GLOBAL TALENT MANAGEMENT IN MULTINATIONAL COMPANIES AS THEIR RESPONSE TO GLOBAL COMPETITION

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Abstract: Since the competition on the global business scene is very intensive multinational companies (MNCs) are constantly looking for the sources of their competitiveness. Many of them see that source in talented employees who by their vision, innovativeness and strategy creating can provide outstanding performances for MNCs. Activities on their attraction, employment, motivation and retention in the literature are known as global talent management. This paper deals with this specific concept which appearance is seen as a specific MNCs’ response to increased global competition. In the paper firstly is analyzed the essence of the (national) talent management. Further, the content of the global talent management is presented and analyzed it’s specifics. Finally, some future trends regarding talents on the global labor market are analyzed, too.

Key words: talent, talent management, global talent management, multinational companies.

1. Introduction

Talent management is a phrase that is widely used nowadays although its appearance is relatively recent. In fact, since McKinsey’s consultants used the term talent in the late of 1990s (Chambers et al., 1998) this term and talent management phrase became a buzzwords in the human resource management (HRM) literature. From that period, many scholars and practitioners started to pay attention to the issues of talented individuals and talent management concept, seeing in them the potential sources for competitive advantage.

Although many scholars research this concept, in the literature still doesn’t exist consensus about what talent means and to whom the talent management activities should be implemented. However, the majority of scholars still believe that talented individuals are those who are "the best and the brightest" in organization (Michaels et al., 2001) or those

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who can be called „A players“ (Huselid et al., 2005). Consequently, the majority of authors believe that talent management activities should be focused only on this segment of the employees. In other words, talent management should focuses only on the specified pool of employees who “rank at the top in terms of capability and performance and are therefore considered potential leaders either at present or some point in the future” (Makela et al., 2010).

The issue of talents is not only important for national companies, but also (and may be even more) for companies that operate in the international business scene. Many MNCs have already recognized that human resources with exceptional competencies are critical for their competitiveness (Bryan et al., 2006) and that they even can provide competitive advantage to them. Consequently, an increasing number of these companies make significant efforts in the field of attraction, development and retention of such employees (Boudreau, Ramstad 2005; Lewis, Heckman 2006). In these activities MNCs are not limited only to the parent nationals. They also seek for talents all over the world. On that ground of this fact in the literature emerged new, specific concept - global talent management (GTM). This concept in its essence is a specific MNCs’ response to increased global competition and to their need be competitive on the global market.

Taking into account that the GTM activities are very important for providing MNCs’ competitiveness on the global market, the aim of this paper is to highlight the significance of this concept as well as to present its specific content. But in order to provide better understanding of the essence of the GTM concept, in the paper firstly will be explained the concept of (national) talent management. Finally, some future trend on the global talent labor market will be presented, too.

In the paper is used qualitative methodology based on the research and sublimation of numerous literature references from this area of management, secondary data and research results of many studies, as well as the examples of the world best practice.

2. The Nature of Talent Management – Literature Review

In spite of the fact that the issue of talents has become very often theme in the literature, researchers still differ greatly in their understanding on what talent management means and to whom this activities should be implemented. These dilemmas can be seen from some following definitions:

- Talent management „is simply a matter of anticipation the need for human capital and then setting out a plan to meet it“ (Cappelli, 2008);
- Talent management is best seen not as a set of topic, but as a perspective or a mindset which presumes that talented individuals play a central role in the success of the firm (Creelman, 2004);
- Talent management is „additional management processes and opportunities that are made available to people in the organization who are considered to be talent“ (Blass et al., 2007).

By analyzing different opinions about what talent management means, Iles et al. found that there are three broad strands of thoughts regarding TM. These strands are (Iles et al, 2010):
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a) Talent management is not essentially different from HRM: both involve getting the right job at the right time and managing the supply, demand and flow of people through the organization: it involves a collection of typical HR activities such as recruitment, selection, training and appraisal. In fact, TM means almost what HRM means, only instead of the word „people“ is used the word „talent“.

b) TM has selective focus, focus that is upon the relatively small segment of workforce defined as „talented“ by virtue of their current performance of future potential. As such TM covers a range of activities such as recruitment, development, deployment and retention, all of which are focused upon „talented“ individuals. Key challenges are to attract, recruit, develop and retain such individuals from the talent pool that come from internal or external environment of the organization.

c) TM is organizationally focused competence development through managing flows of talent through the organization.

According to Iles et al., all of these three strands have limitations since TM is more than traditional HRM, leadership development initiatives or succession planning. TM, according to them, is the collective approach to recruiting, retaining and developing talent within the organization for its future benefit. This concept includes strategy, organizational culture and change management (Iles et al., 2010).

Summarizing different opinions about TM, these authors stand that main differences that exist in the literature regarding talents could be presented in the following lines: exclusive versus inclusive people, organizational positions versus the people themselves. Therefore, Iles et al. developed four-quadrant model in which they identified four perspectives on talent management: perspective of exclusive people, perspective of exclusive positions, perspective of inclusive people and social capital perspective (Iles et al. 2010).

The perspective of exclusive (extraordinary) people has relatively narrow focus of talents according to which the talented people are those who have the ability to significantly impact the organizational performances. Therefore, only toward such segment of the employees should be applied specific activities in the field of attraction, development and retention.

The perspective of exclusive positions in TM also has a relatively narrow approach but on a different ground than is the case with the perspective of exclusive people. According to the perspective of the exclusive position, TM should be linked to key positions in the company, which are usually marked as “A positions”. According to this approach, only those individuals who are in these positions can be called talents and only this segment of the employees should be in the focus of TM. It is considered that it would be ideal if there is a match between “A position” and “A players” because only then we can expect “A performances” (Huselid et al., 2005).

The perspective of inclusive people is in a direct contradiction to the first perspective since it assumes that all employees in the company have potential to be talents, and consequently, they should be managed in a manner to achieve high performances. The authors that support this view believe that it is crucial to give the opportunity to everyone to realize its potential, because “talent requires an opportunity to be displayed” (Walker, 2002).
The authors representing the social capital perspective in TM consider that the previous perspectives are too individualized since the talent is seen only as a form of human capital, regardless of the context in which it arises and develops. They believe that talent is developed through the development of social and organizational capital, and that the focus in TM should be encouraging teamwork, building a proper culture, developing the leadership, creating social networks, etc., which all will provide the preconditions for building talents (Iles et al., 2010).

As it is early said, predominant interpretation in literature regarding TM is that this concept and activities that it contains should be focused only to a narrow segment of the employees who can provide outstanding performances for the companies.

3. Global Talent Management – Main Challenges

Since the competition on the global business scene is more intensive than on the national level, the imperative to “be better than the others” is more difficult to achieve on this market. Therefore the question of talents has become in the focus of many international organizations in which they are looking for the source of competitive advantage.

It is believed that global talent management has become is a key strategic issue for MNCs for several reasons (Scullion et al., 2010):

- First, there is a growing recognition of the critical role played by globally competent managerial talent in ensuring the success of MNCs reflecting the intensification of global competition and the greater need for international learning and innovation in MNCs,
- Second, shortages of managerial and professional talent have emerged as the key HR challenge facing the majority of MNCs,
- Third, the growth of the emerging markets has resulted in a further demand for a distinctive type of managerial talent which can operate effectively in these culturally complex markets.

GTM is usually defined as the activities that are design to acquire, develop, and retain talent to meet organizational strategies on a global scale, given not only differences between organizations but also their global cultural contexts (Tarique, Schuler 2010). Knowing that fact it is quite natural to expect that global talent management is much more complex than talent management in national companies. It’s because it is necessary to coordinate activities in a much wider geographical scope which, in addition, significantly differs.

According to many scholars there are several groups of factors which cause that GTM differs from TM in national companies. Some of the most important are: national culture, economic conditions, political system, legal environment, regional specifies, etc.

National culture. National culture is one of the most important factors that affect the global talent management and international HRM as a whole. It’s influence is reflected in the fact that national culture may affects which procedures and systems of GTM and IHRM are effective in certain countries. For example, multinational or global companies operating in the U.S. must bear in mind that in this country one of the dominant cultural value is individualism, so the GTM toward the members of this culture must be adapted
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Accordingly. This would in particular mean that the reward system should be such that primarily reward individual performances. On the other hand, in Japan, in which dominate collectivism, greater emphasis should be placed on building effective global teams and the reward system should be customize in that light. Further, if in a parent country exist high risk aversion, and then there will be high probability that MNCs develop talents from their internal pool.

Economic conditions. The economic conditions of the country from which the talents come affect GTM greatly, too. It is well known that countries differ in labor costs. Therefore, in order to MNCs be attractive for talent they should provide compensations which will be attractive comparing to the compensation that talents would have in their own country.

Legal regulation. IHRM and GTM are strongly influenced by the legal norms related to the hiring, firing, compensation system, etc.

Regional specifies. It has been found that many of global TM challenges are region and industry specific. For example, specific geographic regions, such as European Union, require customizing IHRM activities to best serve the needs of a particular region. Some other studies have also examined challenges that are industry specific and that there are some industries that are more favorite environments to retain talent than others.

All these factors contribute to the fact that the GTM is much more complex than national TM since on the national level HR specialists do not have to face with all differences. This also implies that HR specialist in MNCs should have specific knowledge and competencies (Marquardt, et al., 2004).

4. Content of the Global Talent Management

The fact that talent management in MNCs is much more complex than talent management in national companies creates for HRM function challenges to design specific methods, processes and techniques that will attract talents from all over the world and retain them. In other words, it is often necessary that this function implement different recruitment strategies, different approaches for development, different rewarding systems, different career development paths comparing the practices in national organizations, etc. In the following text will be presented some specifics of GTM.

When it comes to the global human resource planning the key role of HRM function in MNCs is that this function, by taking into account the business strategy and existing human resources, in advance signalizes a need for necessary human resources, regardless of the fact where they are located in the world. Without this activity of human resource function strategic plans of MNCs would be threatened if for their realization there are not adequate human resources. Because the traditional methods of planning in the dynamic and unpredictable conditions in the global business arena have limited value, it is considered that the method of scenarios for MNCs is much more convenient since it may provide proactive human resources planning (Vance, Paik 2006). Proactive human resource planning is also a precondition for good timing in providing experts if MNCs have need for them.
When it comes to talent recruiting in MNCs, in front of them, as well as in front of the national companies, the same dilemma emerges: whether to develop internal base of potential candidates (talents) for key positions, or opt for the external labor market. Both options have advantages and disadvantages that are related to the time required for building talents, investment that is needed and the like. If the orientation of MNCs is to search for talents at the external labor market, it is clear that a wider geographic focus requires more complex activities in the recruiting, then when it comes to the development of internal pool of talents. And as the focus at the external labor market expands, the activities of HRM function become increasingly complex. Widest focus in attracting talents is associated with geocentric strategy of MNCs because in this case potential candidates may be located and looked for all over the world. If the MNCs opted for regionocentric approach, the geographical area in which they search for experts becomes slightly narrower, and if MNCs opted for ethnocentric approach, then looking for talents is realizing within the state. On the other hand, in order that MNCs become attractive to talents in the recruitment process it is important that they offer to talents what it is important to them, but also what MNCs can really provide.

When it comes to training and development, practice confirms that these activities are becoming of a more priority in many MNCs. It turned out that the training and development of global talents is mainly focused on the development of general international competences, such as the ability to adapt the work in a foreign environment, language skills, knowledge of the local law, development of managerial and leadership skills, etc. (Vance, Paik 2006). However, when it comes to talent development programs in MNCs it is specific that it is recommended an exclusively individualistic approach (Aguinis et al., 2012). It is believed that only this approach is effective to retain talents since the individualized plans directly touch the expectations of talents themselves (learning new skills, individualized attention, etc.), and because such plans provide a structural basis for their involvement in mentoring and other development programs. In addition, if individualized talent development programs over time become closely associated with the specific objectives of a particular company, than the competition can have difficulties to imitate them, which also reduces the possibility that talents may go over to them. Practically, by individualized development programs MNCs create specific talent pool that may not be interesting for competitors.

Rewarding system in the GTM takes also a special place because of its importance for retaining talents in MNCs. The compensation system for all employees (including talents) usually involves two sets of rewards: financial and non-financial. Vance and Paik believe that both sets of rewards must be perceived as valuable in order to have an impact on employees’ behavior (Vance, Paik 2006). Conversely, if employees believe that the reward is not proper and fair in exchange for their work, it will affect their decision whether to continue with the same level of effort, or perhaps even to leave the company.

When it comes to the material (financial) rewards, which include basic salary and other forms of payment, there are almost no doubt that their size and structure is important for talents retention. Talents typically are aware of how much their contribution to the organizational performances is. Therefore, if these employees are unsatisfied with their financial reward, it can result in reducing their efforts or in decision to leave the organization. It is important to note that high quality staff usually prefers rewarding system that gives a chance for increasing the reward itself. Since the talents are more productive
than the average employees, their compensation should reflect that fact, not only that it should be significantly higher, but to have the potential for increasing as they improve their performances (Aguinis et al. 2012). In the company Novartis, for example, compensation is an important part of their GTM and is structured in a way where payment is based on the performances. In addition, the performances are measured at the individual level, but also at the level of organizational units. Since the company searches for talented individuals all around the world, the compensation system that it designed reflects the global environment, and many employees have higher wages than they would have in their own countries (Schuler et al. 2011).

Generally speaking, in order to keep talents, it is necessary to design such rewarding system which will be hard to imitate by the competition. At the same time, relying on only one aspect of rewards, such as a wage as a way to retain talents, is not enough, because then the other aspects of the rewarding would be neglected and competition will have a chance to better design rewarding system as a whole. Therefore, it is very important to establish a balance between the financial and non-financial rewards and to find such a combination that will be hard to imitate by the competitors, on the one side, and on the other, to provide talents to be satisfied.

However, in order that HR function in MNCs contributes to the MNCs’ competitiveness on the global market scene, the first precondition is that HR leaders align their activities in global talent management (technics, procedures, etc.) with the strategic objectives of MNC. If they succeed in that, than the HR function will become a key strategic player who contributes to the MNCs’ success.

5. Future Trends on the Global Labor Market

Among the scholars there is almost the consensus that in the future demand for talents will increase. The reason for that is that many emerging markets due to their intensive development will create pressure on labor market for highly skilled and qualified individuals.

According to the report which was published by Oxford Economics in 2012 there is an estimation that the most dramatic rise in demand for talents will occurred in emerging Asia where the need for them will rise 22%. In other emerging markets rise in demand for talents will be also high: Latin America 13%, Middle East/Africa 13% and Eastern Europe 10%. However, when it comes to Western Europe there is estimation that the demand for talents will rise only 3.5% (Figure 1). Projection is that in some industries like business services, energy, travel and transport, and life sciences, staffing demand will actually decline as a result of Europe’s coping with its debt crisis and recession. Somewhat stronger job demand is expected in North America where is estimated that overall employment requirements will to rise 6.1% over the next five to 10 years as a result of more resilient economic conditions (Global talent 2021, 2012).
Besides the fact that the rise in demand for talents will mostly occur in emergent markets, there is an estimation that the talent pool will also move from industrial to emerging markets. Nowadays over half of the world’s college graduates (54%) come from the top emerging markets (the E7: Brazil, China, India, Indonesia, Mexico, Russia and Turkey), compared with 46% from the industrialized world (the G7: Canada, France, Germany, Italy, Japan, UK and US). Over the next decade, however, there is an estimation that the percentage of college graduates will rise to 60% in the E7—some 217 million workers, as opposed to 143 million in the developed world (Global talent 2021, 2012). The explanation for that is that many countries which in previous period were known as countries with the low skilled and cheap work force in future will improve their educational systems by providing greater access to high-quality education. Consequently, many highly skilled and qualified work forces will emerge in these countries which, in spite the fact that in these countries will rise demand on talents, will provide that most of them will not face with their deficit. In fact, many of them will even have talent surplus. According to Oxford Economics report, the fastest annual talent pool growth will be in India (7.3%), followed by Brazil (5.6%), Indonesia (4.9%), Turkey (4.7%) and China (4.6%) (Global talent 2021, 2012).

When it comes to developed countries, particularly in Europe, situation regarding talents building is somewhat different. These countries in the next decade will face with the further slowdown in population growth and continued aging of the workforce which will reduce the base from which the talents may be developed. For example, talent growth in USA is estimated to be at 1.4% a year, in Canada 1.3% a year, while in France it will be 0.9%, UK 7%, Italy 0.5%, Japan 0.4% and Germany (0%), respectively. Consequently, many of these countries in future period will face with talent deficit. Figure 2 presents the trend in some countries regarding talents.
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**Figure 2: The mismatch between supply and demand for talent in 2021**

<table>
<thead>
<tr>
<th>Country</th>
<th>Talent trend surplus</th>
<th>Demand and supply for talent in balance</th>
<th>Trend talent deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Average annual % change of deficit/surplus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>2,1</td>
<td>Kuwait</td>
<td>-1,5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1,5</td>
<td>China</td>
<td>-1,4</td>
</tr>
<tr>
<td>South Africa</td>
<td>1,0</td>
<td>Argentina</td>
<td>-1,2</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,0</td>
<td>Mexico</td>
<td>-1,1</td>
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<td></td>
<td></td>
<td>Russia</td>
<td>-0,9</td>
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<tr>
<td></td>
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<td>USA</td>
<td>-0,8</td>
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<td></td>
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<td>UK</td>
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<td></td>
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<td>Turkey</td>
<td>-0,7</td>
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<td>Germany</td>
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<td>Norway</td>
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<td>Austria</td>
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<td>Spain</td>
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Since that many developed countries in Europe in the future will face with the talent deficit it is reasonably to believe that the migration of the working population will increase and have the direction toward them. But, in some countries, Germany especially, this trend can be recognized even nowadays.

**Conclusion**

The paper points out that the issue of talents is of particular importance for the MNCs which operate in highly competitive global market. The importance of talents for these companies rely on the fact that talents due to their high quality competences can make difference between successful and less successful companies Therefore, many MNCs have already established practices of finding, developing and motivating progressive individuals who come from all over the world. In accordance with this practice, the new theoretical concepts emerged in the field of human resource management - global talent management.

In this paper we highlighted the importance of this concept, activities that it contains its challenges, etc. We also stressed that GTM is much more complex than talent management in national companies. It’s because it is necessary to coordinate activities in a
much wider geographical scope which, in addition, significantly differs. The fact creates for HRM function challenges to design specific methods, processes, techniques, different rewarding systems and career development paths comparing the practices in national organizations. All these activities are design to attract talents from all over the world and retain them.

We also stressed the fact that „war for talents“ in the future will be intensified since many countries will face with the talent deficit. On the other side, some countries in the future will have surplus of talents due to their growth of population and improved educational system. Therefore it is reasonably to believe that in future the migration of the global talent will increase.

References

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MENADŽMENT GLOBALNIH TALENATA U MULTINACIONALNIM KOMPANIJAMA KAO NJIHOV ODGOVOR NA GLOBALNU KONKURENCIJU

**Rezime:** S obzirom da je konkurencija na globalnoj poslovnoj sceni veoma intenzivna, multinacionalne kompanije (MNK) konstantno tragaju za izvorima konkurentske prednosti. Mnoge od njih taj izvor vide u talentovanim zaposlenima koji svojom vizijom, inovativnošću i kreiranjem odgovarajućih strategija mogu da doprinesu izuzetnim performansama MNK. Aktivnosti na njihovom privlačenju, zapošljavanju, motivaciji i zadržavanju u literaturi su poznate kao menadžment talenata. U ovom radu se pravo iznenađujućim trendovima u pitanju talenti na globalnom tržištu rada.

**Key words:** talenti, menadžment talenata, menadžment globalnih talenata, multinacionalne kompanije.