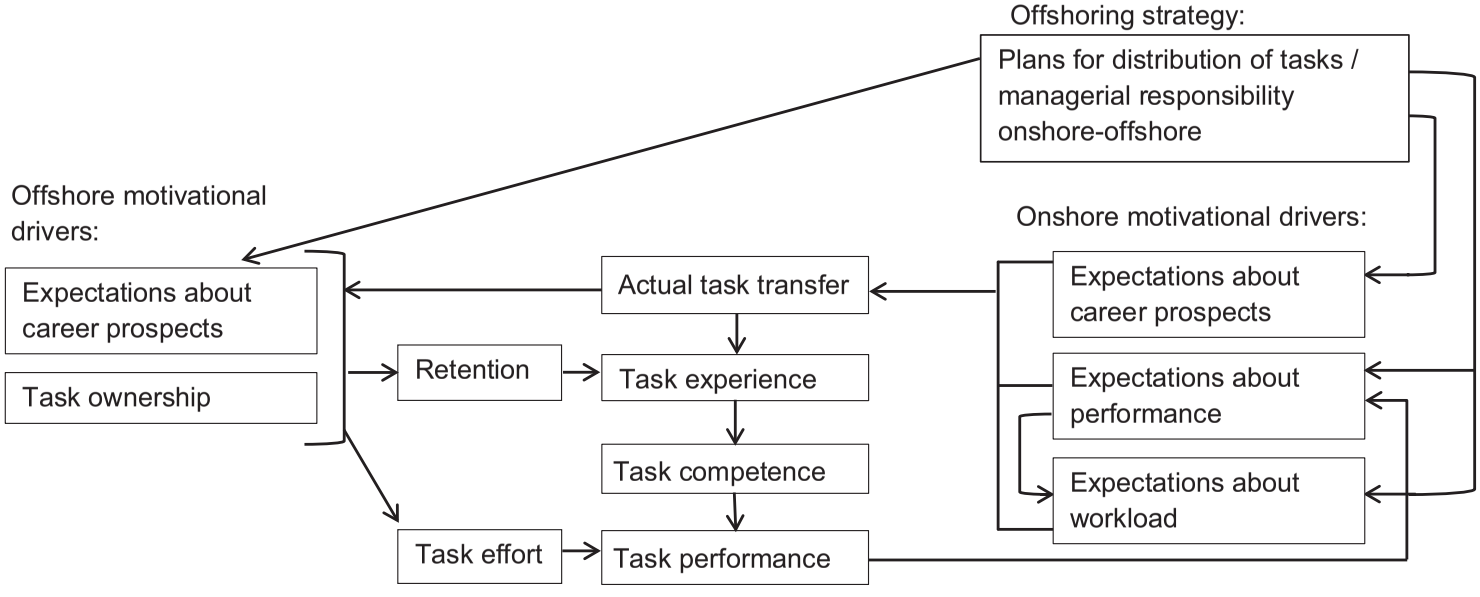

Figure 13.1 The System of Offshoring Strategy and Onshore/Offshore Motivational Drivers
(Adapted from Zimmermann and Ravishankar, 2016).

counterparts, which impinged upon offshore motivation and performance. Zimmermann and Ravishankar (2016: 560) therefore suggest that the motivation levels in the onshore and offshore units reinforced each other, and that through this a positive feedback loop was created.

In order to arrive at detailed implications for talent managers, it is useful to look at the third part of what we call the 'offshoring system'. Both *onshore and offshore motivational drivers were found to be interdependent with the firm's offshoring strategy*, i.e. the actual and planned distribution of tasks and responsibilities between onshore and offshore units. Firstly, *onshore* employees' motivation to transfer tasks to their offshore colleagues depended on the task distribution strategy (see Figure 13.1, arrows from offshoring strategy to onshore motivational drivers). More specifically, onshore employees' career expectations were shaped by the firm's plans for the future task distribution, which defined what tasks and responsibilities were to remain at the onshore units. Moreover, onshore employees' expectations of their offshore colleagues' performance and the workload created by offshoring was affected by the degree to which they believed that the firm's offshoring plans were 'realistic', considering Indian colleagues' ability to perform well on the offshored tasks, and considering the time allocated for the required knowledge transfer. In some departments, onshore employees explained that the implementation of the offshoring plans had been too fast, not allowing for sufficient time to recruit and train the required number of Indian employees who could tackle such demanding tasks.

The firm's plans for the distribution of tasks and responsibilities between onshore and offshore sites also shaped *offshore* members' career expectations and their work motivation (see Figure 13.1, arrows from offshoring strategy to offshore motivational drivers). In some cases, where offshore employees did not see any clear organisational-level plans for the move of increasingly challenging tasks to the offshore unit, their drive to 'give their best' suffered, and an increased numbers of employees decided to seek careers elsewhere. The performance of retained employees suffered as well, which in turn reduced the chance for higher-level offshoring in the future. Contrariwise, in cases where the performance of offshore staff had improved over time, the offshoring strategy was reinforced, and increasingly advanced tasks were allocated to the offshore unit. Zimmermann and Ravishankar (2016: 559) therefore suggest that another positive feedback loop was created, which fed into upward or downward spirals. More specifically, if an offshoring strategy led to high offshore performance, then the strategy could be developed further, determining the allocation of more advanced tasks to the offshore unit. This would in turn enhance the levels of motivation in the offshore unit, which would lead to further improved performance, and to a continuation of the feedback loop at a higher level. The reverse, downward spiral was created when offshore members did not receive increasingly challenging tasks and did not see attractive career prospects, which dampened their motivation, leading to poorer performance and lower levels of success of the offshoring strategy.

Implications for Managing Global Virtual Talent

These insights have important implications for the management of global virtual talent in offshoring settings, and in MNEs more generally. The most striking lessons can be taken with regard to the motivation and retention of such talent, but a few important conclusions can also be drawn with regard to levers for talent attraction, selection, and development (see Table 13.1 for an overview).

Motivation and Retention

Zimmermann and Ravishankar's (2016) research makes apparent how onshore and offshore career prospects are intertwined, and how they both depend on the managerial strategy for distributing attractive tasks between offshore and onshore units. As mentioned, the plans for the

onshore-offshore task distribution will shape career prospects of onshore as well as offshore employees. Moreover, resulting career prospects will affect offshore employees' work *motivation* and their *retention* with the firm. Onshore career prospects in turn will influence onshore employees' motivation to transfer tasks to offshore colleagues and to thereby support or limit offshore career prospects.

It thus becomes clear that HR and functional managers need to achieve a distribution of tasks between onshore and offshore sites that answers to the career aspirations on both sides. To achieve this, it will not be enough for HR and general managers in the different locations to work separately on designing career paths for their local employees. Instead, these managers have to work together, and thereby create a 'combined career pyramid' that takes into account the needs of both sides. These managers have to provide attractive career paths for offshore colleagues, but they also have to make sure these do not jeopardise onshore members' career expectations, and vice versa. In order to design such a combined career pyramid, managers onshore and offshore have to look well beyond the high-potential employees in their own locations, and take into account the motivational drivers of talent, that is, from their perspective, virtual and located at a distant unit in another country. To balance onshore and offshore career aspirations simultaneously is of course very difficult. The transfer of tasks from onshore to offshore members is likely to create tensions between onshore and offshore career interests, particularly if the amount of available attractive tasks is limited. Moreover, when it comes to highly qualified employees, career aspirations are likely to be particularly high, and available options particularly scarce (Zimmermann and Ravishankar, 2016: 562, 563).

Importantly, the design of a combined career pyramid also needs to ensure that onshore employees perceive the distribution of tasks to be *feasible*, i.e. that it can realistically lead to satisfactory performance offshore, without causing unacceptable additional workload for onshore employees. As mentioned, if onshore members do not believe that the tasks to be transferred match offshore members' concurrent skill levels at a given point in time, they are not likely to implement the strategy and transfer attractive tasks to their offshore counterparts, which will jeopardise the career paths and task ownership of offshore colleagues, affecting offshore performance and attrition levels. Moreover, without the opportunity to work on challenging tasks, offshore employees will not be able to augment their task experience, which will stifle their performance and thereby make onshore employees even more reluctant to trust their offshore colleagues with challenging tasks. In other words, a task distribution strategy needs to be realistic in order to yield high performance and thereby trigger an upward rather than a downward spiral.

At the same time, of course, such realistic task allocation has to be balanced with the need to provide desirable career prospects for onshore as well as offshore staff, i.e. with the requirements of the combined career pyramid. Even if a task distribution strategy is realistic in terms of the task-skill match, onshore employees are unlikely to support it if they feel that it endangers their own careers. Conversely, if managers set the ceiling for advanced task transfer too low, employees in offshore units may not see sufficient career prospects for themselves. In order to avoid the negative spirals and yield positive ones, senior managers thus need to take *both a performance perspective and a career perspective*, i.e. they have to design a strategy that is both realistic and fulfils onshore-offshore career expectations.

Attraction, Selection, and Development

The reviewed case studies provide a number of specific implications also for the attraction, development, and selection of global virtual talent. Firstly, designing a combined career pyramid will be crucial for the *attraction* of talent, particularly in emerging economies where competition for talent is fierce. Highly qualified potential recruits are likely to be more attracted

to an MNE that does not promise attractive career prospects, but also underscores its career promises through a clear and explicit strategy for the distribution of tasks and responsibilities across international units. Such a strategy will assure applicants in emerging economies that the local units can grow and will not face narrow career ceilings in the near future.

With regard to talent *selection*, the presented case evidence underscores the view that employees working in international collaborations, particularly in strategic positions, need to possess significant skills of international communication and collaboration, and a willingness to collaborate internationally. These skills and motivation should therefore be core selection criteria used in the assessment procedures. Onshore, the need for employees' willingness to collaborate internationally rises to another dimension when it comes to competing interests between international units, such as the competition for attractive tasks between onshore and offshore sites. In these settings, onshore employees who are willing to treat offshore units equitably, and are considerate of their offshore colleagues' career interests, are more likely to spend the necessary effort on task and knowledge transfer, and to support their firm's offshoring operations.

In order to *develop* talent at the offshore unit, managers again need to ensure that they distribute tasks in a way that allows for high offshore performance, as well as a combined career pyramid. Firstly, career paths are of course a necessity for offshore employees to progress and develop their skills. Secondly, in the offshoring context, the training and development of offshore employees depends heavily on the support by onshore employees who transfer tasks along with the required knowledge. The degree to which onshore members are motivated to spend effort and time in sharing their expertise and mentoring offshore colleagues will, however, depend on their expectations regarding the resultant offshore performance, and regarding consequences for their own careers. In other words, onshore employees are unlikely to contribute to the development of offshore expertise and careers if they believe the task transfer will lead to poor performance or will jeopardise their own careers. It will hence be important to design a strategy that is perceived to be realistic and to safeguard onshore careers.

As part of the international distribution of tasks and responsibilities, managers will also have to allocate strategic positions across international units. This international distribution cannot be driven primarily by cost factors, which often still underlie offshoring rationales. To foster the motivation and retention of talent across international units, the distribution of tasks, responsibilities, and strategic positions will additionally have to accord with the named issues of feasibility and the common career pyramid. These distributions will be determined heavily by the MNE's global set-up, i.e. its degree of centralisation and international interdependence. However, this global set-up should be informed by considerations of employees' motivational drivers across international units. Highly centralised MNEs that concentrate their high-end tasks and responsibilities at headquarters are less likely to address the rising career aspirations of the highly sought-after employees at offshore sites in emerging economies.

Boundary Conditions of the International Distribution of Tasks and Responsibilities

There are naturally several practical limitations to the international allocation of tasks and strategic positions. The availability of attractive tasks, such as innovative technological developments, depends for example on the *economic context*. The general economic situation of relevant markets will determine the demand for the firm's products or services by clients, and thus the extent to which firms will invest in the development of new products and services. In our case studies (Zimmermann and Ravishankar, 2016), this was noticeable during the economic crisis of 2008, when the competition for attractive tasks between onshore and offshore colleagues became tighter.

Moreover, the allocation of increasingly challenging tasks to offshore units is only feasible if the *required expertise* is available or can be developed within the particular country context. In the named case studies, it was difficult to develop expertise in servicing external clients in India, as most clients were located in other countries, and it was thus hard to arrange for close interactions with the clients. This situation may be changing, as client firms are increasingly relocating operations to emerging economies, allowing for new direct client interfaces (see Zimmermann and Ravishankar, 2016: 561).

Whilst our insights were gained in case studies of onshore-offshore collaborations, we assume that they apply at least in part to the management of global virtual talent in MNEs more generally. The interdependence of tasks, and therefore of motivational drivers amongst members of different international units, may in other MNE settings not be as strong as in the reviewed case studies. For example, if an MNE's international units work on separate tasks that require fewer international interactions, then the motivations in the different international units may not affect each other as strongly as in the case of offshoring, and the career pyramids for different units could be separated more easily. However, we tend to find a certain interdependence of tasks, responsibilities, and strategic roles across MNE units in general, even in the most advanced forms of MNEs, such as global network organisations.

A Note on Managing Virtual Contractors

The main focus of this chapter has been on the management of virtual talent within MNEs. Given the dominant role of MNEs in the world economy, they are probably still the most prevalent context of global virtual talent. However, with the rise of outsourcing, firms of all sizes are now working increasingly with external contractors, including vendor firms as well as individual, independent contractors. In the words of Cascio and Boudreau (2016: 111), the nature of talent markets is hence 'moving beyond employment'. External contractors usually work remotely and can be located in any part of the world, yielding a setting of global virtual talent. As with candidates for internal recruitment, the competition for highly qualified and experienced external contractors is high, which puts pressure on talent managers to design appropriate strategies to commit competitive contractors with their organisation.

Academic research on talent management in this setting is scarce, and we have to turn to consultancy publications for recommendations on best practice in managing virtual contractors. A useful example are blogs by Talley (2016, 2017), who recommends several practices for companies to attract and retain what he calls 'top-tier independent talent'. Talley (2016) suggests that firms should create a 'preferred talent network', i.e. a 'centralized repository' of independent talent, and should build relationships and loyalty with members of this network. Sources for building this network can be high-performing contractors who are currently working on projects in the organisation, as well as alumni, referrals, and retirees. Talley (2017) further suggests that, over time, this network will yield a 'virtual talent bench', namely, a pool of independent contractor talent the firm identified as experts and has developed relationships with. Firms will then be able to tap into this virtual bench as need arises, e.g. for particular projects.

When comparing such practices of managing virtual contractors to managing virtual talent within MNEs, it becomes clear that firms are not likely to have the same amount of discretion over managing external contractors. For example, designing job advertisements and career paths, and providing cross-cultural and on-the-job training may not often be options for managing external talent. Other practices can, however, be applied to both internal and external talent. In particular, the skill of working over distances and boundaries has to be an important selection criterion not only for internal virtual talent but also for members of the external virtual

talent network. Moreover, many of the practices of talent motivation and retention within firms can be used to engage and build relationships with external contractors. For example, facilitating a shared team identity, shared understanding, communication, trust, and other aspects of strong relationships are likely to help in engaging external contractors and motivating them to continue their collaboration with the firm. Correspondingly, the outsourcing literature has identified such mechanisms as part of the 'relational governance' of external vendors (e.g. Goo et al., 2009), which supports their commitment to the client firm.

Overall, whether or not talent managers can manage external virtual talent to the same extent as internal talent is yet an open question. In a recent paper (Zimmermann et al., 2017), my colleagues and I point out that relationships with external vendors are becoming more similar to firm-internal relationships, as there seems to be a trend towards less confrontation and more cooperation between firms (Kedia and Mukherjee, 2009), and firms now often take a partnership approach to outsourcing relationships (e.g. Willcocks et al., 2004). Nevertheless, our own research (Zimmermann et al., 2017) suggests that interpersonal relationships in internal sourcing settings are still stronger than in external sourcing settings. It therefore seems likely that talent managers will have stronger levers to manage the global virtual talent within their firm compared to managing external contractors.

Conclusion

In this chapter, I have outlined general challenges and levers of managing global virtual talent, as well as particular issues of managing virtual talent in MNEs. Moreover, I have provided a brief outlook on best practices of managing virtual contractors. With regard to general challenges, I suggested that talent managers have to take into account how distances and boundaries (foremost geographical and cultural) affect global virtual collaborations. In particular, talent managers have to attract, select, and develop talent with respect to the competencies required for international and virtual collaboration. As part of this, they have to avoid a mismatch between a job incumbent's professional identity and their actual responsibility of global virtual working. They should also be aware of distance-related biases in the talent selection process, to avoid the effects of geographical and cultural distance between decision makers and potential talent pool candidates, of homophily, and of a potential candidate's network position. The development of global virtual collaboration skills in turn requires not only formal training, social learning, and on-the-job experience, but also an organisational structure that allows for the movement of staff in all geographical directions.

To motivate employees to excel in their global virtual collaboration, and to stay with the firm, talent managers should help global teams to overcome the obstacles of distance and boundaries. For example, talent managers can promote perceived proximity by supporting global team members' shared understanding and shared team identity, and encourage communication via social media. Moreover, employees' efforts in the virtual collaboration can be made a formal appraisal criterion.

In MNEs generally and in offshoring settings in particular, tensions can arise between the career aspirations of headquarter (onshore) and subsidiary (offshore) colleagues. Talent managers here have the important role of designing a 'combined career pyramid' and distributing tasks in a way to address the career aspirations at different international sites, and at the same time to ensure that the offshored tasks match extant skills at these sites and can thus be realistically performed well. When this balance is achieved, talent at onshore as well as offshore sites have a better chance of developing their skills, task ownership, and work motivation, and to be motivated to remain with the firm. A clear and explicit strategy for the distribution of tasks and responsibilities across international units is also likely to underscore career promises and

thereby attract talent to firm subsidiaries. To support these outcomes, the motivation of onshore employees to spend the necessary effort in task and knowledge transfer should be used as an additional selection criterion.

When it comes to managing global virtual contractors, talent managers may have less discretion over such levers of managing talent. However, they may be able to build a virtual talent network and build strong relationships with its members to commit sought-after contractors to the firm.

The major focus of this chapter has been on the management of global virtual talent within firms. Lessons were here drawn from research on global virtual collaborations in general and on offshoring relationships within MNEs in particular. More targeted research is needed to examine the levers of managing global virtual management in practice. Moreover, as organisational boundaries are becoming more fluid and varied, it will become even more important to understand how virtual talent can best be managed across firm boundaries.

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