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Abstract

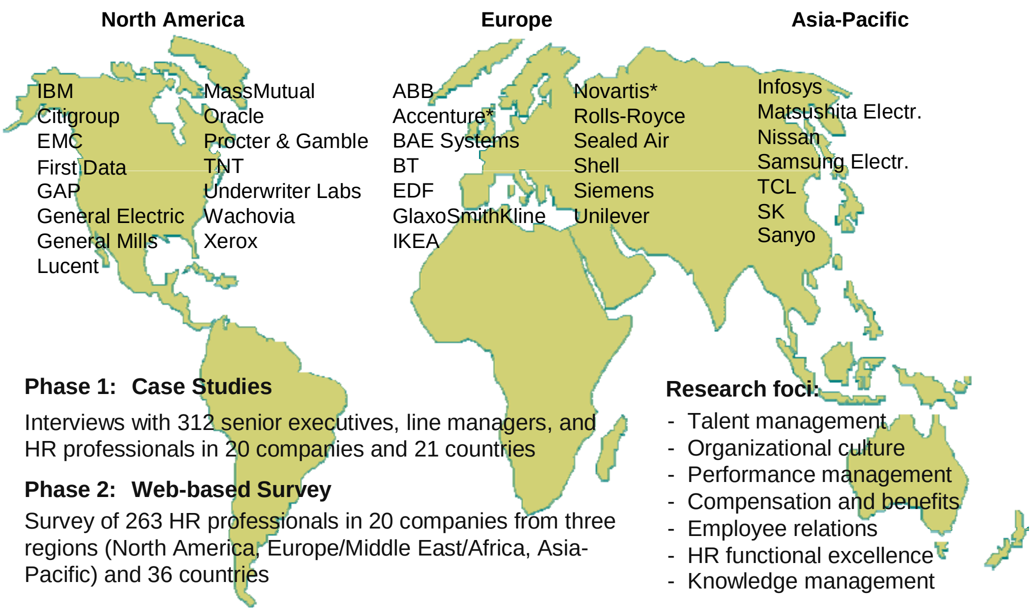
To determine how leading companies in North America, Europe, and Asia develop and sustain strong talent pipelines, this research investigates talent management processes and practices in a sample of 37 multinational corporations, selected on the basis of their international scope, reputation, and long-term performance. In-depth case studies and a Web-based survey of human resources professionals identify various effective practices that can help companies attract, select, develop, and retain talent. However, the results suggest that competitive advantage comes not primarily from designing and implementing best practices but rather from the proper internal alignment of various elements of a company's talent management system, as well as their embeddedness in the value system of the firm, their links to business strategy, and their global coordination.

Global Talent Management: How Leading Multinationals Build and Sustain Their Talent Pipeline

Executives around the world seem to agree: One of the biggest challenges facing their companies is building and sustaining a strong talent pipeline. In a recent survey of 300 firms conducted by *Chief Executive* magazine, participating companies ranked "finding the right number of leaders" as their top challenge, and every single firm indicated its belief that demand for leaders would increase in the future (Maxwell, 2006). Not only do companies have trouble filling their talent pipelines due to shifting demographics and workforce preferences, but they also must develop new capabilities and revitalize their organizations as they transform their businesses, invest in new technologies, enter into new partnerships, and globalize their operations (Palmisano, 2006).

These challenges make the need to develop effective talent management processes even more pressing for global companies. In response, a team of researchers from the universities of Cambridge, Cornell, Erasmus/Tilburg, and INSEAD has conducted a major research project on the global best practices in human resource management. The qualitative portion of this research examines 20 companies in-depth, using interviews with senior executives, line managers, and human resources (HR) professionals to identify how leading multinationals manage their human capital. These companies are renowned for their international scope, reputations, and long-term performance and provide results from 312 interviews with professionals at various levels (e.g., corporate, regional, country) in more than 20 countries. In addition, we conducted a Web-based survey of HR professionals of 20 multinational corporations, gaining input from 263 respondents from three major geographic regions (Americas, Asia-Pacific, and Europe/Middle East/Africa). In total, this study involves 37 multinational corporations headquartered in 12 different countries. Figure 1 provides an overview of the primary study and participating companies.

FIGURE 1. The Global Human Resource Research Alliance: Project Overview



*These companies did not participate in this study; separate case studies were conducted on Accenture's (Stahl and Bjørkman, 2005) and Novartis's (Chua, Engeli, and Stahl, 2005) talent management systems and processes

On the basis of this research, we highlight the current challenge of managing talent in today's global environment. Various trends and best practices emerged from this project, and talent management represents one of the most prominent. Talent management gained popularity in the late 1990s, following the publication of McKinsey & Company's "War for Talent" study (Chambers et al., 1998), which drew widespread attention to a rising demand for talent-intensive skills that outpaces supply in many industries and markets. In this context, the term "talent management" came to appear synonymous with human capital management, implying that companies are strategic and deliberate in their efforts to source, attract, select, develop, promote, and move employees through the organization (Ingham, 2007). This term also incorporates how companies drive performance and therefore refers to a select group of employees—those that rank at the top in terms of capability and performance—rather than the entire workforce. Talent management programs run by the companies that participated in this study feature a strong emphasis on “high potentials,” so our conception of talent management specifically involves attracting, selecting, developing, and retaining high-potential employees.

The Talent Challenge: Demand–Supply Gap

Demographic trends drive today’s talent shortage. McKinsey & Company has projected that the number of workers aged 35–44 years in the United States will decline by 15% between 2000 and 2015, with no significant countervailing trends (Chambers et al., 1998). In countries like Germany, Italy, and Japan, the problem is even more acute; in Japan, the working population between the ages of 15 and 29 years has declined from 34% to 20% since 1970 as a result of decreasing birth rates. As Cappelli (2005) notes, changing demographics do not necessarily cause tighter labor markets; it may be possible to compensate for them through productivity increases. However, an aging work force makes it increasingly difficult to replace retirees with younger workers. In emerging markets such as India and China, the demographics are more favorable, but these countries produce far too few graduates of the caliber needed by multinational companies. Both India and China suffer from acute skill shortages in more sophisticated areas of their economies (Farrell, Laboissière, & Rosenfeld, 2005; Yeung, 2007).

In addition to these demographic trends, the talent challenge gets further compounded by the “pickier” workforce (Gerdes, 2006) and drastically increased job mobility among professionals. In an environment of rapidly changing technology, mergers and acquisitions, and corporate downsizing (which means diminished trust between employers and employees), workers trade security for flexibility, embracing the concepts of “boundaryless careers” and “free agent learners” (e.g., Arthur & Rousseau, 1996). Increased IT capacity and decreased travel costs also make talent more mobile, which means companies compete internationally for the best employees (Bartlett & McLean, 2006).

As we illustrate in Figure 2, the dearth of talent arrives in tandem with increasing demand among global companies. Business survival depends on speed and continuous self-renewal, and talent is central to the operations of any company. A complex economy that demands more sophisticated talent, new skills and expertise at all levels of the organization (Cappelli, 2005), and fundamental changes to how companies respond to the imperatives of new technology and globalization (e.g., Bartlett & Ghoshal, 2002; Lane, Maznevski, & Mendenhall, 2004) poses major challenges to the effective management of talent, because it requires both a *larger supply* and *new kinds* of managerial and professional skills. As Sam Palmisano, President and CEO of IBM, indicates: “The single most important challenge in shifting to globally integrated enterprises—and the consideration driving most business decisions today—will be securing a supply of high-value skills” (2006, p. 133).

FIGURE 2. The Talent Challenge: Demand-Supply Gap

RISING DEMAND

- Business growth (e.g., Infosys from $121 million to $1,062 billion in five years)
- Business transformation (e.g., from manufacturing-driven to service-driven)
- Investment in new core businesses (e.g., Internet)
- Globalization (e.g., global standards while remaining locally responsive)
- New forms of partnership (e.g., with governments to reform health care)
- Pressure to hire new skills at all levels (e.g., to restructure quickly)

DECLINING SUPPLY

- Demographic trends (e.g., retiring Baby Boomers)
- Pickier workforce (e.g., seeking better work-life balance)
- Drastically increased job mobility (e.g., the rise of “boundaryless” careers)

1. Do we have the right numbers of talented people?

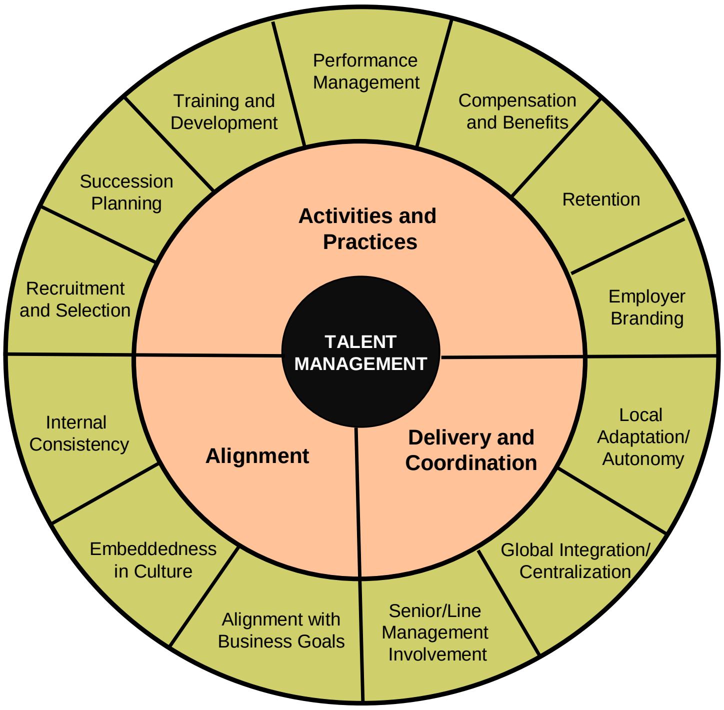
2. Do we have the right quality of talent?

Talent Management: Emerging Trends

Our research suggests that companies that excel at talent management ensure internal consistency, complementarity, and reinforcement of the practices they employ to attract, select, develop, evaluate, and retain talent (i.e., “internal fit”). In addition, these practices align closely with the corporate culture (i.e., “cultural fit”) and link to the business strategy and long-term goals of the organization (i.e., “strategic fit”). A high degree of internal, cultural, and strategic fit creates an inimitable system of practices and not only drives excellence in talent management but also contributes to organizational learning and knowledge management. In addition, global companies must balance the tension between effective decision making and implementation at the local level versus standardized systems and processes at the global level. These companies thus achieve a competitive advantage not solely because they design and implement “best” practices but rather because they guarantee the various elements of their talent management system are aligned—internally, externally, and globally—to support their business strategy and operating model (Evans, Pucik, & Barsoux, 2002).

Figure 3 highlights the important elements of successful talent management systems, including the need for senior management commitment and line manager involvement. The leading companies in our study realize that the talent management process must include multiple owners—not just HR, but also the CEO and managers at all levels. Senior leaders are actively involved in the talent management process and make talent recruitment, succession planning, and leadership development their top priorities. Line managers at all levels participate in the process and are accountable for developing their staff.

FIGURE 3. Talent Management: Principles, Practices, Processes



Procter & Gamble (P&G), the world's largest consumer products company, provides a case in point. CEO A.G. Lafley claims he spends one-third to one-half his time developing talent (Holstein, 2005). Consistent with its promote-from-within policy and its belief that its leadership development system provides a major source of competitive advantage, talent development permeates P&G's entire culture. All employees receive 360-degree reviews within a year after their hire and can take advantage of various leadership development programs during their careers. Evaluations and compensation of line managers depends partly on their development of their staff. These efforts seem to be paying off; Hay Group's 2005 ranking of the "Top 20 Companies for Leaders" puts P&G first, followed by other companies with long-standing reputations for excellent leadership development, such as General Electric (GE), PepsiCo, Johnson & Johnson, and IBM.

Despite what that listing may suggest, U.S. companies do not have a monopoly on effective talent development. Considerable global convergence appears to be occurring in talent management practices. Of course, corporations continue to use HR management systems that align with their cultures and strategic objectives, but companies around the world are becoming more similar—and more sophisticated—in their recruitment, development, measurement, and management of high-potential employees. No company illustrates this trend better than Infosys, the rapidly growing Indian information technology and software giant. In line with its commitment to developing a strong employer brand, it hires only the very best prospects and invests heavily in their training and development. The company benchmarks its leadership development practices against those of GE and other leading companies, and Infosys CEO Nandan Nilekani has vowed to develop programs in India that equal them (Reichlin, 2004).

This international convergence of practices indicates the similarity of the challenges and demands that face today's global corporations. Several factors drive this global convergence of talent management practices. First, companies around the world increasingly compete for the same talent pool, especially graduates of international business schools and top universities. Second, the trend toward greater global integration (Palmisano, 2006) means that companies try to standardize their approaches to talent recruitment, development, and management to ensure their internal consistency. Third, the global presence and success of excellent companies, such as GE—widely recognized and hyped as best practice leaders—has generated widespread imitation (Paauwe & Boselie, 2003). High-profile consultancies, through their consulting work and publications (e.g., McKinsey's "War for Talent" report), also spread common ideas about and approaches to talent management around the globe.

Talent Management: Best Practices

These trends provide the context for our discussion of talent management best practices. We consider three sets of practices that encompass most talent management activities, as we depict in Figure 3:

1. Recruitment, staffing, and succession planning;
2. Training and development;
3. Retention management.

In each area of activity, we find a set of practices common across most of the companies we study, as well as some unique and innovative practices pioneered by outstanding companies. Both the common and unique practices we identify might be considered "best practices," in that successful companies report these practices work well for them. In addition to presenting these talent management best practices, we discuss several issues related to the delivery and global integration of practices, particularly how multinational corporations can develop local talent while maintaining a consistent brand identity across international business units and regions.

Recruitment, Staffing, and Succession Planning

Recruitment practices in most companies follow a talent pool strategy: the company recruits the best people and then places them into positions rather than trying to recruit specific people for specific positions. The companies in our sample recruit talent through a variety of channels, including direct applications via the Internet, on-campus recruitment fairs, and summer internship programs. Most develop close ties with leading universities around the world to attract top talent. Companies generally appear very selective in hiring, according to selection ratios (the number of people hired divided by the number of applicants) that reach as low as 1%. Selectivity requires a large applicant pool and highly efficient selection processes. For example, Infosys uses a robust rolling recruitment process that has enabled it to grow from about 10,000 to 66,000 employees in the past five years. In 2005, despite increasing competition for software engineers in India, Infosys received almost 1.5 million job applications, tested approximately 160,000 candidates, and hired 15,000—whom the company considered the top 1%.

Because of their desire to recruit only the very best people, Infosys and other companies place great emphasis on global branding. Increasing competition for talent in many industries forces companies to sharpen their self-marketing to potential recruits to position themselves as an employer of choice. To exploit its brand effectively, the company must think of recruits as customers, use sophisticated marketing analysis to identify its key competitors, determine which corporate attributes matter most to specific recruits, and understand them to reach those "customers" (Hieronimus, Schaefer, & Schröder, 2005). Infosys, now the world's leading IT outsourcing company, has grown so rapidly but still maintained the quality of its talent largely because of its branding efforts. Through a systematic application of branding techniques, Infosys developed excellent name recognition, gained a better understanding of what matters most to recruits, and determined how it could distinguish itself from competitors (e.g., emphasizing core values and principles valued by knowledge workers, such as professional freedom, openness, and excellent learning and growth opportunities).

Whereas companies traditionally focus on job-related skills and experience to select people, some leading multinationals have expanded their definition of "the right people in the right place" to include cultural fit as a key selection criterion. These companies assess applicants' personalities and values to determine whether they will match the corporate culture, with the assumption that formal qualifications may not be the best predictors of performance and retention and that skills are easier to teach or change than personality traits, attitudes, and values (Pfeffer & Veiga, 1999). For example, IKEA selects applicants using tools that focus on values and cultural fit; the standard questionnaire largely ignores skills, experience, or academic credentials and instead explores candidates' values and beliefs, which become the basis for screening, interviewing, and training and development. When people apply internally for leadership positions, the assessment again relies on their personal and shared values to ensure consistency.

Such an emphasis on attitudes and cultural fit appears as a best practice in HR management literature (e.g., Bowen, Ledford, & Nathan, 1991; O'Reilly & Pfeffer, 2000), yet it remains underutilized. Our survey of 263 HR professionals in 20 multinational corporations reveals some interesting disconnections between what HR managers perceive as effective and the practices they actually employ, including the largest gap, "assessment of individuals' attitudes and values to determine the fit with the company culture." The reasons remain unclear but may reflect the potential problems associated with hiring for cultural fit, such as (1) the need to invest more resources in the recruitment process, (2) the lack of development of the selection technology (e.g., use of personality tests), (3) concerns about the legality of a values-driven staffing approach, and (4) concerns that extreme versions of this approach might lead to a pool in which everyone has the same personality profile and shares the same values (Bowen et al., 1991), which would eliminate the diversity corporations need for innovation and environmental responsiveness.

All companies institute systems to identify high-potential candidates on the basis of their leadership competencies and validated assessment instruments. Companies generally try to identify leadership talent as early as possible according to multiple inputs, such as performance evaluations, 360-degree reviews, assessment center results, and, in some cases, standardized aptitude tests. Assessing leadership potential usually entails grading employees against a competency profile of successful leaders, but the use of a performance–potential matrix also is common among our sample companies. This tool provides a basis for leadership development and succession planning (Conger & Fulmer, 2003), though some companies also use it to map resource allocations, such as tying compensation and benefits to performance. The pharmaceutical giant Novartis uses the performance–potential matrix to align managerial behavior with its core values, such that managers get evaluated not only on their performance compared with objectives but also on their ability to live up to Novartis's values, including integrity, empowerment, and compassion (Chua, Engeli, & Stahl, 2005).

The continuous processes of developing a talent pool and using talent inventories for both selection and succession purposes reflect common best practices. In most companies, high-potential employees receive formal training, mentoring, and job rotation. Although the percentage of employees who make this list differs across companies, most appear to follow McKinsey's recommendation (Michaels, Handfield-Jones, & Axelrod, 2001) to limit the group of "A players," the most talented and high-performing persons in whom the company invests heavily, to no more than 10–20% of managerial and professional staff. For example, Unilever, the British–Dutch consumer products group, includes 15% of employees per management level in its high-potential list each year and expects these people to move to the next management level within five years. A separate list recognizes those who achieve sustained high performance but cannot move to the next management level; it contains a maximum of 10% of the population. Some companies are even more selective. Infosys limits the number of high-potential employees it identifies to avoid inflated expectations that may lead to frustration, lack of productivity, and ultimately loss of talent. Only 500 of the firm's more than 60,000 employees are designated high potentials, then grouped into three tiers on the basis of the anticipated time they will need to transition to a top management role.

Different talent pools (e.g., senior executive, specialist, early career high-potential), created according to different competency profiles and that entail different career paths and development strategies, represent another common practice among the successful firms in this study.

Training and Development

If there is one thing the excellent companies we study have in common, it is their strong commitment to leadership development. Most companies have established state-of-the-art training centers or learning campuses; they work with the best universities and educational services providers in the world; and they use the latest leadership development tools and technologies. However, though all companies in the sample commit significant resources to training and development, some do more than others. IBM currently invests more than $700 million annually to develop the knowledge and expertise of its workforce. Employees spend an estimated 16 million hours each year (about 50 hours per employee) in formal training, either online or in traditional classroom settings. Employees designated as having high potential can take advantage of various leadership development programs, delivered in-house or by leading business schools around the world.

Although investment in training and development is important, our study suggests sophisticated training programs, tools, and practices alone are insufficient; companies that excel in talent management make leadership development an integral part of their culture and actively involve their senior leaders in the process. For example, P&G's CEO Lafley remains convinced that "[n]othing I do will have a more enduring impact on P&G's long-term success than helping to develop other leaders" (Holstein, 2005, p. 18).

The heavy emphasis on, and investment in, leadership development is consistent with the promote-from-within policy that many companies adopt. A promotion-from-within policy has several advantages (Pfeffer, 1995): It encourages training and skill development and helps companies retain talent because the availability of promotion opportunities binds employees to the organization. It offers an incentive for strong performance and facilitates decentralization, participation, and information exchange, because it promotes trust across hierarchical levels. It also provides a sense of fairness and justice in the workplace and helps companies create and maintain a meritocratic culture. Despite these advantages, companies are acutely aware of the risks of this policy, including the tendency toward inward-thinking over time. Therefore, companies like GE and P&G rely on acquisitions and external recruitment to fill 20–30% of their midlevel and senior positions in an attempt to reenergize management teams and avoid insularity and inertia. They also encourage executives to sit on the boards of other companies and participate in professional networks.

One of the most potent tools companies use to excel in leadership development is line manager involvement. Managers at all levels become heavily involved in the recruitment of talent and are responsible to develop the skills and knowledge of their employees; personnel development appears as an explicit objective in most annual performance evaluations. Line managers should act as coaches or mentors, provide job-shadowing opportunities, and encourage people to move around within the organization for career development purposes rather than selfishly holding on to the best talent. A talent development-oriented culture also makes employees aware of their own responsibility for their development, including seeking out challenging assignments, cross-functional projects, or new jobs within the corporation. However, our Web-based survey also reveals that job rotations across functions or business units remain underutilized tools. Despite their belief in the effectiveness of job rotations and challenging assignments as career development tools, firms seem to lack the ability to implement them.

A possible explanation for this gap involves “silo thinking,” the tendency of managers to focus on the interests of their own units rather than the whole organization, which may hinder talent mobility within the company and undermine the effectiveness of job rotation as a career development tool. A recent McKinsey study (Guthridge, Komm, & Lawson, 2006) finds that more than 50% of interviewed CEOs, business unit leaders, and HR executives thought insular thinking and a lack of collaboration across the organization prevented their talent management programs from delivering business value.

Open job posting systems provide an effective way to identify talent within the company and break down internal silos. For example, P&G maintains open job postings on its intranet. Employees can post their profile to the system, and managers can search for available candidates interested in a new posting. A job vacancy sparks an initial search of local candidates; if no one is available, candidates from different regions get to pursue the opportunity. Thus, expatriates dot the company. Open job posting systems work best in cultures that encourage managers to move talent around to accelerate development through rotations and international assignments, as in P&G, Shell, and GE (e.g., Bartlett & McLean, 2006). In such companies, managers recognize that units that encourage job rotation do not “give good people away” but attract the best talent because employees realize they will not suffer if they move throughout the business.

The recent emergence of internal “talent marketplaces” (Bryan, Joyce, & Weiss, 2006) reflects an extension of open job posting systems that combines corporate-wide performance management and salary systems. The former provides standardized assessments of employees' experience, competence, and performance ratings, which line and HR managers use to determine current employees' suitability for specific positions. The globally integrated compensation system specifies the salary range for different positions and thus ensures corporate units do not engage in bidding wars to "steal" internal talent by offering to pay higher salaries for a similar job.

These formal talent marketplaces also receive support from computerized talent inventories. For example, P&G's Talent Development System retains the names of 3,000 executives, along with details of their backgrounds, to help identify the right person for the right job. At ABB, a global leader in power and automation technologies, the information gathered during the talent identification process remains stored on a global IT platform that provides real-time management reporting facilities. Thus, both within- and across-country comparative data analysis becomes possible. The tool also stores performance appraisals, career plans, and training and development information and records international assignments. The same tool aids in succession planning, because it provides a global overview of key management positions, who holds them, and their potential successors. The profiles of these potential successors contain two kinds of assessments: by line managers and against an externally benchmarked leadership competency profile. The profiles of the top 50 executives represent the talent management portfolio at the top level of the company, which provides a comparison for talent pools, both internally and externally. Combined with an open job-posting system and external scanning, this pool of available, high-potential candidates, familiar to members of the senior management team, greatly facilitates succession planning.

Retention Management

The retention of valued talent represents a major challenge for companies across industries and regions. Somewhat paradoxically, companies that do the best job of developing talent appear to be most at risk from poaching. In 2003, GE lost more than 90 employees to BankAmerica's headquarters in Charlotte, North Carolina. Although GE executives are probably the most actively headhunted group in the world, HR leaders worry that almost all of those recruited were from the "the highly valued 70%"—the group regarded as the backbone of the company—rather than the "top 20%" that represents headhunters' normal targets. Turnover at GE remains well below the U.S. industrial average, but retaining valued employees at all levels of the organization also is a top priority, and key challenge, for GE (Bartlett & McLean, 2006).

Unfortunately, there are no guaranteed recipes or instant solutions for retaining high-potential employees, though our research and other studies suggest several ways companies can deal with the problem. Primarily, companies must figure out why high performers leave. Most companies monitor attrition rates, but the common practice of tracking voluntary versus involuntary turnover is insufficient (Chambers et al., 1998); rather, attrition should be tracked by performance level to determine if the high performers are choosing to leave. Infosys, for example, compares attrition rates against the growth of high performers over time to diagnose problems in its recruitment, leadership development, and performance management processes.

There is widespread consensus that the retention of talent requires a multifaceted approach. Competitive compensation is of course essential to attract and retain top talent, but companies also increasingly recognize that financial incentives are only one element of success. Monetary rewards cannot substitute for an exciting job, long-term career planning, and attention from senior managers. Creating and delivering a compelling "employee value proposition" (Michaels et al., 2001) thus becomes critical. A powerful employee value proposition includes tangible and intangible elements, such as an inspiring mission, an appealing culture in which talent flourishes, exciting challenges, a high degree of freedom and autonomy, career advancement and growth opportunities, and a great boss or mentor.

This broad approach to talent retention conflicts with the advice given by some consulting firms to "pay whatever it takes" to attract and retain the brightest people. However, it mirrors recent research that suggests top managers and HR executives often fall victim to an "extrinsic incentives bias," that is, a tendency to overestimate how much employees care about extrinsic job features such as pay while underestimating the motivation provided by intrinsic job features like decision-making authority or strong working relationships (Heath, 1999; Pfeffer & Sutton, 2006). Plenty of evidence suggests that management places excessive faith in extrinsic rewards when it comes to attracting, motivating, and retaining talent. For example, a Watson Wyatt (2004) survey of 1,700 high-potential employees indicates that these top performers rate factors such as "being appreciated," "interesting assignments," and "desire to maintain reputation" as more important motivators than "financial rewards."

Companies also should avoid an overemphasis on financial rewards so they do not hire what Lawler (2003) calls "walking floppy disks"—people who join an organization, download expensive training and information, and then leave for a better-paying job elsewhere. As Pfeffer and Sutton (2006, p. 124) note: "When employees hold the upper hand, and companies battle for top talent with money alone, then their best people will keep leaving for more money, as they are working for nothing else." A similar phenomenon famously has surfaced in many professional sports leagues; free agency produced rapidly increasing salaries for players but also undermined team loyalty. Instead of signaling through lavish financial rewards that people work mostly for the money, Pfeffer and Sutton (2006) suggest organizations should offer adequate financial inducements but emphasize other benefits, such as learning and growth opportunities, a great corporate culture, and an inspiring purpose, if they want to attract and retain the right people. Similarly, Yeung (2007) recommends that companies operating in China, where people commonly jump ship for a minimal salary increase, should resist the financial “arms race” and instead offer long-term career development opportunities and a unique value proposition that binds employees emotionally to the mission and goals of the company.

Because many employees desire a healthy balance between their personal and professional lives, many companies now offer flexible working arrangements and other work–life balance practices to compete for the best talent and retain high-potential employees. Accenture’s Work–Life Balance program, initially designed to address the specific career challenges facing women but later made available to men as well, includes options such as flextime, job sharing, telecommuting, “flybacks” for people working away from their home location, and other arrangement to help employees achieve a better balance (Stahl & Björkman, 2005). Accenture significantly reduced the turnover rate among women through this program and increased the number of female partners from less than 6% at the end of the 1990s to more than 10% by 2003. In addition, internal surveys show that team productivity, job satisfaction, and personal motivation among women improved substantially, largely due to the Work–Life Balance program. Our findings further suggest that though such balance programs remain underutilized, the number of companies implementing them is growing.

The same can be said for diversity initiatives, which are quite prevalent among the companies in our study. However, commitment to diversity issues varies significantly, depending on the country or region where the company is headquartered. Whereas U.S.-based companies such as IBM, P&G, and Oracle make diversity management a top priority for a variety of (demographic, historical, and legal) reasons, most European and Asian companies are considerably less advanced in terms of their diversity initiatives and practices—with some notable exceptions. One of the companies in our sample, Matsushita Electric, had achieved gender equality in compensation for entry-level positions in the 1960s and in training and development opportunities for university graduates in the mid-1980s. The company recently established a comprehensive program to enhance career opportunities for women and allow the company to capitalize on the skills and talents of its diverse workforce. Our findings suggest that more and more companies outside the United States are coming to understand the value of creating an environment in which everyone feels comfortable and confident to contribute.

On the basis of these research findings, we provide a synopsis of the best practices in the areas of recruitment and staffing, training and development, and retention of talent in Table 1.

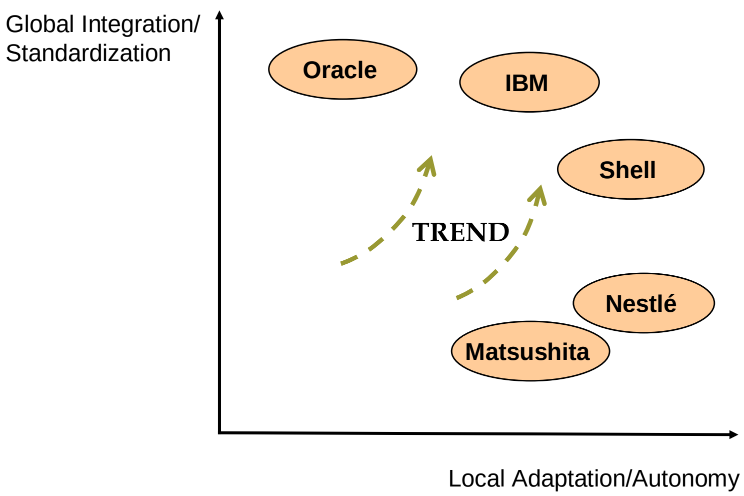
TABLE 1. Synopsis of Talent Management Best Practices

Recruitment and Staffing
▪ Talent pool strategy rather than hiring for specific positions ▪ Close relationships with leading business schools and universities ▪ Highly selective hiring ▪ Compelling "employee value proposition" and strong emphasis on global branding ▪ Focus on values and cultural fit, not just job-related skills and experience ▪ Continuous assessment of both performance and potential, using multiple inputs ▪ Grading against competency profile of successful leaders ▪ Use of talent inventories for selection and succession purposes ▪ Different talent pools (executive, specialist, etc.) with different career paths
Training and Development
▪ Leadership development is top priority and deeply ingrained in culture ▪ Promotion-from-within policy ▪ Continuous assessment of training needs and feedback (360-degree reviews) ▪ Individual development plans linked to succession planning process ▪ Job rotations and international transfers as career development tools ▪ Line manager involvement (coaching, mentoring, job shadowing, etc.) ▪ Use of open job posting system and internal talent marketplaces
Retention Management
▪ Continuous monitoring of attrition rates by performance level ▪ Highly competitive compensation, particularly long-term wealth accumulation ▪ Personalized career plans and broadening assignments ▪ Senior management attention ▪ Flexible working arrangements and other work-life balance practices ▪ Diversity programs designed to develop, retain, and promote diverse talent

Local Talent Development and Global Branding

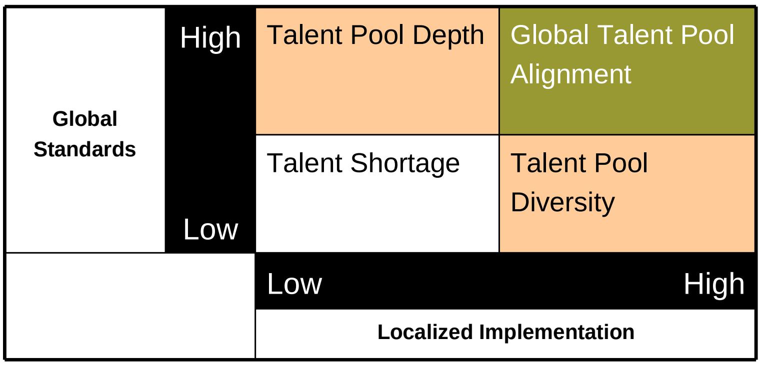
Most multinationals must manage talent in emerging markets, such as China, India, and Eastern Europe. This issue represents part of the broader challenge of how to respond to local demands while maintaining a coherent HR strategy and management approach (Rosenzweig & Nohria, 1994). The resolutions offered by the companies in our sample vary widely, as illustrated in Figure 4. Whereas Oracle emphasizes global integration, with a high degree of centralization and little local discretion, Matsushita focuses on responsiveness to local conditions and allows highly autonomous local operations. Bartlett and Ghoshal (1989), in their classic study of transnational corporations, reveal that a firm's position on these two dimensions depends partly on the industry in which it operates. Furthermore, rather than being static, a firm's position in the framework evolves over time in response to internal and external pressures. Overall, our study suggests that most companies are moving toward greater integration and global standards while simultaneously experiencing pressure to adapt and make decisions at local levels.

FIGURE 4. Global Talent Management: Standardization versus Localization



These trends mean companies need a global template for talent management to ensure consistency across the organization but also should allow local subsidiaries to adapt that template according to their specific circumstances (Evans et al., 2002). In Figure 5, we present a matrix that describes how the delivery and coordination of talent management systems might lead to differential talent alignments. First, companies that do not recognize the reality of this global–local tension will face talent shortages sooner or later, because increased global competition is adapting itself to individual cultures. Even GE, the world's most widely headhunted firm for global talent, confronted an immediate talent shortage when it opened R&D centers in India and Germany, because it lacked local recognition in those countries and therefore could not hire high-potential employees from other firms or the limited external market; in addition, it did not have sufficient depth of talent willing and able to move to these countries. Second, a strong push for global standardization with little allowance for local differentiation might enable a company to build a large talent pool (i.e., greater talent pool depth), but that pool will lack the diversity needed to adapt to changing environments. Homogenous talent practices undoubtedly exclude certain talent pools. Third, a local focus creates opportunities for diverse talent (i.e., greater talent pool diversity) but limits the firm's ability to capitalize on economies of scale in hiring, training, and retaining top global talent. One company in our study had not coordinated its hiring and development efforts across different business units, so though it enjoyed a diverse talent pool, it suffered because no cross-learning took place across these groups, which meant potential economies of scope remained untapped. Fourth, a company that can achieve the right balance of global standardization and local implementation (i.e., global talent pool alignment) aligns its talent with both local and global needs and thus creates a deep, diverse talent pool. To balance this tension, companies must focus on both global branding and local leadership.

FIGURE 5. Talent Alignment Through Delivery and Coordination



Performance management provides an effective example. Most companies in our sample have introduced global performance standards, supported by global leadership competency profiles and performance appraisal systems. However, recognizing the cultural obstacles to Western-style performance evaluations, many also depend on managers in foreign subsidiaries to tailor the processes to local norms. Other, less strategic activities remain totally at the discretion of local management. Such management practices enables the company to build and leverage local talent in a way that remains consistent with local norms but still globally standardized to ensure all parts of the organization attract diverse and sufficient professional talent. At IBM, for example, the performance management system is non-negotiable—it is used worldwide with only minor adaptations. But local operators may adapt policies and practices to local conditions and cultural norms; for example, despite its strong emphasis on diversity, IBM does not have gay and lesbian policies in Asia.

Some evidence indicates governments increasingly demand multinational corporations implement localization programs (Eddy, Hall, & Robinson, 2006), and many companies already recognize the business benefits of being local, such as lower labor costs, a better understanding of local customers and business environments, the ability to promote diversity and a meritocratic global culture, and the means to source talent from a wide range of regions. To recruit and develop local talent, Shell works closely with governments and universities in countries in which its operates to ensure that the countries' engineers, scientists, and managers receive proficient training for possible recruitment. In the future, Shell will rely less on expatriates to staff operations in foreign countries, a choice with substantial cost advantages that also is consistent with Shell's goal of remaining in tune with the local environments in which it operates.

Creating local talent pools, whether composed entirely of locals (selected in accordance with a global leadership competency profile) or of both homegrown and foreign talent, thus emerges as best practice. However, a local talent pool approach likely can be effective only when combined with overseas rotations. International assignments provide locally recruited employees with an international perspective, exposure to the corporate culture, and a network of contacts throughout the organization. They also help locals become more proficient in English. Poor English language skills, lack of experience in big companies, and limited exposure to international business summarize the main reasons many Chinese graduates fail in their first corporate positions (Filou, 2006). The most successful international rotation programs involve short- to medium-term assignments (6–18 months), focus on specific business and development needs, and include retention incentives, such as participation in leadership development schemes or the prospect of increased responsibilities after the local staff members return home (Eddy et al., 2006). However, managing expectations is crucial; many who take foreign assignments expect very swift career progress and may leave the firm if promotions do not materialize.

In China, where demand for talent continues to outpace supply, many companies recruit talented locals working or studying abroad and bring them back to fill key positions.

PriceWaterhouseCoopers, for example, recruits Chinese graduates in the United States and trains them for two or three years before sending them back to China (Filou, 2006). These returnees combine a commitment to their home country, personal initiative, knowledge of the language and culture, and fluency in English, and their contributions thus can be vital in the early stages of localization, before leaders have been developed from within. Although this approach can help companies ease the skill shortage in places like China, supply is limited, and such candidates are relatively expensive to hire. Returnees therefore can be only part of the equation. In addition, multinationals must develop more comprehensive and long-term strategies to sustain a healthy talent pipeline in emerging markets. As the example of Shell illustrates, a successful strategy combines nurturing local talent with broader localization efforts. The result is not only a more harmonious relationship with local stakeholders but also a more committed local workforce (Eddy et al., 2006).

To maintain a consistent brand identity across business units and regions while responding effectively to local demands, the companies in our sample differ considerably in their efforts to resolve this tension. Shell uses one global brand for HR excellence and several global practices or processes for all its businesses. The brand consists of the notion of talent as Shell’s top priority; each business takes that global brand and applies it locally. As we noted previously, Shell has implemented various programs to attract and develop local talent, and local Shell businesses enjoy close ties with leading universities in the countries in which they operate.

A global branding leader, Infosys has taken several steps to increase its name recognition, improve its brand attraction, and fill its talent pipeline by combining global branding activities with efforts in local communities. As a community development effort, Infosys initiated a “Catch them young” program that trains school students for a month; the students then work on a two-month project under the guidance of an “Infoscion.” In rural areas, the program offers computer awareness programs in local languages to dissipate fears of high-tech equipment among schoolchildren. Although not initially directed at recruitment, the program is an effective strategy for enlarging the pool of IT-literate and Infosys-devoted students in India, which eventually may reduce the pressure associated with finding talented software engineers. Infosys’s global internship program InStep also attracts students from the best universities around the world and considers branding its primary goal. In 2005, the program received more than 8,500 applications for 69 internship positions and selected 69 people, representing 22 nationalities, to spend three months at its Bangalore campus. This program aims to increase Infosys’s attractiveness to potential candidates in parts of the world other than India and tap into the worldwide talent pool. Despite these efforts, Infosys’ top management still believes that new and continued initiatives are needed to sustain its healthy talent pipeline.

For some companies, improved brand attraction is simply a welcome side effect of their philanthropic activities. GlaxoSmithKline (GSK), the pharmaceutical giant that has led the way in discount pricing for the poor, offers an excellent case in point. It capitalizes on its “employment brand” and reputation through regular promotions to the press and at key recruitment locations. In a recent interview by INSEAD Dean Frank Brown, CEO Jean-Pierre Garnier stressed the importance of GSK’s philanthropic activities for increasing the attractiveness of the company to potential recruits and providing an inspiring mission to the employees: “GSK is big in philanthropic undertakings.… our scientists, who are often very idealistic, follow this like an adventure. It can make the difference when they have to choose companies—they might pick us because of the effort we make to provide drugs to the greatest number of people regardless of their economic status” (Brown, 2006, p. 21).

Talent Management: Open Questions and Ongoing Debates

This article provides new insights into the challenges involved in managing talent and how global companies address those challenges. However, our study cannot answer several question that should be tackled by further research.

Those unanswered questions include the use of generic versus company-specific leadership competency profiles. IBM, for example, conducted comprehensive research to identify the characteristics that distinguish outstanding business leaders inside its company and thus developed a set of leadership competencies unique to IBM, along with behaviors that demonstrate those competencies at all levels of management, including senior executives. However, many companies use externally benchmarked, off-the-shelf competency profiles. At ABB, the leadership development process begins by building a competency profile of an individual manager, completes a generic leadership competency profile developed by a global executive search firm, and compares this profile with specific job requirements. An individual development plan then attempts to fill in any identified gaps. Research has not yet been able to determine which of these two approaches is more effective.

Another debate in talent management is the use of 360-degree feedback systems, which allow subordinates, peers, superiors, and sometimes even outside business partners to evaluate a manager's performance. The companies in our sample use such reviews, but a growing body of evidence indicates 360-degree feedback may do more harm than good, depending on its implementation (e.g., DeNisi & Kluger, 2000; Peiperl, 2001). Several controversial issues thus remain: Should 360-degree reviews function at all levels of a company or only the most senior levels? Should this tool be used to identify training needs or also as a basis for promotion or compensation decisions? How can firms manage the process to promote personal development, rather than a sense of anxiety? Finally, how should companies adapt their use of 360-degree feedback to different cultural and institutional environments? Despite these many questions and potential drawbacks, companies continue to use this tool quite aggressively—and often for purposes other than those for which 360-degree feedback systems initially were developed.

Finally, the use of forced ranking systems, which require managers to rank employees comparatively and then use those rankings to determine who receives raises, promotions, or, in some instances, pink slips, has become a highly controversial, if still popular, trend. Despite little evidence of the long-term value of forced ranking and the sustained, vehement criticism by prominent management scholars (e.g., Lawler, 2002; Pfeffer & Sutton, 2006), almost half of all U.S. corporations use stacking systems similar to the one pioneered by GE. During the Jack Welch era, GE required managers to divide employees into three groups: a top 20%, a middle 70%, and a bottom 10%. The last group was to be terminated (Welch, 2001). Although GE is trying to inject more flexibility into this process (e.g., it has removed all references to the 20–70–10% split from its online performance management tool and now presents the curve as a set of guidelines), the underlying philosophy of separating stars from slackers remains a deeply ingrained part of its performance-driven culture (McGregor, 2006). Our study finds evidence of forced ranking in many companies, though it is not the norm; rather, the calibration of performance outcomes by central HR and senior management to ensure a fair distribution appears in most of our sample companies. Whether forced ranking systems represent best practice or "folly" (Lawler, 2002, p. 28) remains uncertain, but consistent with the framework in Figure 2, we believe these systems can be effective only if they align closely with other elements of the HR system and the corporate culture. As GE's CEO Jeffrey Immelt points out:

> Unless you are really dedicated to a whole system, it doesn't work. We give feedback, we coach, we invest in training—and we have clear performance goals. People agree on their annual goals and objectives, they know where they stand; and they know we will help them to be the best they can be. If all those things don't exist together, it won't work (Bartlett & McLean, 2006, p. 12).

The foregoing discussion points to an important caveat, ignored in most discussions of talent management best practices: Practices are "best" only in a given context. In other words, what is right for one company may not work for another. This need for alignment—internally across practices, as well as with the strategy, culture, and external environment of the firm—has profound implications for talent management. It also highlights the dangers of what Jeffrey Pfeffer and Robert Sutton (2006) call "casual benchmarking," that is, the mindless mimicry of top performers, without fully understanding why what works for these companies works and why it might not work elsewhere.

Although talent management practices such as those pioneered by GE appear in companies around the world, our research suggests that successful companies do not simply mimic top performers. Most of the companies that we study consider benchmarking a useful tool but remain keenly aware that if they simply copy GE's or IBM's practices (or, for that matter, blindly follow McKinsey's or BCG's recommendations), the best they can hope for is perfect imitation. These companies adapt their talent management practices to their own circumstances and align them closely with their leadership philosophy and value system. Some companies in our sample engage in hardly any benchmarking at all, because they believe the challenges they face and the way they operate are so unique that they require an idiosyncratic approach. IKEA, the world's leading home furnishings retailer, maintains a singularly culture-driven philosophy and therefore takes a distinctive approach to talent management that differs significantly from recognized best practices. However, there can be no doubt that its talent management practices are effective; they allow IKEA to maintain its unique culture while achieving key business goals, such as cost effectiveness, efficiency, and responsiveness to customer needs.

Conclusion

Companies around the world have made talent management a top priority, and therefore, such activities are marked by a relatively high degree of sophistication. Yet, few HR professionals, senior executives, and line managers appear to believe that their organizations have fully solved the talent management puzzle. Our study suggests some effective, and widely underutilized, practices that can help companies attract, select, develop, and retain talent. However, these practices provide a source of sustainable competitive advantage only if they align closely with all elements of the HR system, link to the business strategy, and are embedded in the leadership philosophy and value system of the firm.

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