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Global talent management: the law of the few

Abstract: Despite more than a decade of hype around the concept of talent management, we still have relatively limited knowledge regarding its application in practice, particularly in the international context. Developing on Malcolm Gladwell's influential book *The Tipping Point*, and in particular his concept of the 'law of the few', we argue that it is a few key individuals positioned in pivotal roles which make the critical difference in terms of differentiated organizational performance. Drawing insights from the social capital, global leadership and global mindset literatures, this paper will be useful to both academics and practitioners in helping to conceptualize the important issues around talent management in an organizational context.

Keywords: global talent management, global leadership, organizational performance. **JEL codes**: L2, M00, M1.

1. Introduction

An underlying premise of much of the recent debate on strategic international human resource management concerns how multinational enterprises (MNEs) can best manage and strategically utilize their human capital to provide a unique and sustainable source of competitive advantage and ensure global business success. Since a group of McKinsey consultants coined the phrase *The War for Talent* in the late 1990s, the topic of talent management has become one of the hottest issues for management academics, consultants and practitioners alike. These McKinsey consultants (Michaels et al., 2001) are credited with articulating the key challenges facing

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organizations with regard to attracting and retaining strategically important employees. Their ideas also resonate with an increasing awareness that it is a firm's human resources that provide the only true source of sustainable competitive advantage (Lowe et al., 2002; Caligiuri et al., 2005) - the traditional factors of production such as raw materials and technology are easy for other firms to replicate, thus reducing any competitive advantage that may accrue (Barney, 1991; Cheese et al., 2008).

Talent management is now regarded by many as one of the most critical HR challenges that organizations will face over the next decade (cf. Frank et al., 2004; Boston Consulting Group, 2007). A recent report *The Future of HR in Europe* highlighted that seven in ten corporate leaders spend in excess of 20 per cent of their time on talent management activities (Economist Intelligence Unit, 2006). It seems that Chief Executive Officers (CEOs) are increasingly realizing that talent management is so important that it cannot be left to HR alone.

However despite a decade of debate on the importance of talent management, the concept itself remains somewhat under-developed and under-explored. Lewis and Heckman in a recent review of the area identify "a disturbing lack of clarity regarding the definition, scope and overall goals of talent management" (2006: 139). In spite of the rhetoric of strategic integrated talent management systems in the practitioner literature, paradoxically the evidence suggests that relatively few organizations manage talent on a coordinated or effective basis (Cheese et al., 2008; Sparrow et al., 2004). Indeed, the limited available research evidence suggests that while managers spend a significant amount of their time on talent issues, they often do so without a working definition of what talent management is. A recent survey from the UK's Chartered Institute of Personnel and Development (CIPD, 2006) found only 20 per cent of respondents had a formal definition of talent management, although 51 per cent of respondents stated they undertake talent management activities. Indeed the Boston Consulting Group (2007) found that although viewed as being of critical importance, talent management was one of the areas firms were least proficient in.

Talent management is arguably of even greater consequence for MNEs, for a number of reasons. First, having a sufficient cadre of internationally competent managers is viewed as crucial in implementing international strategies and aiding growth (Economist Intelligence Unit, 2006; Scullion and Collings, 2006). For example, McKinsey (2005) estimates that, in China alone, as many as 75,000 managers with the competence to work in global environments will be required in the next 10 to 15 years. The magnitude of this challenge is illustrated by their estimate that this cohort currently totals as few as 5,000. Second, the complexity of staffing in a global context is even greater than in a national context (Sparrow et al., 2004). Equally the skill-set required to operate in the global business environment is more idiosyncratic and demanding than that required in a national context. Third, the costs of failure in the global business environment are potentially higher than in domestic operations (Dowling et al., 2008). Finally, there is an increasing realiza-

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tion that MNEs are facing ever-increasing difficulties in recruiting and retaining the desired quality and quantity of managerial talent for their international operations (Scullion and Collings, 2006; Sparrow et al., 2004). The rapid growth of international joint ventures and cross-border mergers and acquisitions combined with the rapid growth of emerging markets and, in particular the emergence of India and China as global players in the international business environment, has led to an increased demand for talent with the competence required to operate in the global environment (Collings et al., 2007; Schuler et al., 2004).

Simultaneous to the increasing recognition of the significance of talent management in the global firm is an emerging body of research that highlights international firms are increasingly facing major challenges and constraints in developing a global talent pool of international managers. Most notably, there are growing restrictions on the mobility of managers internationally due to the increasing prevalence of dual career couples, continued concerns around repatriation and career issues for international assignees, as well as continued uncertainty regarding international terrorism and political unrest (see Collings et al., 2007; Konopaske and Werner, 2005). These factors result in managers being less inclined to accept international postings and can lead to managers failing to develop the competencies required for managing in a global context.

In this paper we attempt to build on the emerging debates on global talent management through defining what we mean by the concept of talent management in the global context and considering the key aims of the global talent management process. We also draw on Malcolm Gladwell's (2000) highly influential work *The Tipping Point* and argue that by focusing global talent management systems appropriately, MNEs can reach a tipping point whereby their managerial talent can truly contribute to the global business success of the MNE. While recognizing the key role of pivotal positions within organizations, the primary focus of the current paper is on the individuals identified as key talent.

2. What is talent management?

We begin by exploring exactly what is meant by the term talent management. Thus far, there has been a lack of definitional clarity regarding the concept. However, most definitions suggest the need to identify, select and develop the right people to ensure they realize their potential and hence make a positive contribution to organizational performance. Effective talent management seems to be difficult for firms to get right (see Cheese et al., 2008). This is even more the case for MNEs due to the added complexity that comes with the territory of operating across numerous national borders. MNEs need to look across all of its operations, rather than focusing

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solely on their parent country employees. We define global talent management as the strategic international integration of resourcing and development of key talent involving the proactive identification, development and deployment of high performing and high potential strategic employees on a global scale. Therefore it aims to facilitate the success of the MNEs' business operations through identifying, developing and appropriately deploying the organization's key managerial talent in the context of business needs on a global basis. It goes beyond HR planning for international assignments, international managers and high potential managers. It also focuses on talent identification, development, deployment and also succession planning for key positions within the MNE. Importantly, it recognizes the differential impact of key positions in organizations. In other words, some positions have a greater impact on firm performance than others, and organizations should focus on staffing these positions with key talent. Key proponents of this perspective John Boudreau and Peter Ramstad's (2007) call for a differentiation between those organizational roles which offer the potential for marginal impact vis-à-vis those which offer only average impact. The use the term talent segmentation to refer to the segmentation of pivotal talent pools where human capital makes the biggest difference to strategic success. They argue that talent management systems should focus on identifying such roles and organizations should focus their talent management efforts on those talent pools in an organization, where a 20 per cent improvement in quality or quantity would have the greatest impact on organizational success (see also Boudreau and Ramstad, 2005).

Consequently, a key consideration which managers in MNEs must consider is the scope of their talent management systems. In other words, how broadly should these global firms spread their nets when it comes to their talent management systems? Whilst in a perfect world organizations might identify every individual's talents and develop these we argue that a key to the success of global talent management systems is to target them appropriately. For example, General Electric's (GE) well-known Session C process involves identifying the company's top leadership potential at various levels of the organisational hierarchy with an emphasis on succession planning, providing stretching assignments for top performers and facilitating their development within the organization. The outcome of this process results in a focus on approximately the top one per cent of the organization's employees or, just 10 per cent of managerial employees. The development programmes in GE focus exclusively on the highest performing and highest potential employees. Similarly, Anglo-Dutch consumer products group Unilever focuses on only the top 15 per cent of its management employees on its high potential list. In total only 500 of the company's 60,000 employees are designated as high potentials (Stahl et al., 2007).

The mantra that every individual employee possesses talent and thus should be developed so as to increase their contribution to the organization's performance is both appealing and admirable. However its feasibility and usefulness are ques-

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tionable in the current business landscape. Given the financial constraints within which even the highest performing organizations operate, it is important to focus resources appropriately. Thus, we argue, by focusing on those designated as 'key' talent, resources are appropriately utilized within MNEs. Indeed a quote from George Orwell's political satire novel *Animal Farm* is somewhat illustrative, "all animals are equal but some are more equal than others" (Orwell, 1944: vi). Clearly it can be logically argued that theoretically every employee makes a contribution to an organization's success. However there are some employees that can make a more telling contribution in terms of the added competitive advantage they confer on the organization (Boudreau and Ramstad, 2007). Thus, while all employees are equal, some are more equal than others. In a similar vein, Gladwell (2000) argues that, in the context of his discussion social epidemics are driven by a small number of exceptional people. We argue that success in the global business environment is driven by a small number of high potential, exceptional performers, principally managerial employees who fill key strategic positions within the MNE's global operations.

Obviously this raises questions about how you assess "high performance" as opposed to "high potential" in a global company. This is particularly important in the context of some of the challenges around performance management and appraisal in the global firm. In this paper, we propose that "potential" needs to be assessed and defined in terms of the organization's specific context while recognizing that this context may change over time. Key positions within MNEs vary from firm to firm and indeed from subsidiary to subsidiary. The majority of a firm's senior managerial positions in headquarters, regional HQ and business unit or subsidiary operations will represent key managerial positions in ensuring the success of the MNE. However, beyond this, determinations of key positions can include various functional specialists depending on the type of activity performed by a subsidiary or business division within an MNE. For example, for subsidiaries involved in global manufacturing chains, production specialists may be critical, whereas the most important staff in a sales subsidiary may be its marketing personnel. Further, it is important that the nationalities of people in these positions are reflective of the requirements of the position. For example, where sales to local populations represent a key requirement of the subsidiary operation, it is likely that marketing positions should be localised as far as possible and staffed with host country nationals. Other influences will also exist on the key positions in the MNE including the type of the subsidiary and the evolution of the role of the subsidiary over time i.e. its place in the organizational value chain. Boudreau and Ramstad's (2007) contribution and in particular their HC BRidge® Framework offers a potentially useful tool for practitioners in engaging with the issue of identifying pivotal talent pools in organizations. A full discussion of this is however beyond the scope of the current paper. Rather the focus of the current contribution is on the characteristics of those key talents who should ultimately fill those pivotal talent pools.

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In this paper using an approach which links social capital, global leadership and the global mindset and international HRM, we argue that regardless of functional expertise there are a number of qualities which separate the 'few' exceptional people from the rest. It is these 'few' which can differentiate the MNE from its competitors and ensure success in the global business environment. We argue that MNEs can best focus their global talent management programmes on people possessing some or all of these competencies. However this contention comes with some caveats, obviously those selected must be performing to a high level in their current roles prior to their identification as high potential or talent. Additionally, an individual's performance will be contingent on other employees and organizational systems. We highlight the key social competencies which can potentially differentiate an organization's top performers with the potential to perform leadership roles on a global scale from other high performers. In other words, our focus lies with those people who possess the potential to 'tip' the organization's performance and create a truly unique source of competitive advantage in the global business environment.

3. The law of the few

As suggested above, a key argument in the current paper is that it is a few 'key' or 'talented' people within an organization which can provide a unique source of competitive advantage for the MNE. Building on Gladwell's (2000) work we argue that these people possess one or more of three key characteristics. Firstly, they tend to be 'mavens'. Gladwell informs us that the term maven derives from the Yiddish, and put simply means one who accumulates knowledge. Notably, when they tap into relevant information, they are not reluctant to share it and indeed take a degree of pleasure in sharing this information. This last point is particularly important in the context of the MNE, it is vital that this knowledge base expands into more than one market or country and reflects the MNE's global footprint for competitive advantage to accrue. Secondly, they are 'connectors' in that they simply know lots of people. In other words, they have strong networks. Their social capital developed from their experience in international markets adds considerable value to the MNE. The remaining fundamental characteristic is the ability to be a 'salesperson'. Gladwell (2000) argues that a key characteristic of these salespeople is that they possess the art of persuading people when they are unsure of what they are hearing. Although the title given to this characteristic may be somewhat misleading in the context of our discussion it is nonetheless useful. We consider it to be indicative of the key role which an organization's global talent must perform in leadership roles and in many ways is reflective of global leadership challenges more generally. We now discuss

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each of these factors in detail in relation to their relevance for global talent management in the multinational enterprise.

4. Mavens

With the services sector now consistently accounting for the bulk of global foreign direct investment, the move towards the 'knowledge society' shows no sign of abating. Consequently, the accumulation and diffusion of knowledge emerges as ever more vital and the potential benefit MNEs may receive from mavens become clearer. Mavens are primarily characterized by their ability to accumulate and impart knowledge. A true interpretation of Gladwell's (2000) model focuses on 'market mavens' or 'price vigilantes' who play a key role in regulating markets through monitoring price trends, working out where the best deals are in the market and widely sharing this information. Obviously, in the global business environment, mavens can play a similar role but we argue that their importance comes from their broad business awareness. Simply, they are aware of business trends, whether that is with regard to pricing, supply or consumer demand. At a more fundamental level they are also acutely aware of how to best take advantage of the international marketplace through global supply and commodity chains, potential industry collaborations, transfer pricing, profit repatriation and taxation regimes. This knowledge spans beyond simple accounting benefits however, and may include innovative solutions in a number of technical and financial areas. The significance of knowledge is recognized by Cheese et al. (2008: 14-15) who trace the shift from tangible to intangible sources of competitive advantage in explaining the premium between market value and book value for organizations. Specifically, they argue "in this new economic world, it is less valuable to own a piece of land than to know when to sell it and relocate activity somewhere else".

Further, when mavens tap into relevant information, they are willing and able to share it with colleagues and other relevant stakeholders and indeed take a degree of pleasure in sharing this information (Gladwell, 2000). Again in the context of MNEs, it is important that this knowledge base expands into other country operations, otherwise potential competitive advantage will not materialize (McDonnell et al., 2010). Indeed, the number of employees who have a truly global grasp of the MNEs' global operations and knowledge of these relevant operations and markets is likely to be limited. Arguably one of the outcomes of an effective global talent management system will be the deployment of this business awareness in individuals. Thus, a key challenge for talent management systems will be the inclusion of a range of talented individuals of different nationalities reflecting the organization's global footprint within talent systems. Indeed, Cheese et al. (2008) identify the

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need to embrace diversity as a key talent imperative in the new economy, a view we clearly share. This adds to the argument against MNEs solely using parent-country nationals (PCNs) to staff key positions in their foreign operations as it means the organization is failing to utilize all its potential talent. The inclusion of talented personnel across countries and the tapping of their knowledge through connections, discussed below, should facilitate the availability of this knowledge within the MNE. The notion of mavens also points to the importance of cross-functional awareness among talent in MNEs. Effective talent management systems should emphasize a shift from organizational structure and systems which perpetuate silo mentalities whereby key individuals are restricted to opportunities within certain functions or silos. The restriction of talent development beyond a silo retards the ability of mavens to accumulate knowledge within the MNE.

5. Connectors

As noted above connectors are defined quite simply as people with well-developed networks of contacts relevant to the global business operations. What makes these connectors special in Gladwell's (2000) discussion is their ability to span many different worlds reflecting a wide range of networks developed through different areas of their lives both personally and professionally. The notion of connectors resonates with emerging discussions of social capital in the global context (Kostova and Roth, 2003; Lengnick-Hall and Lengnick-Hall, 2006; Taylor, 2007). As a concept, social capital is based on the importance of relationships (both within and outside the organization) in helping to transmit information to those who require it on a timely basis. In basic terms, who you know is as important as what you know. For MNEs social capital is important for a number of reasons. The most obvious of these is the ability to source and disseminate important information. Being able to access the extant knowledge from across the MNE's international operations provides the firm with the opportunity of benefiting from competitive advantage over local firms (Kogut and Zander, 1993). Given that MNEs operate across a number of culturally and institutionally diverse locations and the complexity of operating in these countries knowing where to source relevant information is hugely important. Connectors who can bridge these different operations are particularly important to MNEs in managing linkages between the MNE's spatially dispersed operations. In social capital terms these connectors fill the structural holes between the different operations and act as linking pins or coordination devices between people who might otherwise remain to a large degree unconnected (Kostova and Roth, 2003; Taylor, 2007). A key challenge for MNEs will be to facilitate connectors in building these linking roles. Although there is a lack of empirical evidence on this specific

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topic, the logic of social capital would suggest that a degree of face-to-face interaction would be necessary to establish these links and to develop trust.

In addition, contacts developed through social interaction can provide a support network in difficult or challenging times (Lengnick- Hall and Lengnick-Hall, 2006). They provide the opportunity to get advice from colleagues or others who may have relevant experience in specific situations. In essence this can operate as a type of informal mentoring relationship. Thus an individual's web of contacts within and external to the firm will be key in their successful performance in the global landscape. It is also important that this web of contacts reflects the global footprint of the MNE's operation in that an individual will be expected to have networks in a wide range of countries outside of their home to be effective as a connector in a multinational context.

Significantly, these social networks do not always have to be highly developed. Indeed, building on Granovetter's (1973) work, it has been argued that having a number of more superficial relationships or acquaintances which he terms 'weak ties' can be as, or even more, important than well developed or 'strong ties' or friendships in terms of building social capital. This is because these weak ties tend to exist in realms different to friends and indeed provide access to different social networks than friends. We have already argued that it is imperative that there are ties across the different countries which are of relevance to the organization. Logically, these ties are more likely to be weaker than networks in the home country unless the individual has spent a significant amount of time in the foreign location, for example, on a long-term international assignment. This means that individuals can access a much broader range of networks than those available through stronger ties and expanding the potential for sourcing relevant information for problem solving and improving individual and organizational performance. For example, an executive who frequently travels around foreign locations and develops a web of contacts in these varied locations is likely to have a well developed network of global contacts. However it is unlikely that the ties will be particularly strong due to the more infrequent and shorter meetings which characterize international business travel. With traditional long term international assignments no longer being viewed as the default option in global staffing as shorter term assignments and shorter international business trips grow in popularity (Collings et al., 2007), there is great potential for the development of greater numbers of ties.

In spite of this, it is important not to underplay the importance of strong ties or 'high quality connections' which can be very valuable in specific situations. However strong ties are more difficult to build in global organizations due to the spatial spread of the firm and the relative lack of physical interactions between individuals. Nonetheless, high quality connections are clearly more durable and are more likely to withstand tension in relationships and difficult circumstances and also to facilitate the transfer of more complex or tacit knowledge around the organization

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(Lengnick-Hall and Lengnick-Hall, 2006). In the global sphere it appears important that strong ties between managers at different locations are facilitated through relatively sustained relationships between individuals. It is arguable that such relationships are most likely to be developed through immersion of individuals in subsidiary locations. This is most likely to be achieved through traditional expatriate assignments which involve the transfer of individuals to a foreign location on a three to five year assignment. These expatriate managers will have strong ties in a relatively small number of locations which will reflect their international assignment history. Alternatively, strong ties could be developed through the inpatriation of foreign employees to the headquarter operation on a semi-permanent basis. This will allow these assignees to develop relatively strong ties with the corporate headquarter stakeholders. It is also plausible that strong ties could be built up based on less intense but relatively frequent interactions which are sustained over time. Hence, the possibility exists that international business travel, frequent international networking opportunities and the like may build strong ties within the MNE. We argue that the key success metric will be the connectors themselves and their innate ability to build relationships with key stakeholders around the global organization.

6. Salespeople

Given that Gladwell describes salespeople as those who have "the skills to persuade us when we are unconvinced of what we are hearing" (2000: 70) we link the salespeople construct to the illusive notion of a global leader. This is based on the idea that one's success as a salesperson and a global leader is impacted by one's charisma, general interpersonal skills and arguably emotional intelligence. In the global business arena, a key challenge for salespeople will be developing an awareness of cultural idiosyncrasies and cues and the ability to adapt their social interactions appropriately to different national cultural contexts. Although recognizing that the topic of global leadership has a relatively short heritage, organizations and indeed management scholars have struggled to define adequately the capabilities required of global leaders. However there is a degree of agreement that it requires a mindset greater than a particular skill set and is more aligned to a frame of reference which allows one to view the world in a different way (Briscoe and Schuler, 2004; Osland et al., 2006). Some of the principal characteristics of a global mindset are being able to manage global competitiveness, work and communicate with different cultures, manage uncertainty and manage global complexity, contradiction and conflict (Briscoe and Schuler, 2004). This mindset facilitates decision making and the interpretation of business requirements and trends which transcend the barriers created by an ethnocentric view of the world or a perspective which is limited

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to a particular national culture. Decision making which is overly ethnocentric may result in biases created by cultural or institutional traditions in a particular country. It may also limit the options available to engage with the complex business and management issues which emerge in a global context (Osland et al., 2006).

More specifically from a leadership perspective, Gladwell's characterization of a salesperson resonates quite closely with Osland and colleagues definition of global leadership as "a process of influencing the thinking, attitudes and behaviors of a global community to work together synergistically toward a common vision and common goals" (2006: 204). However as of yet the academic literature has provided relatively little insight on this important concept. We do however have some insights on the competencies of the effective global leader. In this regard the competencies of the global leader have been summarized as composing of: cross-cultural relationship skills, traits and values, global business expertise, cognitive orientation, visioning and global organizing expertise (Osland et al., 2006). This list, summarized in table 1, is wide-ranging and varied and it is unlikely that all effective global leaders will display all of these competencies. Indeed, it is important to recognize that the requirements of different roles may call for specific leadership requirements among individual managers. Hence, we call for a contingency approach to global leadership,

Table 1. Global leadership competencies

Global leadership dimension	Attendant competencies
Cross-cultural relationship skills	cultural sensitivity, appreciate diversity, constructive dialogue motivate/reward others, develop others, empowering others share leadership responsibility social literacy, cultural literacy
Traits and values	inquisitiveness/curiosity, resourcefulness, optimism character/ integrity, energetic, emotional intelligence resilience to stress, tenacious stable personal life, life balance personal literacy
Global business expertise	global business savvy, technologically savvy, business literacy customer orientation, external orientation, results orientation maintain competitive advantage
Cognitive orientation	global mindset, open-minded, thinking agility, cognitive complexity managing uncertainty behavioral flexibility
Global organizing expertise	team building, builds partnerships, architecting/designing
Visioning	articulates a tangible vision and strategy, envisioning articulates values catalyst for cultural change catalyst for strategic change

Adapted from: Osland et al. (2006, p. 209).

i.e., one which emphasizes the generic competencies required by the global leader while allowing scope for additional requirements of specific posts. In this regard, we argue that the characteristics of the Gladwell's salespeople are significant overarching competencies of the global leader.

The ability to persuade and influence people is a key requirement in any leadership position. The challenge for the global leader is to create a shared vision for the enterprise on a global scale. More significantly it is important to ensure that all relevant stakeholders buy into this vision regardless of their cultural background (Osland et al., 2006). The difficulty of this challenge should not be underestimated but we argue that a true salesperson can go a long way toward achieving this goal. Those with this competence are likely to be relatively scarce in most MNEs and thus a key challenge for the MNE is to identify and appropriately deploy these salespeople.

7. Conclusion

Despite talent management representing one the hottest buzzwords amongst the HR community, the concept suffers from a paucity of theoretical development. This paper represents an important addition to the literature in terms of insights into global talent management from an approach which links social capital, global leadership and global mindsets and international HRM. Given the lack of theory in the field (for notable exceptions see Boudreau and Ramstad, 2005; 2007; Lewis and Heckman, 2006), this paper represents an important step in assisting managers to conceptualize the important issues around talent management in the organizational context. Building on Gladwell's (2000) Law of the Few, we argue that MNEs should focus on identifying, developing and retaining its 'key' personnel. By doing so, these organizations have the potential to gain a competitive edge over their competitors. We also argue that the identification of key strategic positions, where talent can make a differential impact in terms of organizational performance, may be as significant as identifying the talent to fill these positions. Certain positions have a greater impact on organizational performance than others and it is these positions that should be filled with the firm's most talented people.

However, we also urge a word of caution. As eloquently articulated by Jeffrey Pfeffer (2001), it should be recognized that fighting the war for talent where there is too strong a focus on individual performance can also have a number of disadvantages which are often ignored in the literature. It can encourage destructive internal competition and underplay teamwork. Further, there is also a tendency to exaggerate the talents of external staff at the expense of internal staff which can demotivate a large section of the workforce. Thus it is vital that a critical approach to global talent management is adopted which examines the contribution of teams

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as well as individuals. Also, there is a need for further research on the lack of integration of the key elements of global talent management systems which have been identified as a major weakness. This will allow us to better understand the key linkages and barriers to achieving integrated global talent management systems as well as the links between talent management and business strategy.

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