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FRAMEWORK FOR GLOBAL TALENT MANAGEMENT: HR ACTIONS FOR DEALING WITH GLOBAL TALENT CHALLENGES

Randall S. Schuler, Susan E. Jackson

Rutgers University and Lorange Institute of Business Zurich

and

Ibraiz Tarique

Pace University

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Introduction

Up until 2008 firms around the world were confronted with a major threat to doing business: a demand for talented employees that far surpassed the supply. This was especially acute in the developing countries that were benefiting from a strong business cycle based upon tremendous exports to the developed nations, and increased foreign direct investment from firms in developed nations wishing to take advantage of substantially lower wages in developing countries. Forecasts were being made of even greater shortages to come due to forecasts for continued global economic growth virtually everywhere, but especially in the developing nations. Firms worked aggressively to retain their current employees, often providing training and development benefits to make the firm more attractive, and also to develop the talents of these workers. "Talent" became a key word in global business. Firms faced many global talent challenges including having the right number of competent employees at the right place and at the right time.

They also faced the challenge of needing to reduce the costs of operations, thus moving operations abroad, paying lower wages and then having to find competent employees to staff the facility. All of these challenges were dealt with through "global talent management" initiatives. These were composed of various HR actions depending upon the nature of the global talent challenge. This chapter describes these global talent management initiatives. Some of our discussion reflects conditions that were present during recent economic and financial boom times (i.e., the two decades prior to 2008), when worker shortages were a primary concern. Economic expansion is likely to return eventually, so labor shortages are of continuing concern. Nevertheless, in the near term, this concern may subside somewhat. Regardless of the size of the gap between the available and desired pool of talent globally, a variety of other concerns remain as major global talent challenges.

We begin this chapter by defining more specifically what we mean by global talent challenges and global talent management. Next, we describe in some detail the major drivers of the global talent challenges facing modern multinational firms. Having set the stage by describing the broader context, we then turn to a discussion of specific HR actions that comprise a domain of activity that often is now referred to as "global talent management." Finally, after acknowledging some of the barriers that can make achieving effective global talent management difficult, we conclude with a brief summary of the potential results of effective global talent management, for it is these desired results that motivate multinational firms to continuously improve their approaches to global talent management.

Global Talent Challenges and Global Talent Management

In today's rapidly moving, extremely uncertain, and highly competitive global environment, firms worldwide are encountering numerous global talent challenges. *Global talent challenges* arise as firms compete on a worldwide stage under dynamic conditions to ensure that they have the necessary amount of talent, at the appropriate places, at the right prices and times. Firms that successfully address these challenges are able to secure and/or create a workforce that meets the talent needs of the firm in the short term while positioning the firm to also meet their longer term talent needs. We assume that effective global talent management requires employers to be responsive to the concerns of a global workforce and work with them as partners to achieve business objectives. [For a more complete discussion of this partnership perspective, see Jackson, Schuler, and Werner, 2009.]

To successfully address global talent challenges, firms of all sizes can and must take advantage of a wide variety of human resource management (HR) actions, which include the development of human resource policies and the design and implementation of specific HR practices (see Jackson et al., 2009). Conceptualized broadly, *global talent management* refers to the use of HR actions to ensure access to needed talent by multinational enterprises competing in a global environment; it includes HR policies and practices related to planning and forecasting, obtaining, selecting, motivating, developing, evaluating, retaining, and removing employees consistent with a firm's strategic directions while taking into account the evolving concerns of the workforce and regulatory requirements.

Major Drivers of the Global Talent Challenges

Global talent management is carried out in the context of a dynamic environment. Among the many factors that shape the specific challenges and responses of particular firms are several major drivers, which include: (a) globalization, (b) changing demographics, (c) demand for workers with needed competencies and motivation, and (d) the supply of those needed competencies and motivation. Figure 1 depicts the linkage between these drivers and several HR actions used to management global talent. We describe these drivers in more detail in the following paragraphs.

Insert Figure 1 about here

Globalization: World Trade, Competition, Customers, Individuals

Globalization is a concept that people use when referring to many different phenomena. Of particular relevance to our discussion are: expansion of world trade, intensified competition

among firms, the potential to reach many more customers around the world, and the array of individuals worldwide who now comprise a global labor market.

World Trade. The value of world trade expanded from $89 billion in 1953 to more than $10 trillion in 2008. Although the contraction that occurred in 2009 may slow the rate of future expansion in the near term, the value of world trade may nevertheless reach $27 trillion by 2030. Foreign direct investment (FDI) went from $59 billion in 1982 to more than $1 trillion in 2008. The formal labor market expanded from 2 billion workers in 1990 to more than 3.5 billion in 2008. The global economy is projected to expand to $75 trillion by 2030, up from $10 trillion in 1970 and $40 trillion in 2008 (Kearney, 2008; Stephenson and Pandit, 2008). While forecasts of specific values such are only best estimates, most observers agree that the long-term trend is for continued expansion of world trade in the longer term. Thus, while forecasts made early in 2009 pointed to a significant slowdown in FDI and world GDP that year (*The Economist*, February 21, 2009), by the end of the same year, forecasts for 2010 were projecting a modest upturn globally.

Competition. Competition has never been this intense and so multifaceted: it is fast developing, complex, extremely widespread, but also subject to the current global economic and financial crises (*The Economist*, February 21, 2009; Zakaria, 2008; Cairns and Sliwa, 2008; IBM, 2008; Hill, 2007). Global competition has forced many firms to improve quality and strive for innovation (often based on rapidly developed and more sophisticated technology), and increasingly global competition means that enhanced quality and innovation must be achieved while also keeping cost low. Thus, small and larger firms in almost every country are being forced to adapt and quickly respond as they compete with firms worldwide to gain and sustain global competitive advantage (*The Economist*, March 14, 2009; Engardio and Weintraub, 2008; Porter, 1985; IBM, 2008; Stephenson and Pandit, 2008; Palmisano, 2007; Schuler and Tarique, 2007; Gupta and Govindarajan, 2001). Globalization requires multinational companies to seek economies of scale and scope, find and take advantage of optimal locations while anticipating future relocations, adapt to local differences, learn continuously, and transfer knowledge more effectively than their competitors (Ghemawat and Hout, 2007; Porter, 1985; Krugman, 1979; 1981; Gupta and Govindarajan, 2001). A global competitive advantage awaits those firms that succeed in meeting these challenges (Daniels, Radebaugh and Sullivan, 2007).

Customers. Customers in virtually all industries are demanding more, and often for less. The telecom industry is migrating rapidly from traditional fixed-line phone service to mobile, smart phones. Companies like BT are selling "experiences" more than telephone "hardware." Customers are demanding innovation and BT is responding by focusing on services and providing a social networking capability (Werdigier, 2008). And this applies to customers the world over, with some differences reflecting unique characteristics of the countries (Zakaria, 2008). Thus for the typical company today, it is important to think and act global (IBM, 2008; Mendenhall, Osland, Bird, Oddou and Maznevski, 2008; Dickmann and Baruch, 2010), which includes being where the customers are. Increasingly companies like Nokia, IBM, Tata, Caterpillar, and BT find that the growing customer base is in the BRIC countries (Brazil, Russia,

India, and China) and in emerging economies throughout Asia, Latin America, and Eastern Europe.

Individuals. Individuals have been entering into the labor market in increased numbers over the past fifteen years (Zakaria, 2008; Friedman, 2005). It has been estimated that more than 1.5 billion people have entered the global formal labor market during the past fifteen years. Friedman (2005) argued that the development and spread of inexpensive technologies has flattened the world and facilitated the entry of all these workers into the workforce. One major consequence is the ability of firms to employ workers in the developing economies of the world at much lower wages than is possible in the developed economies of the world. Weekly wages in the developed economies are equivalent to monthly and even yearly wages in developing economies (U.S. Department of Labor, 2008; Gomez-Mejia and Werner, 2008). The movement of work to an array of dispersed locations that may include both developed and developing economies is most likely to succeed\ when all employees have the needed the competencies and motivations to do the work, when the work of dispersed employees is effectively coordinated, and when a firm's HR actions are consistent with the full array of relevant employment regulations in every location (Porter, 1985; Hill, 2007; World Bank, 2008; Palmisano, 2007). In addition to meeting these challenges, as multinational firms make decisions about workforce location and relocation, they also must address the challenges of developing an appropriate customer base, identifying and outmaneuvering competitors, managing transportation costs, reducing the possible consequences of political instability, protecting their intellectual property, and rights and so on (Porter, 1985;Daniels, et al., 2007; World Bank, 2008; Palmisano, 2007).

Demographics

Worldwide demographics are another major driver of global talent management. In North America, Western Europe, Japan and Australia, the age of retirement is being ushered in by the Baby Boomer generation. While this may be a relatively short term phenomenon in North America (due to current birth and immigration rates), population shrinkage is a longer term event in Western Europe and Japan (Strack, Baier and Fahlander, 2008). The long term-term outlook is grim: by 2025 the number of people aged 15-64 is projected to fall by 7% in Germany, 9% in Italy and 14% in Japan (Wooldridge, 2007; *The Economist*, 2006).

"If you take into consideration the 70 million Baby Boomers expected to retire over the next 15 years (in the U.S.) and only 40 million workers expected to enter the workforce in the same period, you can plainly see that a shortage of workers is imminent" (Adecco, 2008:9). "By 2010, it is expected the U.S. will face a shortage of more than 10 million workers" (Adecco, 2008:10). And according to Stephen Hitch, a human resource manager at Caterpillar in Peoria, Illinois: "We've got a global problem and it's only going to continue to get worse" (Coy and Ewing, 2007:28). Of course, these pre-2008 projections are now being adjusted somewhat with more baby boomers extending their retirement dates due to significant depletions of their retirement savings as a consequence of the current economic and financial crises (Hansen, 2009a).

While the populations of many developed economies are aging and shrinking in size, the populations of developing and emerging economies are expanding and getting younger (Strack, et al., 2008). Thus there are major variations in demographic characteristics by age and by region that multinational firms need to know and consider in locating and relocating their operations internationally.

Demand for Workers with Competencies and Motivation

Although the pace of globalization has diminished greatly, new *jobs* are still being created that require higher levels of competencies, which are broadly defined as "basic and advanced skills, knowledge and abilities," or the "right know-how" (Daniels, et al., 2007; Palmisano, 2007. For existing jobs, there is a growing need for employees who are willing to do the job under new and changing conditions that require the development of additional competencies (motivation). For skilled jobs, for example, there is a need for increased competencies to operate more sophisticated machinery, to interact with more demanding customers and to use more advanced technology to perform the functions of the traditional skilled jobs (National Commission on Adult Literacy, 2008). And it appears that these increased competencies are being associated with almost all jobs traditionally performed in multinational firms around the world today (Price and Turnbull, 2007).

In addition to the increased need for basic skills and advanced skill levels for basic entry-level, frontline and skilled jobs, there are a rising number of jobs that involve "knowledge work" and thus there is increasing demand for so-called "knowledge workers." This is true around the world, be it in China, India, Europe or North America. By one estimate, 48 million of the 137 million workers in the U.S. alone can be classified as knowledge workers. Knowledge work often requires competencies that are developed through extensive education and training and it is generally work that is capable of having a significant impact on the success of the company (Jackson, Hitt, and DeNisi, 2003). Knowledge workers include managers, leaders, technicians, researchers, accountants, information specialists, consultants, medical and pharmaceutical professionals. In multinational firms, knowledge workers such as these often work together in teams that cross cultural and geographic borders: "In the 21st century knowledge creation, integration and the leveraging of such "new" knowledge are considered the *raison d'etre* of multinational firms" (Brannen, 2008). "The growing need for talented managers in China represents by far the biggest management challenge facing multinationals and locally owned businesses alike" (Lane and Pollner, 2008). Even if demand for managers and other knowledge workers has slowed significantly recently, the need for highly motivated and talented knowledge workers is likely to remain strong well into the future (Roach, 2009).

Just before the economic and financial crises began in 2008, the most prevalent question was: "Where are all the workers? " Although this is not the prevalent question today, it is likely to return sooner than later: "Whether you can hear it or not, a time bomb is ticking in C-suites worldwide. Its shock waves will resonate for decades... Surveys conducted by the firm I work for

(Egon Zehnder International) indicate that the number of managers in the right age bracket for leadership roles will drop by 30% in just six years. Factor in even modest growth rates, and the average corporation will be left with half the critical talent it needs by 2015" (Fernández-Aráoz, 2009: 72).

Just as the global economy began to slow in 2008, a study conducted by the global staffing agency Manpower, found that nearly 40% of 37,000 companies across twenty-seven countries were finding it a challenge to hire the people they needed (Manpower, 2008a). In a 2007 survey of more than 1,300 senior managers around the world found that the most significant trend expected to affect their business over the next five years was greater competition for talent worldwide (Price and Turnbull, 2007). More specifically, CEOs are searching for industry, technical and particularly management skills to support geographic expansion: Many CEOs consider insufficient talent to be a significant barrier to global integration, surpassing the importance of regulatory and budgetary hurdles (IBM, 2008). In other words, most companies worldwide, regardless of size, are confronting and/or will soon confront their global talent challenge of talent shortage that if ignored will impact their global business strategies (Dunning, 2000; Manpower, 2008b).

This global talent challenge appears to be a concern across many countries/companies, and especially in India, China and Brazil: According to a recent survey in China "88% of the Chinese executives said their globalization efforts were hindered by the scarcity of people with real cross-cultural knowledge or experience managing foreign talent; ninety-three percent said that Chinese companies would not achieve their global aspirations unless they developed suitable leaders more aggressively"(Dietz, Orr and Xing, 2008). For entry-level corporate positions, there seems to be a mismatch between the skills found among graduates many Chinese universities and they types of skills that are needed by local, regional and multinational companies (Lane and Pollner, 2008).

The most frequently cited reasons for candidates being under-qualified include: poor English skills (which are needed to conduct international business), lack of experience working in teams, and a reluctance to assume leadership roles (McKinsey, 2008). So while the graduation numbers of countries like India, China and Brazil are very impressive, those who are qualified to begin working in many companies are significantly less. For example, in India, the percentage of engineering graduates deemed qualified enough to hire is estimated to be 25%; in China the estimated portion is 10%; and in Brazil it is 13% (McKinsey, 2008). McKinsey predicted, that India would face a shortage of 500,000 staff capable of doing work for multinationals (Engardio, 2007). Clearly, the skills gap is threatening the technology boom in India (Sengupta, 2006). According to Jose Sergio Gabrielli, President of Petrobras, the state-run oil company in Brazil, "The lack of availability of technical ability may be a constraint on growth, no doubt about it" (Downie, 2008: C1,5). The supply situation in other major countries around the world is largely the same as in India, China and Brazil.

Supply of Workers with Competencies and Motivation

In developed economies such as North America, Western Europe and Japan there also is an expected shortage of competencies. According to a report from the U.S. National Commission on Adult Literacy (2008) between 80 and 90 million American adults do not have the basic communication (also called people or "soft") skills to function well in the global economy or to earn family-sustaining wages. Alone among other advanced industrial countries, American 25 to 35 year olds are not as well educated as their parents. This same reality is also being found in Arab nations where the younger generation sees that connections rather than education are often the route to career success (Harry, 2007). According to the U.S. National Commission on Adult Literacy, declining educational achievement now puts the U.S. at a competitive disadvantage (2008). The lack of technical knowledge workers continues to drive companies such as Microsoft, Cisco and Wipro to plead with the U.S. Congress to expand the number of H-1B visa permits granted each year (Preston, 2008;Herbst, 2009; Wadhwa, 2009).

Today the situation related to worker "shortages" is substantially different from the pre-economic and financial crises period described above, the period of time when "global talent management" became popular (*The Economist*, February 21, 2009). By late in the year of 2008, a majority of companies that had already begun to downsize were planning to continue making more cuts that year (McGregor, 2009). So, while the shortages described above are likely to return eventually, in the near term, firms may find that there is a surplus of workers, at all levels of competency and motivation, worldwide. As the economic slowdown continues, it will result in reduced demand for goods and services worldwide, creating excess capacity in most firms and putting downward pressure on prices. The pressure for cost reduction may become intense and the use of workforce cost reduction may become irresistible (Mohn, 2009; *The Economist*, February 21, 2009). An increase in recent mergers and acquisitions to reduce capacity and costs suggests that workforce reductions are likely to continue in the next few years (*The Economist*, March 14, 2009). Competition among workers and countries is likely to result in more wage competition and more governmental support to encourage firms to bring jobs to their country.

Because these conditions will be with us for the near term, it seems appropriate to include them in our discussion and framework of global talent management (GTM). That is, we recognize that managing global talent is difficult in times of both talent shortages and talent surpluses. Because labor market conditions are always in flux, global talent management requires firms to stay focused on how actions they take in the near term might influence their ability to adapt to changing conditions in the longer term. Furthermore, we include the talent characteristics of location and price (wage level) in our treatment of GTM. For a more complete treatment of this approach and a review of the academic GTM literature see Tarique and Schuler (2010).

Global Talent Challenges: Summary

Thus there are several global talent challenges that firms need to manage as effectively as possible, including:

- too little talent is available now when it is needed
- too much talent is available now and it is not needed
- the needed talent is available in the wrong place (or position)
- the needed talent is available at the wrong price

As a consequence of such conditions, firms may need to: a) reduce/add workers and positions in their home country; b) move to another country and establish new operations at lower cost levels; or c) reduce/add workers even in other countries. In addition, they may need to train and develop existing staff rather than hire new staff from the outside. They may also need to improve their performance management and compensation systems to ensure that the workers they have are as productive as they can be. In some situations, firms may need to reduce and remove workers from multiple locations. In other words, there are many HR actions that can be taken by firms, both to manage through the current environment of economic and financial crises, and to position themselves for the period of recovery after the crises. Appropriate HR actions taken to address the challenges of global talent management can enable a multinational firm to gain and sustain a global competitive advantage (Lane and Pollner, 2008; Porter, 1985; Stephenson and Pandit, 2008; Palmisano, 2007).

HR Actions to Address Global Talent Challenges

Due in part to the existence of many drivers of the global talent challenges, there are many possible HR actions that firms can use in their global talent management initiatives (Beechler and Woodward, 2009). Matching an accurate diagnosis of a company's talent management situation with possible HR actions is a first step in gaining and sustaining a global competitive advantage that may result from the successful implementation of the correct action. Several categories of possible HR actions that can be considered by multinational firms include:

- Organizational linkages
- Location planning and management
- Attraction and selection
- Training and development
- Performance assessment
- Compensation
- Retention
- Reduction, and
- Removal

Organizational Linkages

Talent management actions can only gain and sustain a global competitive advantage if they are linked to the actions and strategies of the organization (Nag, Hambrick and Chen, 2007). Nokia decided to relocate to Cluji, Romania knowing that the labor force there was both competent and willing to work at substantially lower wages than the workforce in Bochum, Germany (Ewing, 2008). This move by Nokia fit well with their business strategy, which was to produce high quality cell phones in a highly competitive market near a new market place. The HR action reflected a tight linkage between the firm's business strategy and its global talent management strategy. This linkage was possible because Nokia gathered extensive labor market information and then used it to make an informed decision about where to (re)locate their operations. The business strategy and talent management strategy development reflected a tight reciprocal linkage (Ewing, 2008).

Location Planning and Management

Multinational firms such as Nokia have been rapidly expanding and (re)locating around the world (Porter, 1985; Hill, 2007; Daniels, et al., 2007; Ewing, 2008). In a period of just past three years, IBM hired more than 90,000 people in Brazil, China and India (Hamm, 2008). In 2001 Accenture had 250 employees in India; by 2007 it had more than 35,000 employees in India (Engardio, 2007). As a consequence of firms moving rapidly to India, India's seemingly unlimited skilled labor supply was nearly fully employed by 2008. Now, companies thinking about moving operations to India need to develop new talent management strategies in order to attract workers away from their existing employers, and then retain these same individuals. As the available supply of workers shrinks, decisions must be made about whether to locate elsewhere or perhaps develop training programs to train for the competencies that are needed, as Microsoft has done in China and Nokia did in Romania (Chen and Hoskin, 2007; McGregor and Hamm, 2008). To help ensure a supply of dependable labor at the right price, when Chinese companies locate abroad, they also send many of their own employees (Wong, 2009).

Multinational firms that are now thinking of expanding or relocating operations confront a large number of questions that are the essence of location planning and management, including:

- Why go? Why move at all from where we are right now? Should we rather just outsource part of our existing operations, or offshore part of our existing operations?
- Where go? What locations should we move to? Have we done country assessments on the country locations on such issues as: compensation levels, workforce skills availability, employment legislation, and culture compatibility? An extensive list of items composing a "country assessments for location management decisions for IHRM" is shown in Exhibit 1.

Insert Exhibit 1 About Here

- How go? Shall we expand our operations by ourselves? Should we outsource some of our existing operations to others? Should enter into a joint venture with a local partner? Should we use a merger or acquisition?
- When go? Do we need to go within a year? Do we have time to develop an image in a new country that will enable us to attract the best applicants (i.e., be perceived as "One of the Best Companies to Work for"?). If we enter another country, will we need to develop new ways of manage the workforce? Will we have to change our practices of recruiting and training, for example, for the local employees? Will want to create a common set of HR policies and practices for all our locations?
- How link? How do we link employees in multiple international locations with each other so as to gain efficiencies and transfer knowledge effectively?

Besides addressing these questions, multinational firms will likely need to also engage in more traditional human resource planning and forecasting, i.e., making estimates of the numbers of individuals and skills that will be needed in their various locations, using existing attrition and retirement data of the current employees in conjunction with the business plans of the firm. Of course, even traditional planning tools may benefit from modifications that take into account the fact that the past is not always a good predictor of the future, especially in these more uncertain and dynamic times (Cappelli, 2008). Under conditions of great uncertainty, scenario planning might be more prudent that the use of more traditional forecasting techniques (Courtney, 2008; Dye, Sibony and Viguerie, 2009; *The Economist*, February 28, 2009).

Attraction and Selection

Today organizations are finding that they are having a much more challenging time finding the workers with the competencies they need to perform a wide variety of jobs, regardless of worldwide location (Scullion and Collings, 2006). In essence, workers at every level are more important than ever to multinationals that hope to be competitive, both globally and locally (Guthridge, et al., 2008; Huselid, Beatty and Becker, 2009). How firms navigate this challenge reflects assumptions they make about workforce management. Two philosophically distinct approaches to attracting and selecting talent are evident in the current literature: One approach assumes that some of a firm's employees are more valuable than others. Huselid et al. (2009) capture this approach with the use of alpha terminology, e.g., Type "A" players, Type "B" players, and Type "C" players. They also assign these same letters to the positions in the firm. For positions, "A" indicates the most significant impact on the firm's strategy and its key constituencies and positions that offer the greatest variability in performance. For players (the employees), "A" indicates those employees who perform at the highest level of performance variability. The result of this categorization is that firms then would devote the most, but certainly not all, of their resources in their global talent management efforts to "A"-"A" combinations.

In contrast to what Huselid et al. (2009) refer to as their "differentiated workforce approach," companies like the UK insurance company Aviva have developed a global talent management strategy that focuses on managing the "vital many" rather than risk alienating the bulk of its workforce by focusing exclusively on highfliers" (the "A"-"A" combinations) (Guthridge, et al., 2008).

From the premise that all employees are equally valuable (vs. the differentiated approach in which some are treated as more important than others), flows a number of actions that help confront the talent management challenge. Rather than differentiate the workforce based on their value to the firm, the alternative approach leads a firm to create differentiated value propositions to attract and retain the full diversity of applicants and employees available in the labor market. For example, the UK retailer Tesco develops separate recruiting and selection tactics for applicants for frontline clerks depending upon whether they are straight from school, are part-time or graduates wanting full-time work. There is a separate website whose materials and language are tailored to that group (McKinsey, 2008). Tactics used for different groups are based on what the firm will be most effective and valued by the applicants, not on the firm's view that some applicants are more valuable than others.

Although we have presented these two competing philosophies as if firms must choose one or the other, this is overly simplistic. Indeed, a better approach to thinking about who is included as "talent" may to recognize firms vary in their degree of inclusiveness, going from including everyone (high inclusiveness) to only the top 5% or so (low inclusiveness).

Training and Development

In locations where competencies fall short of what firms need, training and development programs can be used to improve the quality of talent available and at the same time increase a firm's appeal as an employer. In China, Microsoft uses development and recognition programs that appeal to first time programmers. Development programs include a rotation to the U.S. and recognition programs include being selected as a Silk Road Scholar (Chen and Hoskin, 2007).

Multinational firms like Microsoft and Schlumberger also offer attractive career management opportunities. Schlumberger makes it possible for engineers to achieve recognition and compensation equivalent to managers while remaining on their engineering career track (Schlumberger, 2007;2008). Applying this more broadly, multinational firms can be expected to emphasize internal markets even more (allowing employees to move around from job to job more freely), with rapid promotion for the superstars (Wooldridge, 2007).

To address the need for leaders and managers with a global mindset that is broader than knowledge about the details of local country operations, many Chinese companies have begun sending their best managers to intensive management-training programs, such as those offered through a corporate university or business school (Dietz, et al., 2008).

Performance Assessment

Performance assessment is a key ingredient in successful global talent management (Varma, Budhwar, and DeNisi, 2008). The performance assessment system at Novartis is central to its global talent management efforts (Siegel, 2008). At the heart of it is a system that grades employees on (a) business results (the "what") and (b) values and behaviors (the "how"). While the business results are unique to each business area, the values and behaviors (ten in all) are common across the entire firm. Combining these two performance dimensions results in a nine-box matrix for assessing employee performance. This assessment process takes place within the context of the business performance cycle, which begins with the strategic plan for the firm and cascades down to define "what" each business unit is expected to accomplish. Novartis employees receive quarterly performance feedback, participate in self-assessments, engage in development planning and career discussions. Together, these practices are aimed at improving competencies, motivating talent, determining training needs and establishing a basis for performance-based pay (Seigel, 2008).

Compensation

Compensation rates around the world reflect today's dynamic economic and competitive business conditions (U.S. Department of Labor, 2008; Gomez-Mejia and Werner, 2008). In response to multinationals locating in their countries, local companies in China and India often must pay Western-level salaries (Wooldridge, 2007; Banai and Harry, 2005). Demands for compensation increases by workers in China caused some multinationals to move and/or consider moving operations to Vietnam and Bangladesh, in addition to keeping some of their operations in China, producing what is often referred to as "China plus one strategy" (Bradsher, 2008).

The recent global economic slowdown put more pressure on firms to move to lower wage nations, and this trend may continue as global demand contacts and industries find themselves with excess capacity. Nevertheless, as long as the supply of qualified managers is limited in emerging economy nations, firms that wish to expand into those markets will need to offer high salaries in order to secure the talent they need.

At Novartis, pay-for- performance is an important component of their global talent management effort (Siegel, 2008). Using the results of an employee's performance assessment in the nine-box performance matrix, a bonus payout is calculated that recognizes both the individual's performance and the performance of their business unit. Because the market for employees such as those in research and development is global, firms like Novartis set compensation rates at levels that reflect the global environment, even when that means paying salaries that are above the norm in some countries (Seigel, 2008). To help manage compensation costs, however, firms in this situation may locate their operations to second-tier (lower cost) cities. Another tactic is to

recruit talent that is currently under-employed (e.g., engineers who are temporarily working as taxi drivers because they have lost their jobs during the economic downturn).

Retention

Retaining talent is one of the biggest talent management challenges for global accountancy firms. Historically, annual turnover rates at these firms have been between 15 and 20 percent. In these accountancy firms, a variety of factors contribute to high turnover rates among early-career employees, including long hours, pressure to study during off-hours in order to pass professional certification exams, and an "up or out" partnership model (Harry, 2008). Jim Wall, the managing director of human resources at Deloitte, estimated that every percentage-point drop in annual turnover rates equated to a savings of $400-$500 million for the firm (*The Economist* 2007). To stem the turnover tide among early-career accountants, some firms have attempted to increase long-term commitment by providing data to employees, showing that employees who stay at least six years with their first employer are likely to earn higher pay at other firms when they do eventually leave (*The Economist*, 2007). More likely to be effective are retention strategies that include characteristics such as: a) top management making a strong commitment that talent management is a priority for all employees; b) assessing the efficacy of current recruiting sources; c) expanding the list of recruiting sources; d) sourcing talent globally; e) constantly monitoring labor markets worldwide; f) establishing diversity programs; g) establishing accountability amongst managers for retention goals; and h) rewarding managers for improving talent retention (Guthridge and Komm, 2008; Caye and Marten, 2008; Holland, 2008).

Reduction and Removal

If global economic and financial conditions continue to deteriorate, unemployment will likely spread dramatically (*The Economist*, January 31, 2009; *The Economist*, March 14, 2009; Powell, 2009). The ILO estimated that more than 50 million jobs would be lost globally in 2009, and again in 2010. Because hiring usually lags behind economic recovery, low employment levels were expected to persist until at least 2012. Thus challenge of managing under conditions of surplus talent is likely to be with us for the next few years. Accordingly, "reduction and removal" HR actions are likely to dominate the global talent management agenda of many firms.

Reduction can involve the reduction of work hours, days, overtime, pay levels, pay increases, benefits, new hires and holidays, and also the increased use of attrition, unpaid leave, assignment for local volunteer work, sabbaticals, and contract employees and outsourcing (Mirza, 2008; Boyle, 2009). From these activities firms can reduce their costs and existing employees can retain their jobs. In contrast, removal refers to the use of layoffs or other measures that result in permanent job loss (Hansen, 2009b). Firms have a great deal of choice in how they shrink their workforces, but their choices are not unlimited. For multinationals, decisions about which HR actions to use must reflect the concerns of various unions, governmental regulations, cultural norms and corporate values.

Integrated and Flexible Systems of HR Actions for Global Talent Management

As this brief summary of possible HR actions suggests, multinational firms must make an array of decisions about how to manage their global talent. Ideally, the HR actions they select reflect both the specific challenges facing the firm currently and consideration of the future challenges that are likely to arise as economic conditions change over time. Although the recent economic downturn has slowed business globally, firms still need to hire and manage their talent in anticipation of their future needs. Furthermore, the selection of particular HR actions is likely to be most effective in firms that adopt a systemic approach to global talent management. That is, HR actions need to mutually supportive and internally consistent with each other, while also fitting firm characteristics such as top management leadership, vision, values, strategy, size, culture and industry.

In a study entitled *The War for Talent* (Michaels, Handfield-Jones and Axelrod, 2001), it was found that HR professionals spent a great deal of their time formulating and managing the traditional HR policies and practices such as recruiting, selecting, training, performance appraisal and compensation. While these are important for addressing talent management challenges, their effectiveness results from being linked with the firm's strategies and directions, and this linkage was found to be lacking. "HR underperforms in companies where its capabilities, competencies, and focus are not tightly aligned with the critical business priorities" (Rawlinson, et al., 2008: 23). Additionally, the study concluded that most HR professionals need to do a better job of measuring the impact of HR actions using metrics that are aligned with business strategies. Thus, for example, a firm might track the performance records of employees who have participated in global management training programs and compare them to those who have developed global skills on the job and/or compare them to people with no global exposure, using performance metrics that reflect desired strategic business outcomes such as revenue, profit targets or retention of direct reports.

Results of Effective Global Talent Management

As shown in Figure 1 there are several potential results that are likely to follow from HR actions that successfully address a firm's global talent challenges. In particular, we have argued that addressing the challenge of global talent management improves the firm's success in having the right people at the right place at the right time with the needed competencies and motivation and at the right price at all levels and all locations(positions) of the firms (Lane and Pollner, 2008; Guthridge, et al., 2008). In time, these effects accumulate and deepen the firm's bench strength (or future positioning) for all positions the company, both anticipated and unanticipated, in all current and future locations around the world (Rawlinson, et al., 2008).

In the short term, successful HR actions may provide a firm with a temporary advantage over competitors. In the long term, as the firm's global talent management system matures and as learning about how to management global talent becomes embedded in organizational systems, it

may be possible for the firm to establish a sustainable global competitive advantage. Sustainability of competitive advantage is never assured, because the drivers of global talent management are likely to change continually (Porter, 1985; Daniels, et al, 2007). Nevertheless, as firms gain experience and begin to develop the competencies needed for global success, they simultaneously position themselves to adapt as changing conditions require in the future. The development of such a virtuous cycle of effects seems more likely to occur in firms that take actions specifically designed to train and develop the firms' leaders and HR managers (Caye and Martin, 2008; Guthridge, et al., 2008).

Barriers to Global Talent Management

It seems apparent that multinational firms have good reason to invest considerable resources in meeting the global talent challenges they face, but success in this endeavor remains elusive. Based on the responses of more than 1,300 executives worldwide, Guthridge, et al. (2008) identified several barriers to the use of HR actions for global talent management. Many of these barriers to successful talent management exist for domestic firms, but they become more complex and difficult to overcome in global firms. The barriers include:

- The fact that senior managers do not spend enough time on talent management, perhaps thinking that there are other more pressing things to be concerned with;
- Organizational structures, whether based regions, products, or functions, that inhibit collaboration and the sharing of resources across boundaries;
- Middle and front line managers who are not sufficiently involved in or responsible for employees' careers, perhaps because they see these activities as less important than managing the business, and/or because they require such a long-term perspective;
- Managers are uncomfortable and/or unwilling to acknowledge performance differences among employees—a step that is required in order to take actions to improve performance;
- Managers at all levels who are not sufficiently involved in the formulation of the firm's talent management strategy, and therefore, have a limited sense of ownership and understanding of actions designed to help manage the firm's global talent;
- HR departments that lack the competencies needed to address the global talent challenge effectively, and/or lack the respect of other executives whose cooperation is needed to implement appropriate HR actions.

While there are many barriers to overcome, multinational firms such as IBM, Toyota, Procter & Gamble, Novartis, ThyssenKrupp, and Schlumberger have shown that success is possible with the commitment, leadership and involvement of the top management (Farndale, Scullion and Sparrow, 2010; Takeuchi, Osono and Shimizu, 2008; Lane and Pollner, 2008; Palmisano, 2007).

Conclusion

Many of the most pressing global challenges facing global firms today are directly related to human capital challenges, and more specifically global talent challenges (Rawlinson, et al., 2008; Adecco, 2008; Walker, 2007; Scott, et al., 2008; Price and Turnbull, 2007; Scullion and Collings, 2006). These global talent challenges arise due to the ever-changing characteristics of the environment. In particular, among the major drivers are: enhanced globalization, evolving demographics, the need for more competencies and motivation, and the growing shortage/surplus of needed competencies and motivation. For firms throughout the world, the changing environment--particularly during volatile economic and financial periods of boom-and-bust such as those experienced in recent years—presents both global talent challenges and an opportunity to gain a sustainable global competitive advantage (Porter, 1985; Cairns and Sliwa, 2008). In this chapter we sought to provide a brief overview of possible HR actions that can be used to build an integrated and flexible system for global talent management, and described some of the barriers to success in this endeavor. The greatest challenge may simply be the need for firms to be relentless in their efforts to effectively manage global talent, for even when success is achieved in the near term, new HR actions will soon be required simply to stay one step ahead of competitors. For the HR profession, an immediate challenge is to develop the supply of HR talent with the competencies and motivations required to understand the drivers that create global talent management challenges, develop systems that are tailored to address a particular firm's specific global talent needs, and work in partnership with the senior management team ensure a close linkage between HR actions programs and the strategic objectives of the firm.

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Figure 1

Framework for Global Talent Challenges and Management

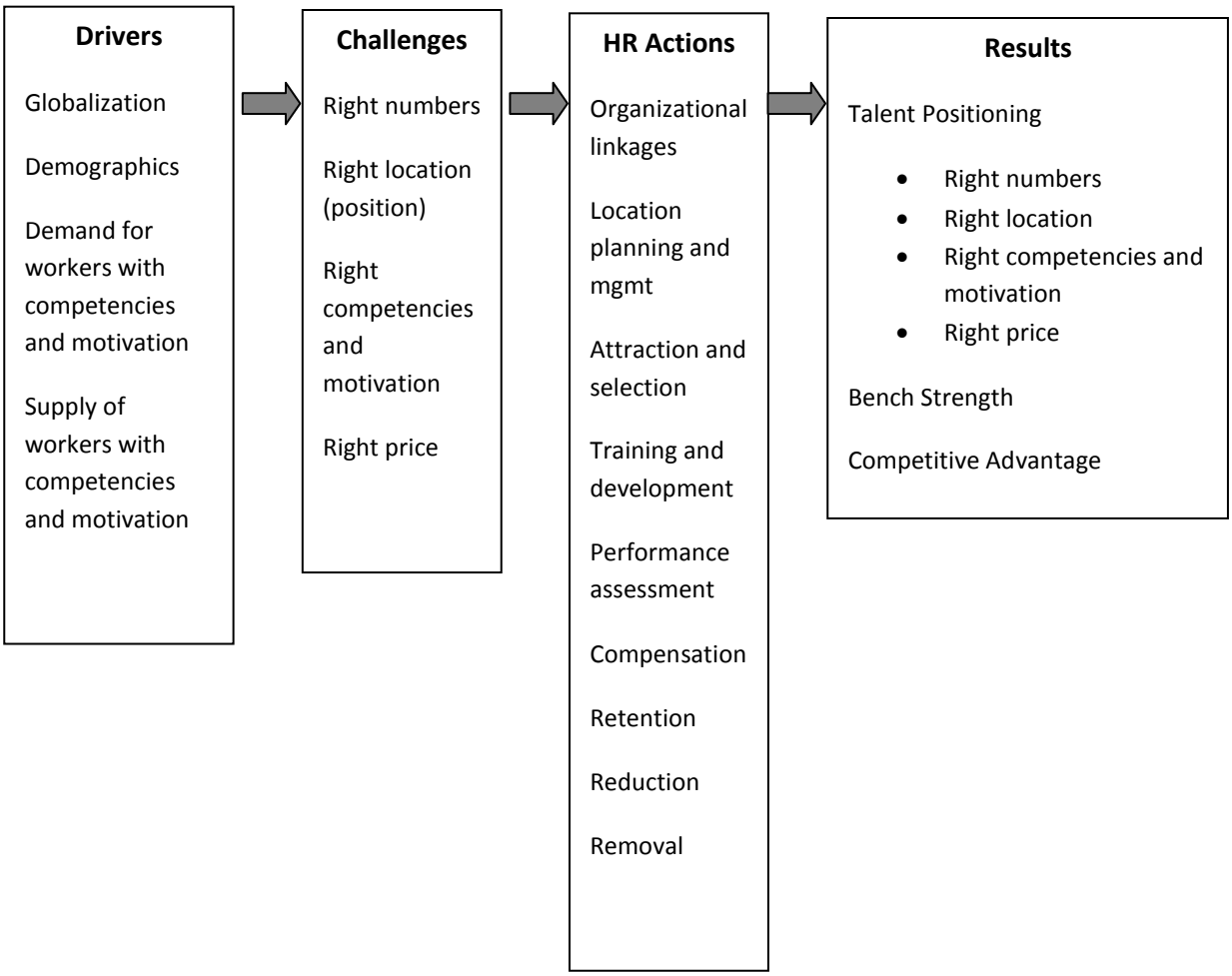

Exhibit 1

COUNTRY ASSESSMENTS FOR LOCATION MANAGEMENT DECISIONS

(Selected websites provided to access current data on topics of interest)

Topic	Content	Example Websites
General facts about country	Size, location, population, Infrastructure, country culture, customs, business etiquette, political systems, societal concerns, natural resources, educational system.	(odci.gov/cia/publications/factbook; getcustoms.com; cyborlink.com; economist.com/countries; //news.bbc.co.uk/2/hi/country_profiles/default.stm; geert-hofstede.com; foreignpolicy.com; bsr.org; export.gov/marketresearch.html)
Attractiveness of Country to Business	Familiarity of country, government support; favorable labor conditions; economic and political stability	(economist.com; doingbusiness.org; sustainability.org; bsr.com; //news.bbc.co.uk2/hi/business/5313146.stm; kpmg.com; orcworldwide.com)
Competitiveness factors	Familiarity of country, government support; favorable labor conditions; economic and political stability	(economist.com; doingbusiness.org; sustainability.org; bsr.com; //news.bbc.co.uk2/hi/business/5313146.stm; kpmg.com; orcworldwide.com)
FDI flows/levels	Amount of foreign direct investment coming into a country by other countries and companies establishing operations or buying operations	(economist.com; census.gov/foreign-trade/balance)
Labor market	Regulations, size, competencies, ease of hiring/firing, costs, unemployment rates	(doingbusiness.org; manpower.com; adecco.com; atkearney.com; wfpma.org; pwc.com; mckinsey.com; ilo.org/public/English/employment/index.htm)
HR policies (actual/likely)	Wage levels for several job classes; talent management; human resource planning; union qualities; T&D support; Safety and health	(dol.gov; ilo.org; atkearney.com; economist.com/countries; businessweek.com; ft.com; iht.com; bcg.com; mckinsey.com; //jobzing.com)