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The global "war for talent"

Schon Beechler [a,b,*], Ian C. Woodward [c,1]

[a] Positive Leadership Programs in Executive Education, Ross School of Business, University of Michigan, United States
[b] Duke Corporate Education, 621B Oceanfront Street, Long Beach, NY 11561, United States
[c] INSEAD, Boulevard de Constance 77305 Fontainebleau, France

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ABSTRACT

In this paper we examine the "global war for talent," the factors that impact it, and organizations' responses to it. Using a comprehensive search of more than 400 contemporary academic and business press articles, the paper reviews relevant research and reassesses the "talent war." We posit that the dominant approaches to the "talent war" based on a scarcity state of mind and action, often characterized by a tactical and exclusive top talent or "star" focus, are being challenged by the emergence of a more evolutionary paradigm. This new paradigm adopts more strategic, innovative, cooperative and generative approaches which we describe as creative 'talent solutions.' The paper also highlights implications for future research, teaching and development in the field.

> *Not long ago*: "The war for talent never ends. Middle managers in China? Good luck finding them, let alone keeping them. Assembly line workers in Central Europe? They are well educated and hard working: Trouble is, every company wants them. The cubicle warriors of Bangalore? They get the job done — if they stick around. For corporations, managing these widely scattered, talented, restive, multicultural workforces has never been harder" (McGregor and Hamm, 2008: 34).

> *After the financial crisis hit*. "The corporate ship is taking on water as it is sucked into the financial maelstrom. The deckhands, cooks and cabin boys are cast into the waves …meanwhile; the captain orders liferafts to be prepared for those whose lives cannot be sacrificed — the high performers." (Smith, 2008: 50).

1. Introduction

As the global economy expanded dramatically between 2002 through 2007, business leaders and human resource managers worried about the intensifying international competition for talent; the impact of not having the right people in place to lead and confront business challenges; as well as employing below-average candidates "just to fill positions" (Economist, October 2006; Price and Turnball, 2007). Reflecting these concerns, PricewaterhouseCoopers's 11th Annual Global Survey showed that 89% of CEOs surveyed put the 'people agenda' as one of their top priorities (PWC, 2008a,b:35).

Today, with an unprecedented global financial crisis, economic slow-down, and massive restructuring, "talent" remains a critical agenda item focused on the highest achievers: "As deteriorating performance forces increasingly aggressive head count reductions, it's easy to lose valuable contributors inadvertently, damage morale or the company's external reputation among potential employees, or drop the ball on important training and staff-development programs" (Guthridge et al., 2008). A recent

* Corresponding author. Positive Leadership Programs in Executive Education, Ross School of Business, University of Michigan, United States. Tel.: +1 516 670 8155.
E-mail addresses: schonb@umich.edu (S. Beechler), ian.woodward@insead.edu (I.C. Woodward).
[1] Tel.: +33 1 60 72 43 22.

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Hewitt survey (2008) indicates that despite the downturn, the overwhelming majority of firms still intend to focus on top talent, with nearly half the companies planning to sustain or increase learning and development expenditures.

This paper examines the so-called global "war for talent" phenomenon — its drivers, responses, and implications for scholars and practitioners. Section 1 discusses the talent concept; Section 2 briefly covers critical factors impacting the "war"; Section 3 reassesses the "war"; Section 4 discusses evolving and creative solutions for talent; and Section 5 addresses research implications.

The paper's research methodology included comprehensive Google and ABI Inform Global searches between October 2007 and October 2008 using the key words "global war for talent," "war for talent," "talent management," and "global talent." Over 400 articles and books from the academic and popular press were reviewed, including 219 articles identified in an ABI Inform search of works published between 2006 and 2008 that included the keywords "global talent."

2. The talent concept

The "war for talent" was officially launched in 1998 when McKinsey & Company, America's largest and most prestigious management-consulting firm, published their now-famous report proclaiming that "better talent is worth fighting for" (Chambers et al., 1998: 45). Their data came from a year-long study of 77 companies from a variety of industries and nearly 6000 managers and executives, supplemented by case studies of 20 companies widely regarded as being rich in talent. McKinsey's research concluded that the most important corporate resource over the next 20 years would be smart, sophisticated business people who are technologically literate, globally astute, and operationally agile. According to McKinsey, talent is … "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" (Michaels et al., 2001: xii). For McKinsey, talent refers to "the best and the brightest" and many organizations adopted the term to refer to their "A Level" employees who rank in the top 10 to 20%. In the popular book, *Topgrading,* Bradford Smart (2005: xviii) defines talent as "A players [that] are the top 10% of talent available in all salary levels, best of class." Robertson and Abbey also focus on the best and the brightest, in*Managing Talented People* (2003). They describe an elite group of high-impact, but high-maintenance individuals who can deal with more complexity but are more complex in themselves.

In contrast to the definitions above, talent has become a synonym for the entire workforce in many organizations and a large number of companies do not even know how to define talent (Economist, October 2006). Professor and HR guru David Ulrich takes a holistic view with his definition: talent = competence commitment contribution (Ulrich, 2006). In his formulation, competence means that individuals have the knowledge, skills and values that are required for today and tomorrow. Commitment means that employees work hard, put the time in to do what they are asked to do, giving their discretionary energy to the firm's success. Contribution means that they are making a real contribution through their work — finding meaning and purpose in their work. "… [C]ompetence deals with the head (being able), commitment with the hands and feet (being there), contribution with the heart (simply being)" (Ulrich 2006: 32). Using Ulrich's terms, the talent war represents the drive to find, develop, and retain individuals, wherever they are located in the world, who have the competencies and commitment needed for their jobs and who can find meaning and purpose in their work.

Despite these competing definitions of talent, the "star" approach, championed by McKinsey, has been the most pervasive. When published, McKinsey's study heralded a corporate sea change — "The Old Reality" (people need companies) replaced by "The New Reality" (companies need people) — people, not machines, capital or geography, becoming the new source of competitive advantage. The resultant "war for talent" arose from demographic trends creating scarcity, exacerbated by the state of human resource and talent management. The survey also showed a majority of companies with insufficient and sometimes chronic talent shortages. In the "New Reality," jobs are present even in down times but talent is always scarce. McKinsey predicted that future demand for talent would increase and supply decrease, thus making the search for the best and brightest a constant and costly battle (Chambers et al., 1998).

In 2000, McKinsey updated their study, finding that 89% of respondents thought that it was even more difficult to attract talented people than 3 years before — 90% believed it was more difficult to retain them. They also found companies doing the best job of managing their talent were delivering far better results for shareholders with "A players" — the top 20% or so of managers — raising operational productivity, profit and sales revenue much more than average performers (Axelrod et al., 2001).

McKinsey concluded that top people look for a great company and a great job when deciding where to work. For them, a great company is one that is well managed, has great values and culture. Talent wants a job that is big, where they have responsibility for a number of functional levers, and where they can make decisions on their own (Fishman, 1998). While a "talent mind-set" became the new orthodoxy of American management in the late 1990s and early 2000s (Gladwell, 2002), a darker-side of this approach came into glaring view with the rise and then demise of Enron, one of McKinsey's "success stories" and ultimate "talent" companies.

Enron hired 250 new MBAs a year during the 1990s and top performers were rewarded inordinately and promoted without regard to seniority or experience (Michaels et al., 2001). Employees were sorted into A, B, and C groups in a process of "differentiation and affirmation." The A's were challenged and disproportionately rewarded. The B's were encouraged and affirmed and the C's had to shape up or be shipped out. Unfortunately, because performance appraisals were subjective, the company ended up promoting people based on evaluations that weren't based on performance, and the needs of customers and shareholders were secondary to those of its "stars" (Gladwell, 2002).

A similar belief in many other organizations that winning the war for talent requires strategies focused on "stars" is challenged by recent research that shows that this nearly single-minded focus on 10–20% of individuals in an organization often backfires and