Seven Myths Of Global Talent Management

After a group of McKinsey consultants proclaimed a "War for Talent" in the late 1990s, "talent management" became one of the most common terms in the managerial lexicon. Initially, the war for talent was driven by intense competition among leading US organisations to attract key talent, as demand for talent far exceed its availability due to demographic trends. While the demographics in key emerging economies, such as China and India, may be more favourable, organisations in such countries face similar challenges related to the availability of talent with the skill sets that organisations require. Therefore, the focus is again on labour quality.

In the European context, a study conducted by the Boston Consulting Group identified talent management as one of the five key challenges facing human resources (HR) during the last decade (Boston Consulting Group, 2007). Notably, talent management was the one challenge that the surveyed executives felt least prepared to handle. The challenge is even more extreme for multinational corporations (MNC) as many of those are struggling to effectively manage talent globally.

We believe that the challenges associated with global talent management (GTM) are related to the fact that GTM is poorly defined. In addition, we contend that a number of key myths regarding talent management have the potential to undermine talent management's contribution to MNC effectiveness and to retard the development of management practice. Therefore, our aim is to unpack some of those myths and present some ideas for advancing the practice of talent management.

Myth 1: Talent Management is not an HR responsibility

A survey of CEOs in the European context finds that most CEOs feel that talent management is "too important to be left to HR alone" (Economist Intelligence Unit, 2006). Furthermore, the majority of those CEOs surveyed report that they spend more than 20% of their time on these issues. Former Senior Vice President of GE, Bill Conaty, argues that the first principle of mastering talent management is ensuring the support of an enlightened leadership team, starting with the CEO, as "the enlightened CEO recognises that his top priority for the future is building and deploying the talent that will get it there". As Murray Dalziel, Group Managing Director of Hay Group, explains: "These issues aren't HR issues anymore. They are line management issues. There's been a profound shift".

Although we do not doubt the critical roles played by the CEO and other senior leaders in setting the tone for talent management within the organisation, we argue that corporate HR should retain a central role in GTM. Talent management initiatives should be aligned and integrated with other HRM systems, policies and practices implemented in different units of MNCs. GTM should become a joint responsibility of top management and corporate HR, as it is owned by management but governed by HR.

How exactly can HR govern GTM? We argue that it should be done via the use of a differentiated HR architecture. In this case, the selected group of employees included in the GTM pool are managed on a differentiated basis, while other employees remain outside the talent system. However, there must be enough fluidity within the system to enable emerging talent to gain entry to the differentiated architecture and those who perform poorly to be removed from the differentiated architecture.

Myth 2. It is all about people

Central to much of the early thinking about talent management was the idea that talented people were critical to organisational performance and success. However, organisations that place too much emphasis on attracting the "best" may fail to think strategically about how that talent can best be deployed in the organisation.

We argue that the focus of GTM should switch from evaluating the importance of jobs based on the inputs required to handle those jobs (such as qualification or experience) to evaluating the importance of jobs based on the potential outputs from the job combined with the potential for differential performance within the job's role. The focus of the differentiated architecture should be on the human-capital attributes required for resourcing A-level positions, which are strategic positions. These 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 labour market.

A popular example that used in this connection is the one of Mickey Mouse vs. Sweeper: in which of these two positions improvement in job performance make the biggest differences in the customer satisfaction? As Boudreau and Ramstad (2007) explain, the variation between best-performing Mickey Mouse and the worst-performing Mickey Mouse is not that large as the Mickey Mouse role has been engineered and standardised to the extent to make errors virtually impossible. On the other hand, a helpful street sweeper could significantly change customer experience from the whole Disney visit as sweepers are the ones whom customers often contact when they have questions or need help.

Myth 3. All positions should be filled by "A players"

Closely linked to the preceding myth is the opinion pervasive in the literature that all positions should be filled with star employees, or "A players", and that "C players" (consistently poor performers) should be managed out of the organisation. This approach calls for talent to be managed on the basis of performance, with a resultant emphasis on forced performance distribution. Forced performance distributions, or "rank and yank" systems, became pervasive after they were pioneered by Jack Welch at GE. In such systems, only a set percentage of employees (perhaps 20%) can be identified as top talent, while the largest cohort (perhaps 70%) of employees makes up the core group of average performers. A residual group (perhaps 10%) of low performers is targeted for development or termination. This approach results in the pursuit of "top-grading", or the filling of all positions with star performers.

While we agree that talent matters

and that key talents might contribute disproportionately more to organisational performance, we suggest that all the positions do not require "A players". Companies simply cannot afford to have "A players" in all positions. Indeed, there is a growing awareness that many organisations overinvest in non-strategic employees and fail to invest enough in strategic ones. We argue that resources are wasted when a star performer is in a position with little potential for differentiation between an average and a top performer. Accordingly, we suggest that "A players" should predominantly occupy strategic positions, while their presence in non-strategic could be smaller.

For example, in the airline industry, people who negotiate landing rights, with higher variability in their performance, and unique and often tacit industry knowledge, are more critical to the success of the firm than the pilots who are more replaceable, as they are all well trained and qualified (Evans, Pucik and Bjorkman, 2011). Consequently having a "B player" in the strategic position of negotiator of landing rights will result in loss of revenue opportunities, while having a reliable, stable B-perfomer as a pilot may not necessarily be costly.

In this regard, the clear challenge for MNCs is to ensure internal equity in the global performance management and rewards for "A players" in strategic positions regardless of their location. While global companies such as Schlumberger, Novartis and Microsoft are insistent on strict global consistency in performance evaluation and rewards, especially for top performers, they also acknowledge the need to vary appraisal and feedback processes according to local cultures. Such variation may be negatively perceived by "A players" and create retention problems for the MNC.

An even greater cultural challenge arises when dealing with "C players" – those whom the "top-grading" perspective suggests should be replaced. Along this line, another remarkable story: In a speech to Japanese industrialists, Jack Welch's remarks on leadership were frequently interrupted by applause, but his advice on how to deal with "C players" was met with stony silence.

Myth 4. Talent is portable

This myth questions the "G" in GTM. When organisations speak of GTM, their discussions are generally premised on the assumption that their internal talent systems and markets operate on a global, coordinated basis and that talent is portable. Consequently, relocating top talent within MNCs will result in immediate improvements in performance. However, individuals are often reluctant to relocate internationally, as such relocations disrupt family and personal lives, and many individuals harbour some scepticism regarding the potential career benefits of a sojourn abroad.

Indeed, even when individuals who are viewed as top talent choose to relocate internationally, there is no guarantee that their high performance will be maintained in the foreign context. For example, technical competence is often emphasised in selection for an international role. However, technical competence in the home country is no guarantee of success in an international role, where "softer" skills and adaptability emerge as central to performance. This demonstrates the importance of effective selection systems and effective cross-cultural preparation for assignees and their families in advance of their taking on international roles.

A star's performance is not solely a function of individual capabilities. That performance also relies on a range of factors and resources, some of which are clearly firm specific and therefore lost when these employees change employers. "The talent myth assumes that people make organisations smart. More often than not, it is the other way around", writes Malcolm Gladwell in The New Yorker. Consequently, when relocating top talent within MNCs, GTM systems should strive to offer access to social and physical contexts that are similar to those from which the talent comes.

Myth 5. Talent turnover is always bad for the organisation

Ever since the war for talent was declared, firms have constantly promoted people deemed "top talent", moved them into new jobs and trained them to be globally mobile. These firms assume that it is only a matter of time before their top-talent assets cash in on their global experience in the external labour market by joining another organisation. Nevertheless, the reality of the twenty-first century is that employee mobility has become – and is likely to remain – more pronounced.

Therefore, the crucial issues for MNCs are determining when they should strive to retain talent that is otherwise intent on leaving and when to allow that talent to leave quietly. If the position in question is clearly not strategic, the MNC may wish to consider allowing talent to leave the organisation – even when an "A player" is leaving. In such cases, instead of the old "war" mentality, which frames all employee turnover as a win-lose scenario, companies should adopt a more holistic perspective by considering other implications of employee mobility.

To resolve the myth, attrition levels should be monitored in terms of the quality, and roles of departing employees and their destination organisations should also be carefully monitored. As the effect of an employee's departure on turnover may not be negative, expensive retention efforts may be misguided. Instead, investments should focus on maintaining positive relationships with departing employees, as those relationships may benefit the MNE in the future.

Myth 6. There is a clear line of sight between GTM and organisational performance

Some recent analyses by Ernst & Young suggest that organisations that align talent management with business strategy achieve a return on investment that is 20% higher over 5 years than competitors who do not. However, establishing the cause and effect in this performance link is exceptionally difficult because the distance between the actual investment in an individual HR practice, and organisational effectiveness, is significant.

Creating a line of sight between investments in talent management and corporate performance is therefore undoubtedly a key challenge for the HR function, especially in MNCs. Many scholars suggested the use of data analytics to ensure top talent's productivity, engagement and retention. However, particularly the MNC context stresses the importance of going beyond the numbers provided by HR analytics to include qualitative measures of return on talent (ROT). For example, top managers articulate, nurture and utilise values to achieve desired organisational goals more than ever before. In that regard, top managers rely on global talents that live the corporate values and bring those values to every corner of the MNC. Accordingly, a well-designed ROT measure could include a measure of whether the key talents exhibit behaviours that reinforce the values that are central to the organisation's core values and mission.

Consequently, a holistic ROT measure should combine quantitative and qualitative measures, subjective employee perceptions and objective indicators of talent performance.

Myth 7. Talent decisions are "fair"

An assumption often pervades organisations that talent decisions are fair, as they are based on performance management systems that have been developed at great expense in order to ensure consistency. In reality, talent management often fails because top managers do not always have accurate information or enough time to collect and analyse info. Furthermore, they have limited cognitive capabilities to make a judgement using all pertinent information. The situation is even more complicated in MNCs, as there are at least three types of distance – structural, geographical and social – that limit managers to "good-enough" decisions rather than ideal ones. In MNCs, it is important to recognise the limitations of systems and processes aimed at standardising ratings of performance and potential across the global organisation. In reality, organisations must ensure that talent decisions are based on a number of different inputs, such as performance reviews, 360 degree feedback, assessment and development centres, and other culturally appropriate inputs. These should be combined with talent discussion forums in which senior leaders assess talent in a more qualitative way.

Conclusions and implications

While global talent management may have entered the mainstream practitioner context, a number of misguided myths prevail. Our consideration of these myths is in line with recent calls for the development of evidence-based HR, a call for the inclusion of critical thinkers in the GTM function. The following of fads and fashions, and the uncritical adoption of "best practices" must take a back seat to critical reflection and the evaluation of tools and techniques to advance the GTM agenda. This approach also has some practical implications for those MNCs considering investments in GTM. MNCs should:

1. Align their GTM with global strategy
2. Establish a differentiated architecture for GTM
3. Differentiate among the strategic positions
4. Place 'A' players in strategic positions and establish policies for dealing with 'B' and 'C' players for every strategic position
5. Review the role of the corporate HR function in GTM. In this regard, corporate HR should be responsible for: (a) developing, implementation and measuring the effects of GTM; (b) balancing global and local talent needs; and (c) making GTM a basis for global employer branding through differentiation.

References

Boston Consulting Group (2007), The Future of HR: Key Challenges Through 2015, Düsseldorf: Boston Consulting Group.

Economist Intelligence Unit (2006), The CEO's Role in Talent Management: How Top Executives from Ten Countries Are Nurturing the Leaders of Tomorrow. London: The Economist.

Boudreau, J.W., and Ramstad, P.M. (2007), Beyond HR: The New Science of Human Capital, Boston, MA: Harvard Business School Press.

Evans, P., Pucik, V., and Bjorkman, I. (2011), The Global Challenge (2nd ed.), London: McGraw Hill.

Acknowledgement

We thank the participants of the Global HR Seminars on Global Talent Management organised by Copenhagen Business School and Confederation of Danish Industries in December 2010. We are especially grateful to Maria Pejter, A.P. Møller- Mærsk for inspiration and support. The full version of this paper is published in the International Journal of Human Resource Management, volume 24, issue 9.

Dana Minbaeva is a Professor of Strategic and Global Human Resource Management at the Department for Strategic Management and Globalization, and the Head of the Ph.D. school in Economics and Management, Copenhagen Business School. Her research on strategic international HRM, knowledge sharing and transfer in multinational corporations has appeared in such journals as Journal of International Business Studies, Journal of Management Studies, Human Resource Management, Human Resource Management Review, Management International Review, etc. Dana is on Editorial Boards of Human Resource Management and Human Resource Management Journal. Previously, she has taught in Kazakhstan, Russia, Lithuania, Kyrgyzstan, and Finland as well as having held visiting research positions in the UK, Ireland, Australia and Canada.

David Collings is Professor of HRM at Dublin City University, Ireland and Visiting Professor of HRM at King's College London where he teaches on the International HR Academy. He is also the editor (joint) of the Human Resource Management Journal and Irish Journal of Management. David's teaching focuses on human resource management, international human resource management, talent management and international management. He has taught and delivered executive education in the US, UK, Iceland, France and Denmark. He also actively consults with a number of global organisations.