



Global talent management and global talent challenges: Strategic opportunities for IHRM

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ABSTRACT

The need for multinational firms to be as competitive in the global marketplace as possible has increased dramatically over the past twenty years. For international human resource management this has meant many strategic opportunities to international human resource management. An excellent example of such an opportunity is that which exists regarding the management of talent. This opportunity began to develop in the late 1990s with the advent of the challenge of “global talent management.” During the past few years this opportunity has expanded to include challenges dealing with talent shortages, talent surpluses, locating and relocating talent, and compensation levels of talent. Together, these conditions are all “global talent challenges”. In this article we describe these several global talent challenges and the strategic opportunities they present to firms and propose the implications of these for firms and for the field of international human resource management.

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1. Introduction

In describing the competitiveness of nation in relationship to each other, Porter (1990) conceptualized four key attributes that are often referred to as “Porter’s Diamond.” Briefly, the four include: strategy, structure and rivalry; demand conditions; supply networks; and factor endowments. Factor endowments refer to a country’s productive capabilities, including the qualities and characteristics of its workforce, its natural resources and infrastructure. Increasingly, these factor endowments, particularly the workforces of countries around the world, have received extensive discussion for several reasons. One is that workforces around the world have expanded, both quantitatively and qualitatively. A second one is the expansion of economies and businesses globally, thus increasing the need for larger workforces. A third is that the compensation levels of these workforces vary dramatically across countries, even for comparably skilled workers. The fourth reason is, and following from the previous three, is that firms see that they are able to gain and sustain a global

competitive advantage when they manage their workforces effectively (Bryan, 2010; Gupta & Govindarajan, 2001; Porter, 1990). To do so successfully, we propose that these firms must confront the reality of several global talent challenges and develop global talent management initiatives to address these challenges.

1.1. Talent becomes important

Beginning in the late 1990s, firms around the world were confronted with a major threat to doing business: a demand for talented employees that far surpassed the supply, thus creating a global talent shortage (Chambers, Foulon, Handfield-Jones, Hanklin, & Michaels, 1998; Michaels, Handfield-Jones, & Axelrod, 2001). As a consequence, “talent acquisition, retention and management” became a key expression (challenge) in global business (Guthridge, Komm, & Lawson, 2008). The interest in this challenge came to be embraced with the label of “global talent management” or GTM (Beechler & Woodward, 2009). Reflecting the wide acceptance of GTM after the seminal book entitled *The War for Talent* (Michaels et al., 2001), several special issues of academic journals such as the *Journal of World Business* (Scullion, Collings, & Caliguri, 2010) and the *Asia Pacific Journal of Human Resource Management* (McDonnell, Collings, & Burgess, in press) and books such as *Global Talent Management* by Scullion and Collings (2011), *Strategy-Driven Talent Management* (Silzer & Dowell, 2010) and *Talent Management of Knowledge Employees* (Vaiman, 2010) were published. The major

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focus of these works was on corporations obtaining and managing a sufficient number of highly talented individuals (also known as “valuable contributors” including high level executives, those with high managerial potential, and those with rare technical skills) to deal with the challenge of the global talent shortage (Beechler & Woodward, 2009; Guthridge et al., 2008).

While the global talent shortage remains a significant human resource talent challenge for global firms, equally significant global talent challenges have emerged. These include those associated with the need to: (a) reduce and remove talent in order to lower the costs of operations; (b) locate and relocate of operations around the world; and (c) obtain equally competent talent anywhere in the world at lower wages (Guthridge et al., 2008; Lohr, 2010). Collectively, these challenges have become significant because of their strategic value and impact to the success of global firms (Guthridge et al., 2008; Lohr, 2010). Because of their common association with global talent, they have come to be known as “global talent challenges (GTCs).” These deal with through human resource policies and practices that have their roots in global talent management. When these policies and practices are systematically focused on these global talent challenges, they can be referred to as “global talent management initiatives (GTMs)” (Schuler, Jackson, & Tarique, 2011). The traditional treatment of “global talent management” is being expanded here to encompass additional global talent challenges. This work is built upon the suggestions of Scullion and Collings (2011), Tarique and Schuler (2010), and is consistent with some of the work on the traditional discussion of GTM (Guthridge et al. (2008).

This article begins by describing these global talent challenges and global talent management, as well as by describing some of the events that have produced this expanded treatment of “global talent management.” As such, some of our discussion reflects conditions that were present during recent economic and financial boom times (i.e., the years leading up to 2008), when worker shortages were a primary concern. Economic expansion is likely to return, so labor shortages are likely to be of continuing concern, particularly in the rapidly emerging economies, such as China, India and Brazil (Jorek, Gott, & Battat, 2009). Regardless of the size of the gap between the available and desired pool of talent globally, however, human resource location and relocation, and cost reduction through lower compensation levels are likely to become major global talent challenges over the next several years (The Economist, 2010a; The Economist, 2010a,b).

2. 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 are significant (strategic and high impact) HR-embedded business issues that focus on managing a firm to ensure just the right amount of the right talent and motivation, at the right place, at the right price, during all economic and financial ups and downs in a very competitive world for the purposes of balancing the workforce with the needs of the firm in the short term, and positioning the firm to have the workforce needed in the long term* (Schuler et al., 2011). Global talent challenges emerge in the context of a dynamic environment. Among the many factors that shape the specific challenges and responses of particular firms are: (a) globalization, (b) changing demographics, (c) demand for workers with needed competencies and motivation, and (d) the supply of those needed competencies and motivation (Beechler & Woodward, 2009; Scullion & Collings, 2011). To provide support for the emergence of the global talent challenges presented, we describe these forces and shapers in more detail in the following paragraphs.

To successfully address global talent challenges, firms can and must take advantage of a wide variety of HR policies and practices (and an expanded number from those associated with the traditional approach to GTM (Scullion & Collings, 2011)). Conceptualized broadly, *global talent management refers to the systematic use of specific HR policies and practices to manage the several global talent challenges that a firm confronts. These include specific aspects of HR policies and practices related to location and relocation management, planning and forecasting, staffing (to include attracting, selecting, retaining, reducing and removing), training and developing, and evaluating employees consistent with a firm’s strategic directions while taking into account the evolving concerns of the workforce and regulatory requirements.*

3. Major forces and shapers of the global talent challenges

In the discussion and conceptualization of global talent challenges, context is extremely important. Fig. 1 depicts the framework of the major contextual forces and shapers of GTCs and several HR policies and practices used in crafting global management talent initiatives to manage global talent challenges. We propose that an understanding of the realities and trends of these contextual forces and shapers is essential to identifying the GTCs and crafting the appropriate GTM initiatives. Thus we want to initiate that understanding here and identify sources of information that can be used to stay informed of the new realities and trends.

3.1. Globalization: world trade/wage differentials, competition, customers/markets, 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.

3.1.1. World trade/wage differentials

The value of world trade expanded from \$89 billion in 1953 to more than \$10 trillion in 2008 (UNCTAD, 2008). Although there was an economic contraction in 2009 it appears that the value of world trade is returning and that it may reach \$27 trillion by 2030. Foreign direct investment (FDI) went from \$59 billion in 1982 to more than \$1 trillion in 2008 (UNCTAD, 2008). The formal labor market expanded from 2 billion workers in 1990 to more than 3.5 billion in 2008 (U.S. Department of Labor, 2010). The global economy (global GDP) is projected to expand to \$75 trillion by 2030, up from \$10 trillion in 1970 and \$40 trillion in 2008 (A.T. Kearney, 2008; Stephenson & Pandit, 2008).

While FDI and trade are expected to increase, wage differentials are likely to continue across nations (U.S. Department of Labor, 2010). Even though wages are increasing slightly in India and China, workers in the developed economies are likely to continue to enjoy salaries that are substantially greater than those in developing countries in Asia, Eastern Europe and Latin America (Barboza, 2010; Bradsher & Barboza, 2010). These differentials, as much as ten to one, along with the desire to produce products that satisfy domestic market growth, are likely to further the decision by firms to locate operations in the developing economies (Galvin et al., 2010; Tabuchi, 2010; Timmons, 2010; Bradsher, 2010).

3.1.2. Competition

Competition is intense and multifaceted: it is fast developing, complex, extremely widespread. It is also subject to the current global economic and financial crises (Carins & Sliwa, 2008; Hill,

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