



Developing tomorrow's leaders—Evidence of global talent management in multinational enterprises

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ABSTRACT

Organizations are becoming relentless in managing and developing their key talent. This is a view, however, largely based on anecdote rather than reliable empirical evidence. Utilizing data from 260 multinational enterprises (MNEs), this paper helps redress this deficit. Specifically, this paper explores the extent to which MNEs engage in global talent management (GTM) and deciphers some of the factors which may explain the use and non-use of GTM practices. In so doing, we find that although a significant number of MNEs have systems and mechanisms in place to strategically identify and develop their talent many more seemingly adopt an *ad hoc* or haphazard approach. For instance, less than half of all MNEs have both global succession planning and formal management development programs for their high-potentials. Consequently it seems that there is a considerable distance yet to be travelled to arrive at a universal appreciation of the need to strategically manage one's key employees. We find the size of the MNE has a significant effect on GTM system usage—larger MNEs are more likely to undertake GTM. Other significant, positive influences include whether products or services are standardized regionally or globally, and if the MNE has a global human resources policy formation body. Of considerable interest is the finding that MNEs operating in the low-tech/low-cost sectors are significantly more likely to have formal global systems to identify and develop high-potentials.

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1. Introduction

Talent management frequently emerges in clichéd terms such as “*talent management: the new silver bullet*” (Oakes, 2006:1) and “*talent management practices can create the most enduring competitive advantages*” (Heinen & O'Neill, 2004: 67). However, the extent to which talent management represents a new and discrete management activity as opposed to the latest human resource management (HRM) exhortation remains largely unknown. Many questions remain, such as how do organizations operationalize talent management, to whom does the term ‘talent’ refer or, how many organizations engage in talent management?

The current global credit crunch and increased unemployment may lessen the import of talent management in its original guise, i.e. owing to talent shortages. We argue that the context has merely changed and that it has never been more important to have talented employees staff the organization's key strategic positions.

Talent management is arguably of greater significance among multinational enterprises (MNEs) for three reasons. First, is the acknowledgement that internationally competent managers represent a key component of global business success (Becker, Fineman, & Freedman, 2004; Black & Gregersen, 1999; Scullion, 1994, 2001; Shen & Darby, 2006; Stroh & Caligiuri, 1998). Second, until very recently at least, it has been increasingly difficult to locate and retain suitable managerial talent to manage an organization's international operations (Gregersen, Morrison, & Black, 1998; Scullion, 1994; Scullion & Collings, 2006; Sloan, Hazucha, & Van Katwyk, 2003; Suutari, 2002). Allied with increasing numbers of firms internationalizing, as well as the growth of emerging markets (e.g., Central and Eastern Europe and China), the demands for managerial talent are further increasing (Collings, Scullion, & Morley, 2007; Scullion, Collings, & Gunnigle, 2007). Third, owing to the more demanding skill-set that internationally operating companies require, talent management is more complex in MNEs than in domestic firms (cf. Guthridge & Komm, 2008). Consequently, the costs of failure are potentially far greater in the global marketplace (Sparrow, Brewster, & Harris, 2004).

This paper addresses two key research objectives. First, we explore the extent to which MNEs engage in global talent

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management. More particularly, we discern the extent to which MNEs have formal global succession planning and management development programs in place for their high-potentials. In addition, we explore the use of a number of developmental mechanisms. Second, we decipher the factors which may explain engagement or not in GTM.

Through informing these objectives, we point to a number of contributions. Most notably, we provide much-needed empirical evidence on a growing research field. Pre-existing research has tended to be based upon anecdotal practitioner/consultancy views and small case study-based investigations (cf. Boussebaa & Morgan, 2008; Brandt & Kull, 2007; CIPD, 2006; Piansoongnern, Anurit, & Bunchapattanasakda, 2008; Stahl et al., 2007; Stiles et al., 2006). Talent management in the global context is particularly under-researched. For example, Collings, Scullion, and Dowling (2009) call for research to explore the approaches taken to international talent management in different types of international organizations and the methods being used by MNEs to coordinate their talent conduit globally. This paper contributes to this through the development of a framework of four GTM approaches and an analysis of the extent to which five independent variables explain engagement in GTM. In so doing, this paper sheds light on whether MNEs manage their talent in a coordinated and integrated manner (Sparrow et al., 2004). This will provide a yardstick of the degree to which MNEs are strategically identifying and developing their human talent globally.

2. What is talent management?

Researchers differ greatly in their understanding of what constitutes talent management. Creelman (2004) suggests talent management is best regarded as a mindset, whereby talent is at the forefront of organizational success. Cappelli (2008: 74) states it “is simply a matter of anticipating the need for human capital and then setting out a plan to meet it.” Blass (2007: 3) suggests that it refers to “additional management processes and opportunities that are made available to people in the organization who are considered to be talent.” Others (cf. Heinen & O’Neill, 2004; Piansoongnern et al., 2008) propose that it involves integrated HR practices designed to attract and retain the right people in the right jobs at the right time. The clearest inference from these perspectives is that there is nothing clear about talent management (Lewis & Heckman, 2006; Tarique & Schuler, 2009).

Global talent management (GTM) is the primary concern here, due to our focus on the multinational sector. There has been some recent work investigating this area, including Collings & Scullion (2007: 102) who define GTM as “the strategic integration of resourcing and development at the international level and involves the proactive identification, development and strategic deployment of high performing and high-potential strategic employees on a global scale.” This work ties in with a more recent attempt by the academic community to reduce ambiguity around the subject. A particularly positive contribution is made by Collings and Mellahi (2009): 1; see also Lewis & Heckman, 2006) who urge organizations to:

- (1) Systematically identify the key positions within the firm which contribute significantly to sustainable competitive advantage.
- (2) Develop a talent pool of high-potential and high performing people to fill these positions.
- (3) Develop a differentiated human resource architecture to facilitate filling these positions with competent incumbents.

These are critical points which we draw on here in conjunction with the HR architecture literature (see Lepak & Snell, 1999, 2002) and lends itself as a theoretical backdrop to this paper.

3. Talent management and the HR architecture literature

Lepak & Snell (1999) draw on the resource base view, human capital theory and transaction cost economics to examine the characteristics of human capital. In so doing, they suggest four employment categories and a HR architecture surrounding each. They argue that employees possess different skills which will have varying impacts on deriving competitive advantage. Consequently the HR practices used to manage these employees should vary. More specifically, they identify four quadrants of human capital characteristics, based on strategic value and uniqueness, and complimentary employment modes (Lepak & Snell, 1999, 2002). We contend that these characterizations offer legitimacy towards the development of talent management as a research field. A major issue behind talent management has been confusion surrounding what actually constitutes ‘talent’. Every employee does, in theory, contribute to organizational performance and every worker may need a certain level of training and development to be productive. While the ‘everybody counts’ mantra is both appealing and admirable, if this is what talent management means then defining the term may be akin to the ‘emperor’s new clothes’; that is, giving an existing concept (employee development) a new name (Warren, 2006). Such a view is perhaps too simplistic in that it ignores the existence of different categories of employees that possess differing skills and capabilities and varying degrees of value to the organization (Lepak & Snell, 1999).

The first quadrant is *internal development or knowledge-based employment*. This refers to the firm’s core employees as a result of their contribution to corporate objectives. For instance, they may refer to employees “who use their heads more than their hands to produce value” (Horibe, 1999: xi). These types of employees are more likely to be developed internally due to their value. It is employees within this quadrant which we argue lie at the heart of talent management. We posit that within this quadrant there can be a number of groups of staff that might be classified as talent. First, ‘talent’ may include specialist functional staff (cf. CIPD, 2006; Heinen & O’Neill, 2004). These may be identified as critical to the firm’s organizational learning and core competence by virtue of the particular knowledge or skills they possess. Elsewhere, these individuals have been designated as part of the ‘key group’ (see Edwards, Edwards, Ferner, Marginson, & Tregaskis, 2007; Lavelle, McDonnell, & Gunnigle, 2009; McDonnell, 2008). These may range from analysts to client executives to chemists to research and development (R&D) staff.

The second group, which we focus on, is high-potential employees viewed as the next generation of organizational leaders (CIPD, 2006; Collings & Mellahi, 2009; Stahl et al., 2007; Stiles et al., 2006). The argument that emerges here is that in many organizations there are a small number of high-potential, exceptional performing individuals who will in time move into key strategic roles that will determine the success, or failure, of the firm. They are believed to offer high value-added competencies and consequently hold great resonance with the knowledge-based segment. They satisfy the uniqueness element of this quadrant as a result of the growing recognition that global business success depends on the quality of the managerial talent within the MNE and that organizations are increasingly reporting shortages of such talent (Black, Morrison, & Gregersen, 2000; Evans, Pucik, & Barsoux, 2002; Scullion, 2001; Stroh & Caligiuri, 1998).

The remaining quadrants are less relevant to talent management although the second quadrant – *acquisition or job-based employment* – may be an exception because here human capital possesses considerable strategic importance but is more limited in uniqueness compared to the first quadrant. The primary distinction being that the skills in which these employees possess are more widely transferable. The third segment – *contractual work* – refers to

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