

Developing tomorrow's leaders: evidence of global talent management in multinational enterprises

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DEVELOPING TOMORROW'S LEADERS - EVIDENCE OF GLOBAL TALENT MANAGEMENT IN MULTINATIONAL ENTERPRISES

ABSTRACT

Organizations are becoming relentless in managing and developing their key talent. This is a view, however, largely based on anecdote rather than reliable empirical evidence. Utilizing data from 260 multinational enterprises (MNEs), this paper helps redress this deficit. Specifically, this paper explores the extent to which MNEs engage in global talent management (GTM) and deciphers some of the factors which may explain the use and non-use of GTM practices. In so doing, we find that although a significant number of MNEs have systems and mechanisms in place to strategically identify and develop their talent many more seemingly adopt an *ad hoc* or haphazard approach. For instance, less than half of all MNEs have both global succession planning and formal management development programs for their high-potentials. Consequently it seems that there is a considerable distance yet to be travelled to arrive at a universal appreciation of the need to strategically manage one's key employees. We find the size of the MNE has a significant effect on GTM system usage – larger MNEs are more likely to undertake GTM. Other significant, positive influences include whether products or services are standardized regionally or globally, and if the MNE has a global human resources policy formation body. Of considerable interest is the finding that MNEs operating in the low tech/low cost sectors are significantly more likely to have formal global systems to identify and develop high-potentials.

Keywords: Global talent management, multinational enterprise, succession planning, management development

INTRODUCTION

Talent management frequently emerges in clichéd terms such as “*talent management: the new silver bullet*” (Oakes, 2006:1) and “*talent management practices can create the most enduring competitive advantages*” (Heinen & O’Neill, 2004: 67). However, the extent to which talent management represents a new and discrete management activity as opposed to the latest human resource management (HRM) exhortation remains largely unknown. Many questions remain, such as how do organizations operationalize talent management, to whom does the term ‘talent’ refer or, how many organizations engage in talent management?

The current global credit crunch and increased unemployment may lessen the import of talent management in its original guise, i.e. owing to talent shortages. We argue that the context has merely changed and that it has never been more important to have talented employees staff the organization’s key strategic positions. Talent management is arguably of greater significance among multinational enterprises (MNEs) for three reasons. First, is the acknowledgement that internationally competent managers represent a key component of global business success (Becker, Fineman & Freedman, 2004; Black & Gregersen, 1999; Scullion, 1994, 2001; Shen & Darby, 2006; Stroh & Caligiuri, 1998). Second, until very recently at least, it has been increasingly difficult to locate and retain suitable managerial talent to manage an organization’s international operations (Gregersen, Morrison & Black, 1998; Scullion, 1994; Scullion & Collings, 2006; Sloan, Hazucha & Van Katwyk, 2003; Suutari, 2002). Allied with increasing numbers of firms internationalizing, as well as the growth of emerging markets (e.g. Central and Eastern Europe and China), the demands for managerial talent are further increasing (Collings, Scullion & Morley, 2007; Scullion, Collings & Gunnigle, 2007). Third, owing to the more demanding skill-set that internationally operating companies require, talent management is more complex in MNEs than in domestic

firms (cf. Guthridge & Komm, 2008). Consequently, the costs of failure are potentially far greater in the global marketplace (Sparrow, Brewster & Harris, 2004).

This paper addresses two key research objectives. First, we explore the extent to which MNEs engage in global talent management. More particularly, we discern the extent to which MNEs have formal global succession planning and management development programs in place for their high-potentials. In addition, we explore the use of a number of developmental mechanisms. Second, we decipher the factors which may explain engagement or not in GTM.

Through informing these objectives, we point to a number of contributions. Most notably, we provide much-needed empirical evidence on a growing research field. Pre-existing research has tended to be based upon anecdotal practitioner/consultancy views and small case study-based investigations (cf. Boussebaa & Morgan, 2008; Brandt & Kull, 2007; CIPD, 2006; Piansoongnern, Anurit & Bunchapattanasakda, 2008; Stahl, Bjorkman, Farndale, Morris, Stiles, Trevor & Wright, 2007; Stiles, Wright, Paauwe, Stahl, Trevor, Farndale, Morris & Bjorkman, 2006). Talent management in the global context is particularly under-researched. For example, Collings, Scullion and Dowling (2009) call for research to explore the approaches taken to international talent management in different types of international organizations and the methods being used by MNEs to co-ordinate their talent conduit globally. This paper contributes to this through the development of a framework of four GTM approaches and an analysis of the extent to which five independent variables explain engagement in GTM. In so doing, this paper sheds light on whether MNEs manage their talent in a coordinated and integrated manner (Sparrow et al., 2004). This will provide a yardstick of the degree to which MNEs are strategically identifying and developing their human talent globally.

WHAT IS TALENT MANAGEMENT?

Researchers differ greatly in their understanding of what constitutes talent management. Creelman (2004) suggests talent management is best regarded as a mindset, whereby talent is at the forefront of organizational success. Cappelli (2008: 74) states it “is simply a matter of anticipating the need for human capital and then setting out a plan to meet it”. Blass (2007: 3) suggests that it refers to “additional management processes and opportunities that are made available to people in the organization who are considered to be talent”. Others (cf. Heinen & O’Neill, 2004; Piansoongnern et al., 2008) propose that it involves integrated HR practices designed to attract and retain the right people in the right jobs at the right time. The clearest inference from these perspectives is that there is nothing clear about talent management (Lewis & Heckman, 2006; Tarique & Schuler, in press).

Global talent management (GTM) is the primary concern here, due to our focus on the multinational sector. There has been some recent work investigating this area, including Collings and Scullion (2007: 102) who define GTM as “the strategic integration of resourcing and development at the international level and involves the proactive identification, development and strategic deployment of high performing and high potential strategic employees on a global scale”. This work ties in with a more recent attempt by the academic community to reduce ambiguity around the subject. A particularly positive contribution is made by Collings and Mellahi (in press: 1; see also Lewis & Heckman, 2006) who urge organizations to:

- 1) systematically identify the key positions within the firm which contribute significantly to sustainable competitive advantage
- 2) Develop a talent pool of high potential and high performing people to fill these positions

- 3) Develop a differentiated human resource architecture to facilitate filling these positions with competent incumbents.

These are critical points which we draw on here in conjunction with the HR architecture literature (see Lepak & Snell, 1999; 2002) and lends itself as a theoretical backdrop to this paper.

TALENT MANAGEMENT AND THE HR ARCHITECTURE LITERATURE

Lepak and Snell (1999) draw on the resource base view, human capital theory and transaction cost economics to examine the characteristics of human capital. In so doing, they suggest four employment categories and a HR architecture surrounding each. They argue that employees possess different skills which will have varying impacts on deriving competitive advantage. Consequently the HR practices used to manage these employees should vary. More specifically, they identify four quadrants of human capital characteristics, based on strategic value and uniqueness, and complimentary employment modes (Lepak & Snell, 1999, 2002). We contend that these characterizations offer legitimacy towards the development of talent management as a research field. A major issue behind talent management has been confusion surrounding what actually constitutes 'talent'. Every employee does, in theory, contribute to organizational performance and every worker may need a certain level of training and development to be productive. Whilst the 'everybody counts' mantra is both appealing and admirable, if this is what talent management means then defining the term may be akin to the 'emperor's new clothes'; that is, giving an existing concept (employee development) a new name (Warren, 2006). Such a view is perhaps too simplistic in that it ignores the existence of different categories of employees that possess differing skills and capabilities and varying degrees of value to the organization (Lepak & Snell, 1999).

The first quadrant is *internal development or knowledge-based employment*. This refers to the firm's core employees as a result of their contribution to corporate objectives. For instance, they may refer to employees "who use their heads more than their hands to produce value" (Horibe, 1999: xi). These types of employees are more likely to be developed internally due to their value. It is employees within this quadrant which we argue lie at the heart of talent management. We posit that within this quadrant there can be a number of groups of staff that might be classified as talent. First, 'talent' may include specialist functional staff (cf. CIPD, 2006; Heinen & O'Neill, 2004). These may be identified as critical to the firm's organizational learning and core competence by virtue of the particular knowledge or skills they possess. Elsewhere, these individuals have been designated as part of the 'key group' (see Lavelle, McDonnell & Gunnigle, 2009; Edwards, Edwards, Ferner, Marginson & Tregaskis, 2007; McDonnell, 2008). These may range from analysts to client executives to chemists to research and development (R&D) staff.

The second group, which we focus on, are high-potential employees viewed as the next generation of organizational leaders (CIPD, 2006; Collings & Mellahi, in press; Stahl et al., 2007; Stiles et al., 2006). The argument that emerges here is that in many organizations there are a small number of high-potential, exceptional performing individuals who will in time move into key strategic roles that will determine the success, or failure, of the firm. They are believed to offer high value-added competencies and consequently hold great resonance with the knowledge-based segment. They satisfy the uniqueness element of this quadrant as a result of the growing recognition that global business success depends on the quality of the managerial talent within the MNE and that organizations are increasingly reporting shortages of such talent (Black, Morrison & Gregersen, 2000; Evans, Pucik & Barsoux, 2002; Scullion, 2001; Stroh & Caligiuri, 1998).

The remaining quadrants are less relevant to talent management although the second quadrant - *acquisition or job-based employment* - may be an exception because here human capital possesses considerable strategic importance but is more limited in uniqueness compared to the first quadrant. The primary distinction being that the skills in which these employees possess are more widely transferable. The third segment - *contractual work* - refers to employees of little strategic value or uniqueness. Consequently, these employees are those most likely to be outsourced. Finally, *alliances/partnerships* is the segment involving unique human capital but in which their strategic value and input may not merit internal employment. The example of legal consultants is provided whereby they are often used by firms to provide long-term services without ever employing these internally.

GLOBAL TALENT MANAGEMENT OPERATIONALIZED

Lepak and Snell (1999, 2002) argue that the HR configurations for each of these quadrants are likely to vary with the most important (i.e. *knowledge-based employment*) likely to receive the heaviest investment in training and development (T&D). The investment made is likely to decrease as one moves through the different employment segments heretofore outlined. Thus, those in the *contracting segment* are likely to receive minimal investment because their skills are easily purchased on the external labour market.

The talent management literature has thus far failed to achieve consensus on what an organization might do to effectively manage its talent. For example, does talent management involve succession planning, performance management and particular development activities? There has been a failure to truly understand what a 'differentiated human resources architecture' involves in terms of identifying and developing the organization's talent. However, there are a number of recurring ideas of what should be included in a talent management system. For instance, McCauley and Wakefield (2006: 4) note that talent

management involves workforce planning, talent gap analysis, recruiting, staffing, education and development, retention, talent reviews, succession planning, and evaluation. Similarly, Stahl *et al.* (2007) depict talent management as encompassing three sets of practices, 1) recruitment, staffing and succession planning, 2) training and development, 3) retention management.

It has been suggested that the aforementioned activities are increasingly an area of global focus (Sparrow, 2007; Sparrow et al., 2004; Stahl et al., 2007; Stiles et al., 2006). This is unsurprising considering that MNEs are finding it increasingly difficult to locate internationally competent managers, indicated by the following quote.

Multinational companies are especially concerned with how they will assure themselves of future leaders capable of understanding and managing complex operations flung across the world and serving diverse markets, so they have developed competence models to describe what those leaders will need to be able to do, and talent review, succession planning, and executive development programs to maintain the supply

Becker *et al.*, 2004: 2

Resultant from the greater diversity of markets MNEs now operate in, new technologies, and increased emphasis on innovation, the old expatriate model (primarily using parent country nationals [PCNs]) is no longer sufficient due to talent shortages and the view that organizations need to move away from an ethnocentric, headquarters mindset (Roberts, Kossek & Ozeki, 1998). Talent is now far more mobile with competition for talent between employers shifting from national to regional and global levels (Sparrow et al., 2004) with learning transfer increasingly important (McDonnell, Gunnigle & Lavelle, in press). In addition, gaining economies of scale are becoming ever more important (Sparrow et al., 2004) with much benefit to be had in developing T&D activities from common organization processes and practices. The case for this is stronger in terms of non-technical aspects such as

management and leadership development (Briscoe, Schuler & Claus, 2008). For such reasons we suggest MNEs are looking at global talent management systems. In addition, undertaking talent management locally is likely to lead to a silo mentality with subsidiaries working too much towards their own agendas rather than that of the parent company.

Utilizing the rationale under the HR architecture literature, it would be expected that the most talented, important employees (i.e. high-potentials) will receive considerable organizational attention. Consequently, MNEs that view GTM as a critical activity can be expected to undertake formal succession planning and have a formal development program for their high-potentials. Succession planning represents “a deliberate and systematic effort by an organization to ensure leadership continuity in key positions” (Rothwell, 1994: 6). It is a formal development program attempting to develop managerial competence leading to improved corporate performance and profit. We argue that MNEs with both of these systems demonstrate a more strategic approach to the management of talent than firms that do not. In addition, we view undertaking effective performance management as another key aspect of a successful GTM system. With respect to development, we suggest that it is likely to find MNEs developing their high-potentials’ cross-cultural awareness, language capabilities and global management competencies (Briscoe et al., 2008). This may involve the provision of international experience as one of the best means of building global management competencies (Gregersen et al., 1998). No longer does this solely refer to the use of PCNs but rather it embraces talented employees from across the worldwide organization (see McDonnell, 2008). Through seconding managers from one subsidiary to another including the parent country headquarters, MNEs are developing global networks and relationships, as well as establishing a common corporate culture amongst management from the firm’s global operations, improving general management skills and their high-potentials’ knowledge of different international markets (cf. Stahl & Cerdin, 2004).

EXPLAINING VARIATION

It has been suggested that MNEs of all types, nationalities and operating across all industrial sectors are acutely aware of the need to manage talent effectively (Woolridge, 2006). This is largely due to the considerable level of commonality experienced by firms regarding external environment factors impacting on talent management (Tansley, Turner & Foster, 2007). Stahl *et al.* (2007: 10) identify a number of reasons why MNEs are adopting more common approaches to managing high-potentials. First, talent management tends to be associated with supposed best practice organizations. Thus, other firms may seek to imitate these processes. Second, MNEs are competing with one another as well as with indigenous firms for the same talent. Third, there is a greater focus on global integration resulting in greater standardization of recruitment and development practices.

The limited existing empirical work has tended to ignore the impact of contextual factors on GTM practices. There are a range of factors that may influence the use or non-use of GTM practices which this paper explores. Specifically, we investigate the usefulness of five independent variables derived from existing research. These do not represent an exhaustive list but reflect an attempt to develop a model explaining engagement in GTM in MNEs. Country of origin has a long pedigree in the extant literature as explaining divergent HRM practices in MNEs (see Ferner, 1997). In essence, the argument is that national institutional contexts (e.g. governance systems, training and development systems) play a major role in determining the strategies and structures of organizations (Almond & Ferner, 2006; Morgan, 2001). Consequently, differences in management approaches may be expected according to the nationality of the MNE. U.S. MNEs may be expected to be the most formalized and indigenous MNEs the least due to their relatively late internationalization and high numbers in low-value sectors (see McDonnell, 2008).

Sector may also be expected to emerge as a significant explanatory factor as studies have indicated that T&D activities may be sector-specific (Tregaskis, Heraty & Morley, 2001). The suggestion is that “the war for talent is at its fiercest in high-tech industries” (Economist, 2006: 2). Thus we may expect the more knowledge-intensive, high-tech sectors to be more likely to have formalized GTM practices.

Employment size may also be expected to be significant. Previous research indicates that utilization of formal HR and T&D systems is positively associated with employment growth (cf. Speth & Doeringer, 2006; Tregaskis et al., 2001). As a result, we suggest that global talent management will be more likely to take place in the largest MNEs.

The extent to which products or services are standardized or differentiated may also represent an important contextual factor. More particularly, where global product/service standardization exists, it is likely that management functions, such as HR, logistics, purchasing, and logically talent management may be standardized globally (Edwards et al., 2007). Consequently, we suggest that GTM will be more common where there is regional/global standardization.

The final predictor variable used is the presence of a global HR policy formation body. This refers to the existence of a committee in the worldwide company that develops HR policy which apply across borders. The way HR is organized globally can be expected to play a significant role in the provision of organizational capabilities (Ferner, Edwards, Edwards, Marginson & Tregaskis, 2007). Previously, Marginson, Armstrong, Edwards and Purcell (1995) found that MNEs with this type of body were more committed to the development of

internationally competent managers. Thus, the existence of such a body in MNEs is likely to be associated with greater emphasis on formal GTM.

THE RESEARCH CONTEXT

MNEs have played a crucial role in Ireland's recent economic prosperity, although the current global financial crisis has severely tempered the country's economic vitality. The level of foreign direct investment (FDI) in Ireland, relative to the size of the economy, remains one of the highest in the world. It was the largest net recipient of FDI in the OECD in the period 1993-2003, recording a cumulative balance of inflows over outflows of \$71 billion and making it the world's 11th largest recipient of inward FDI.¹ *IDA Ireland*, the state agency primarily charged with attracting FDI, notes the presence of over 970 foreign firms, employing more than 135,000 (IDA Ireland, 2008). The US is by considerable distance the largest source of FDI, with the US corporate investment position in Ireland in 2006 larger than its combined investment into Brazil, Russia, India and China (Hamilton & Quinlan, 2008).

A less heralded contemporary development is the surge in outward FDI. Currently the scale of inward investment is more than rivaled by outward investment from indigenous owned MNEs. Indeed, outflows have grown more sharply than inflows in recent times, making Ireland a net exporter of FDI (Barry, Gorg & McDowell, 2003; Everett, 2006). Cluster analysis of recent FDI figures places Ireland among the group of countries with the second-largest level of FDI outflows (UNCTAD, 2008). As a result of the large numbers of MNEs operating there, Ireland represents a potentially fruitful location in which to study GTM.

RESEARCH METHODOLOGY

¹ Figures compiled in 2007 from OECD International Direct Investment Statistics, <http://www.oecd.org>.

Numerous studies have been conducted on the HR activities of MNEs, with the Irish context being no different. However the representativeness of many of these studies is questionable. For example, Irish studies tend to neglect indigenous owned MNEs and the non-grant aided service sector, such as retail and wholesale. This study addressed this empirical deficit, through, first, the development of a comprehensive listing of all MNEs in Ireland and, second, the administration of a detailed survey to a representative sample². For the purpose of this study, two MNE definitions were utilized:

- **Indigenous owned MNE:** All wholly or majority Irish owned organizations with 500 or more employees worldwide and at least 100 employed abroad.
- **Foreign owned MNE:** All wholly or majority foreign owned organizations operating in Ireland, with 500 or more employees worldwide and 100 or more employed in their Irish operations.

The first stage identified a population of 491 foreign owned and 72 Irish owned MNEs - a combined total of 563 MNEs. A sample of 423 companies was selected with the excluded firms (i.e. the difference between the total population and the sample) primarily U.S. MNEs. This was because U.S. MNEs account for the great majority of MNEs in Ireland. Of this sample, 46 companies had to be subsequently removed due to a) ceasing operations, b) not meeting the selection criteria or c) double-counting. This reflects the decision to include any MNE where there remained some doubt on whether they met the criteria. Consequently, an additional 37 companies had to be added from the residual population to compensate for these losses. This meant that the total valid sample of MNEs for the fieldwork was 414.

² For a detailed account of how the population database was constructed and a more detailed exposition of the methodology employed, see McDonnell, Lavelle, Gunnigle and Collings (2007).

The survey involved the use of a structured questionnaire which considered five core areas – the HR function, pay and performance management, employee representation and consultation, employee involvement and communication, and training, development and organizational learning (see Lavelle et al., 2009 for overall results). Dichotomous, multiple choice, list, ranking and quantity styled questions were used along with a small number of open-ended questions. Some qualitative comments were also collected during interviews. These arose where the participant provided additional information outside of the structured questions asked. These comments were volunteered and may not be representative of the opinion of the total population.

The survey was administered through structured personal interviews with the most senior HR practitioner able to answer for all of the Irish operations. This invariably tended to be the HR Director/Manager. The interview approach was adopted for two main reasons. Firstly, it was believed that it may lead to a higher response rate (Baruch & Holtom, 2008). Secondly, this approach has also been lauded for its ability to reduce the amount of missing data (McKnight, McKnight, Sidani & Figueredo, 2007). The fieldwork took 9 months from June 2006 to February 2007. This yielded 260 questionnaires (213 foreign and 47 indigenous MNEs), a response rate of 63 per cent. Data were inserted into the statistical package SPSS version 15 which was used for the subsequent analysis.

Global Talent Management Approaches and Model Suitability Tests

We developed four approaches (dependent variables) for GTM which we subsequently empirically tested for variation with the five independent variables detailed earlier. This model is depicted in Figure 1. This offers a holistic understanding of the factors influencing organizations' choices to engage in GTM. The first approach explores the use of global succession planning, while the second looks at the existence of a formal global development

program for high-potentials. Third, we use a three-way measure which identifies MNEs with both global succession planning and formal talent development, those that use one and those that fail to utilize either. Finally, we look at the number of developmental mechanisms employed. Our contention is that MNEs which utilize these are better prepared to meet their future talent requirements³.

Insert Figure 1 here

Prior to delving into the results, we examined whether the aforementioned approaches provide correct estimates of the coefficients attributed to each independent variable. We tested for collinearity between any of the independent variables to assess whether the variables provide truly independent measurements within each model. One collinearity diagnostic, the condition index, tests for associations between all of the variables in a given model. As a rule of thumb, if any condition index offers a number above 15, there is a possibility of a problem⁴. In none of the models did the condition index reach 15, let alone 30. Additionally, the tolerance of each variable was tested. This involved regressing any given independent variable on all the other independent variables in the data. The general rule is that a tolerance of less than 0.200 presents a problem. In this case, the lowest tolerance of any variable was 0.902, indicating no known collinearity issues.

The results of each regression indicate that each overall model is highly suitable. With respect to the logistic regressions, the non-significance of the Hosmer and Lemeshow Test (generally considered a more robust measurement of model fit for logistic regressions than a traditional

³ Earlier we noted the importance of performance management for a GTM system. Unfortunately our data did not allow us to integrate this into our model of analysis.

⁴ Belsley, Edwin and Welsch (1980: 157) do not mention one particular cut-off number but maintain that “15 or 30 seems a good start”. Belsley (1991: 38) later notes that cut-off choice is “something of an art form”. It has, however, become common to use a low number of 15 and a high of 30 (see, for instance, van Vuuren, de Jong & Seydel, 2007).

chi-square test) and the Nagelkerke R^2 demonstrate a relatively well-fitting model. Both ordinal regression models also show adequate overall fit with the data. In particular, we point to the significant model chi-square values and non-significant goodness-of-fit values along with the R-square estimates. Additionally, the test of parallel lines was not violated meaning that the location parameters are equivalent across the levels of the dependent variable. Detail on the specific dependent and independent variables is provided in Table 1.

Insert Table 1 here

FINDINGS

Descriptives

Global succession planning is found to be the most commonly used approach with almost six in ten MNEs indicating the Irish operations are covered. A further six per cent have local succession planning (i.e. a system that was devised by local Irish management and which covers the Irish operations), while 35 per cent are without formal succession planning. This indicates that MNEs are less likely to have formal succession planning systems, but more likely to have a local system. This suggests that succession planning tends to be a corporate-driven global process. Some respondents also implied they operated an informal approach:

We don't have a specific, formalized succession planning system in place however we do it informally in that senior management do look at employees who they view as being of future management potential however this process is by no means formal

HR Director, Irish owned services MNE.

U.S. owned MNEs are the most likely to undertake global succession planning (67 per cent) followed by the rest of Europe category (62 per cent). German and Irish owned MNEs

are least likely. In terms of sector, traditional manufacturing MNEs have the highest levels of global succession planning (68 per cent), followed by MNEs operating in retail, hotels and distribution (67 per cent). Just over half (51 per cent) of all MNEs in high-tech manufacturing have a global system, the lowest level of utilization bar those categorized as ‘other’.

Similar results are found with respect to formal global management development programs. Slightly less indicated they had global programs (56 per cent), while a larger number signified the Irish operations had a formal local program in place (14 per cent). This means three in ten MNEs in Ireland are without a formal program for developing high-potentials. U.S. MNEs are again most likely to have a formal global management development program (64 per cent). Slightly different results are found with respect to sector. Here, retail, distribution, catering and hotel sector MNEs provide the highest indicators of formal global management development programs (66 per cent) with high-tech manufacturing the least likely (44 per cent).

We now turn to our findings on the numbers of MNEs with both global succession planning and a formal management development program for their high-potentials, a measure which we suggest provides a greater indicator of whether MNEs are making a strategic move to manage and develop their global talent. We term this our ‘global talent management’ measure.

The data in Figure 2 shows that 46 per cent of MNEs have both practices with a further 24 per cent having one of them. Consequently, almost one third of all MNEs (30 per cent) do not undertake either formal global succession planning or global high-potential development. U.S. MNEs are the most likely (54 per cent) to indicate the presence of both global practices, followed by European firms (47.5 per cent). German and Irish owned MNEs are the most

likely to indicate the use of neither system. The results also show it is the service sector of retail, distribution, hotels and catering which is the most likely to have both global practices (60 per cent).

Insert figure 2 here

The most common development mechanism used is traditional qualifications programs with almost nine in ten MNEs reporting their use for high-potentials⁵. This is followed by assessing performance against global management competencies (78 per cent), formal global management training (76 per cent), short-term (74 per cent) and long-term (65 per cent) international assignments. Forty-four per cent use all five mechanisms, 37 per cent use three or four of them while the remaining 19 per cent use two or less. Widespread variation exists with respect to how extensively MNEs use each mechanism⁶. The assessment of performance against global management competencies is the most extensively used (52 per cent indicated they used it quite or very extensively) followed by qualifications programs (36 per cent report quite/very extensive use) and formal global management training (27 per cent use quite/very extensively). There is relatively minor use of international assignments with only 12 per cent of MNEs using long term assignments extensively, the corresponding figure for short-term assignments being 16 per cent.

While these results provide rich descriptive evidence of what MNEs are actually doing in practice, we now undertake regression analysis to explain the effect, if any, of a number of predictor variables on the engagement in these GTM measures.

Statistical Analysis

⁵ Only MNEs that indicated the presence of a formal development program were asked this question.

⁶ This question involved a five point scale regarding how extensive each mechanism is used for high-potential development.

Global Succession Planning

Table 2 shows the logistic regression outcomes for our global succession planning and global management development models. Here, we find that no country of origin is different from the U.S. reference point. However, size proves important, with all three categories of worldwide employment significantly influencing the companies' decisions to use a global succession plan. Large firms (> 60,000) are far more likely than small companies to use such a plan, with an odds ratio of 13.299 ($p < .01$). Firms with 5,000 to 29,999 employees worldwide are twice as likely than small firms to use a global plan ($p < .10$), with companies of 30,000 to 59,999 employees almost five times more likely to have a global plan ($p < .01$). Sector proved somewhat meaningful with high-tech manufacturing companies less likely ($p < .10$) than traditional manufacturing firms to use a global plan, as are those in the "other" category ($p < .05$). Global/regional product standardization is also a strong contributor to company's incorporating a global succession plan into its Irish operations, with those firms twice as likely to have a global succession plan compared to national product standardization ($p < .05$). Finally, the use of a global HR policy formation body proves important, with companies using this HR forum almost four times more likely to engage in global succession planning as those not employing such a body ($p < .01$).

Insert table 2 here

Global Management Development

Country of origin proved somewhat meaningful here. Specifically, UK MNEs are far less likely ($p < .05$) than U.S. firms to indicate a global development program for high-potentials. Firm size again proved highly significant. Companies with 5,000 to 29,999 workers are almost twice as likely to engage in global management development ($p < .10$), while organizations

with 30,000 to 59,999 employees are over three times as likely ($p < .05$) than the reference group. The largest companies are almost five times more likely to use this approach ($p < .01$). As with succession planning, sector mattered somewhat. High-tech manufacturing once again emerges as less likely than traditional manufacturing (reference) to use global management development ($p < .05$). Global/regional product standardization did not display a significant influence, while the existence of a HR policy formation body was again positive and significant ($p < .01$).

Global Talent Management

This approach combines the first two dependent variables, to test the factors influencing companies that have neither global practice, one of these practices or both (global succession planning and global management development) (see Table 3). All of the predictor variables had at least one significant factor. For country of origin, the UK was significant and negative when compared to the U.S. ($p < .05$), demonstrating that UK firms are less likely to use both global practices. Size again proved significant indicating that larger firms are much more likely to have both global practices. Sector also emerged as influential, with high-tech manufacturing firms less likely to implement both global practices than traditional manufacturing ($p < .01$). Additionally, global/regional product standardization and the existence of a HR policy formation body both proved significant ($p < .05$ for product standardization; $p < .01$ for HR policy body). Both were also positive, indicating that each factor meaningfully influenced a firm's choice to undertake GTM.

Insert table 3 here

Global Talent Development

Our final ordinal regression explores the number of development mechanisms (i.e. short and long term international assignments, formal global management training, assessing performance against global management competencies and formal qualifications) used for high-potentials. Two of the predictor variables prove meaningful. Consistent with the other regression analyses, we find the existence of a global HR policy formation body to positively influence the greater use of development mechanisms ($p < .01$). The only other significant factor is worldwide employment where the larger the organization the more likely they are to utilize greater numbers of developmental mechanisms ($p < .05$).

DISCUSSION AND CONCLUSIONS

This paper has explored the extent to which MNEs use of a number of practices which have been construed to incorporate GTM. In addition, we have also analyzed some of the factors which may explain the use of these measures. In one of the few studies on GTM, Stahl and colleagues (2007) suggest there are a number of practices (e.g., succession planning, leadership development, and performance management) which, if utilized effectively, can assist organizations in identifying, developing and retaining key human capital. They also suggest that there is a global convergence emerging in talent management. Overall, mixed results emerged with respect to our GTM measures. Almost six in ten MNEs indicated the use of global succession planning, whilst there were also a number of MNEs that indicated it was a process conducted informally. However, one must wonder the efficacy of an informal system. Is it possible for such organizations to identify and make proper use of key talent throughout their operations? The potential drawback of not having a formal system is highlighted through the following quote.

One of our major concerns is the lack of succession planning. We have made a very conscious decision to look at putting a formal system in place as many of our

directors who were involved in the set up of the company are now getting old and we do not have natural successors to them. This is an issue.

HR Director, Irish owned services MNE.

Similarly high numbers indicated the use of a formal global high-potential development program. Interestingly, the results show that more MNEs are formalized in terms of having a global development program compared to succession planning. This suggests that some firms are not strategic in identifying employees they put on development programs which may mean resources are not being allocated to the best performing, highest potential employees.

Our more holistic measure of engagement in GTM (MNEs with both global succession planning and global management development) showed only 46 per cent with both practices. Three in ten MNEs had neither. We argue these firms are in the worst position in terms of knowing where their talent is located and making best use of it. The traditional development mechanism of sending people on qualification programs remains strong with almost nine in ten MNEs doing so. However the assessment of performance against global management competencies, when used, is the most extensively utilized within firms. The least common mechanisms and the least extensively used were international assignments. This is consistent with recent evidence that international assignments and particularly long-term ones are being used less for development purposes due to issues including *inter alia*, cost pressures and the falling supply of suitable candidates (cf. Collings et al., 2007). More than eight in ten MNEs indicate a multi-method approach to high-potentials development in that they use three or more of the mechanisms explored in this study.

Turning to the explanation of differences in GTM in MNEs, three factors emerge as significant across most of our measures. First, the larger the MNE in terms of worldwide

employment, the more likely they are to have the various systems and also use greater numbers of the development mechanisms. This corroborates work by Speth and Doeringer (2006) in China, who found a stronger move towards talent management by larger organizations. Furthermore, these results correlate with broader research on HRM practices in MNEs which have tended to show that the larger the firm, the more likely it is to have formal systems and practices. This is in no small part attributable to the greater resources available to larger firms (Tregaskis et al., 2001). Second, we found the usage of a global HR policy formation committee to positively influence engagement in GTM. Although only a sparse literature discusses HR policy formation bodies, there is evidence to indicate greater utilization of such bodies (Taylor, 2006; Tregaskis, Glover & Ferner, 2005). It has been suggested that the presence of such global bodies may indicate a view within the MNE about the value managers from different country operations can bring to the table (Marginson et al., 1995). Thus it may be an indication of a wider view that there are talented employees across the firm's global network and these committees may aid their identification. Strong evidence also emerges regarding the extent to which the MNEs' most important products or services are standardized along national or regional/global lines. This is in line with previous research showing global succession planning being more common when there is regional or global product/service standardization (cf. Marginson et al., 1995).

Country of origin fails to emerge as particularly influential, with our only significant finding being that UK firms are less likely (U.S. = reference category) to undertake GTM (specifically in regard to our global management development and our combined GTM measure). UK firms have been classified as one of the lowest investors in management development (Mabey & Ramirez, 2004) and our findings may in part reflect a transfer of such a pattern. The lack of a significant difference with indigenous MNEs is somewhat surprising as Irish MNEs tend to be late internationalizers (cf. McDonnell, 2008; Monks, Scullion &

Creaner, 2001). Consequently, it had been expected that they may not have as formalized systems as their more mature counterparts. A possible reason behind the lack of statistical significance may be that it is a home/headquarter response in the case of indigenous owned MNEs. Further, it may be that due to their late internationalization; ‘catching up’ with the competition was vital and they may have heeded and essentially mimicked the ‘best’ practices and policies of their more established foreign counterparts.

Although no significant effect emerges in relation to the utilization of development mechanisms and sector, our findings demonstrate that high-tech manufacturing MNEs are less likely to have formal GTM systems (reference: traditional manufacturing). When you look at the descriptive results, it emerges that these MNEs are some way off those in other sectors in terms of their use. For example, retail, catering, hotel and distribution sector firms are considerably more likely to have these global practices in place. It may be possible that low-tech, low-value manufacturing and service sector MNEs utilize these global practices for cost-related reasons. Firms may view global standardization of systems as a means of achieving economies of scale. Essentially, there may be a model in the low-tech/low-cost sector which is quite uniform; consider, for example, international fast food chains or deep discount retailers. These organizations are likely to have a relatively small group of personnel highly trained in how to replicate this ‘one-size-fits-all’ model across international contexts. This may be particularly true if a company is not selling a better quality product than found in the local economy, but rather is making profit based off its model of operations and brand recognition. In low-tech sectors, it is also likely that product quality will not differ substantially so the ability of the organization’s managers to implement a model that garners profits without necessarily offering a better product to the consumer is paramount (see Boudreau, Ramstad & Dowling, 2003: 73 for further argument on importance of GTM in the retail sector, e.g. *Wal-Mart*). Consequently, firms in these lower technology/cost sectors may require strong talent

management systems on an international level. A further consideration is that MNEs, particularly the more high-tech/knowledge-intensive firms, may operate across more than one sector. For example, a pharmaceutical company may have a manufacturing operation as well as a contact centre (service) operation. The reasoning behind the high level of formalization of GTM in what are traditionally termed low-cost/value sectors is particularly worthy of further investigation which may suit a more in-depth qualitative research agenda.

Overall, these findings question the view that GTM is a universally pressing concern among all MNEs. Though we find evidence of a relatively large number of organizations strategically identifying and developing their high-potentials, there are many more which are doing little or nothing in this sphere, while others adopt quite an *ad hoc* approach.

In considering these results, it is important to note some limitations from this study. Firstly, our findings focus on a relatively small number of talent management practices. Talent management can and, arguably, should involve a number of other practices including performance management. This study involved a survey of a broad range of HR areas and thus we were unable to focus more particularly on talent management. Future studies may adopt a more comprehensive research agenda in regard to a more in-depth GTM system. Secondly, we are unable to show the extent to which these practices are coordinated, integrated and linked to the business strategy which are critical to an effective talent management system (cf. Boudreau et al., 2003; Sloan et al., 2003; Stahl et al., 2007). Thirdly, this paper is unable to demonstrate the effectiveness of these practices in MNEs. Thus, while we suggest MNEs with both succession planning and management development and which are utilizing a number of development mechanisms are better placed than firms which are not, this is based on logical reasoning rather than observable data. Fourthly, we wish to note that organizational talent may comprise of more than senior management potential. For example, key technical employees

may legitimately be classified as talent in some organizations. Further, talent is likely to be dynamic in that it may change over time with respect to changing organizational priorities. Finally, this paper explicated the effect of five independent variables with regards to talent management in MNEs. Whilst these proved to be useful explanatory factors, there are likely to be other significant variables (e.g., subsidiary position in the corporate value chain) worthy of analysis.

Managerial Relevance

We conclude by considering some implications and providing some recommendations for management practitioners. The over-arching benefit of this paper is it allows management to benchmark their own organisation's practices against other MNEs. The results show that whilst GTM has achieved considerable credence among a significant number of MNEs, it is some way from universal application. Despite the impact of the global financial crisis it seems that talent shortages will continue for the foreseeable future, hence organizations should not become complacent about this issue. Organizations that do not have systems to identify, develop and effectively manage their talent right across their span of global operations are likely to be at a distinct disadvantage compared to those with well developed systems. This study suggests global succession planning and management development programmes are quite prevalent. We suggest that through these systems organizations are likely to be better placed to identify the areas where the organization may or not have the required numbers and calibre of employees with the potential to move into higher positions. This will allow management analyze whether there are employees in the internal labor market capable of being developed into these roles or whether the organization will need to look at 'buying in' these skills from the external labor market.

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Figure 1: Global Talent Management Model

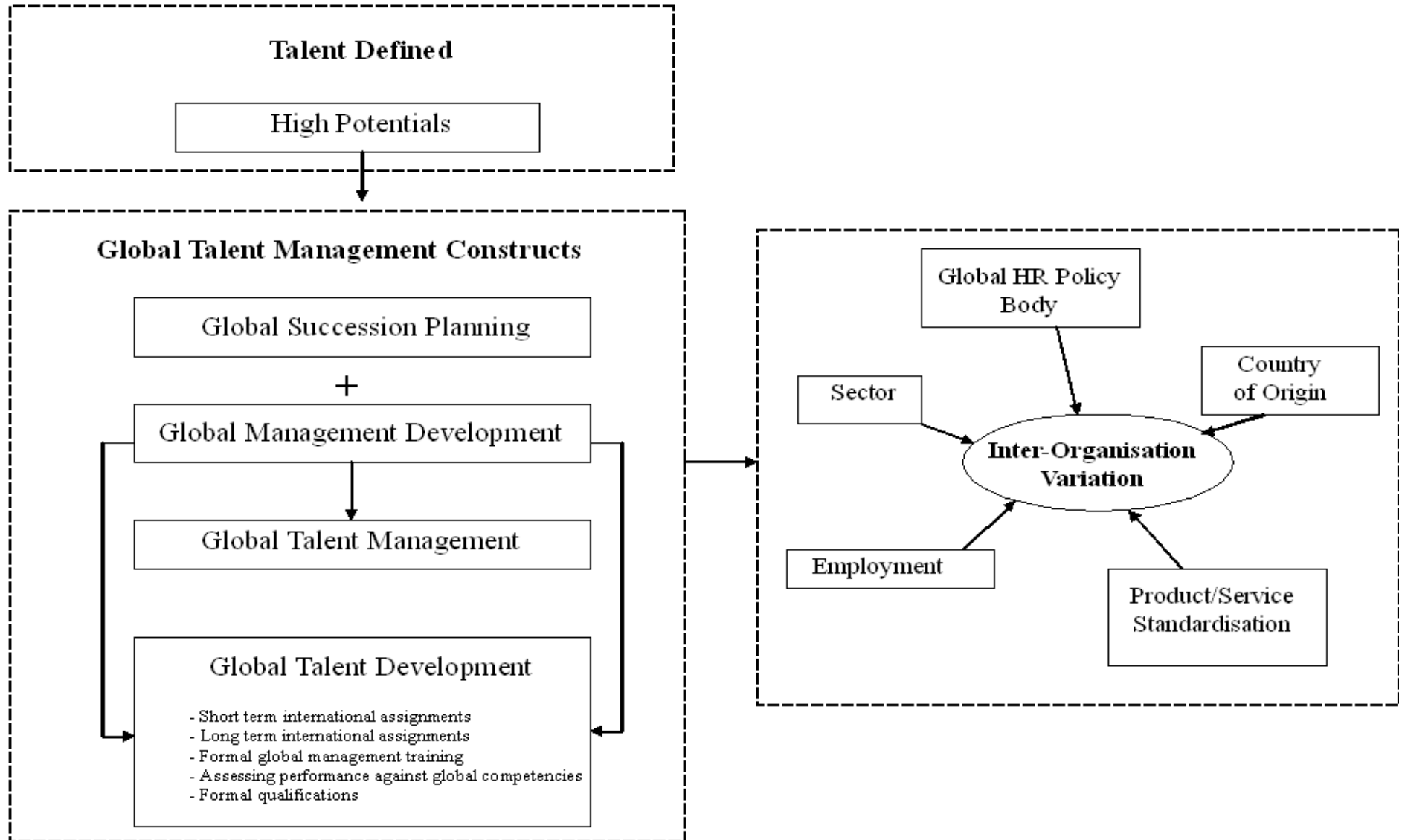


Table 1: Dependent and Independent Variables

<i>Dependent Variables</i>	Description
<i>Global succession planning</i>	Is there a global succession planning system for high-potentials covering the Irish operations? Yes (n=148); No (n=104).
<i>Global management development</i>	Is there a global management development program for high-potentials covering the Irish operations? Yes (n=137); No (n=108).
<i>Global talent management</i>	Is there both a global succession planning system and formal management development program for high-potentials covering the Irish operations? Yes (n=111); Either global succession planning or management development (n=57); Neither system (n=73).
<i>Global talent development</i>	This variable counts the number of mechanisms being used by MNEs. The mechanisms are short and long term international assignments, formal global management training, performance assessment against global management competencies and external qualifications. Three categories are incorporated; those that use all five mechanisms (n=80), those using three to four mechanisms (n=67) and those using two or less (n=34).
<i>Independent Variables</i>	Description
<i>Country of origin</i>	US (n=101); UK (n=35); Germany (n=19); Ireland (n=47); Rest of Europe (n=44); Rest of World (n=14). Due to small cell sizes and the disparate countries involved – rest of the world MNEs are not utilized in the regression models.
<i>Sector</i>	Dominant sectors of activity of the MNEs in Ireland. Traditional manufacturing (n=38); High tech manufacturing (n=82); Financial & business services (n=79); Retail, wholesale, distribution, hotels & catering (n=40); Other (n=21).
<i>Worldwide employment</i>	Employment of the ultimate controlling company. Less than 4999 (n=80); 5000 – 29999 (n=88); 30000 – 59999 (n=34); 60000+ employees (n=58).
<i>Product/service standardization</i>	Measures the level of product/service standardization in the worldwide company. National standardization (n=80) signifies the worldwide company's most important product or service is adapted significantly to national markets. Regional/global standardization (n=167) signifies the most important product or service is adapted to different regions of the world but standardized within them or standardized globally.
<i>Global HR policy formation body</i>	Measures the existence of a HR policy formation body that develops global policies for the worldwide company. Yes (n=150); No (n=108).

Figure 2: Incidence of Global Talent Management Systems

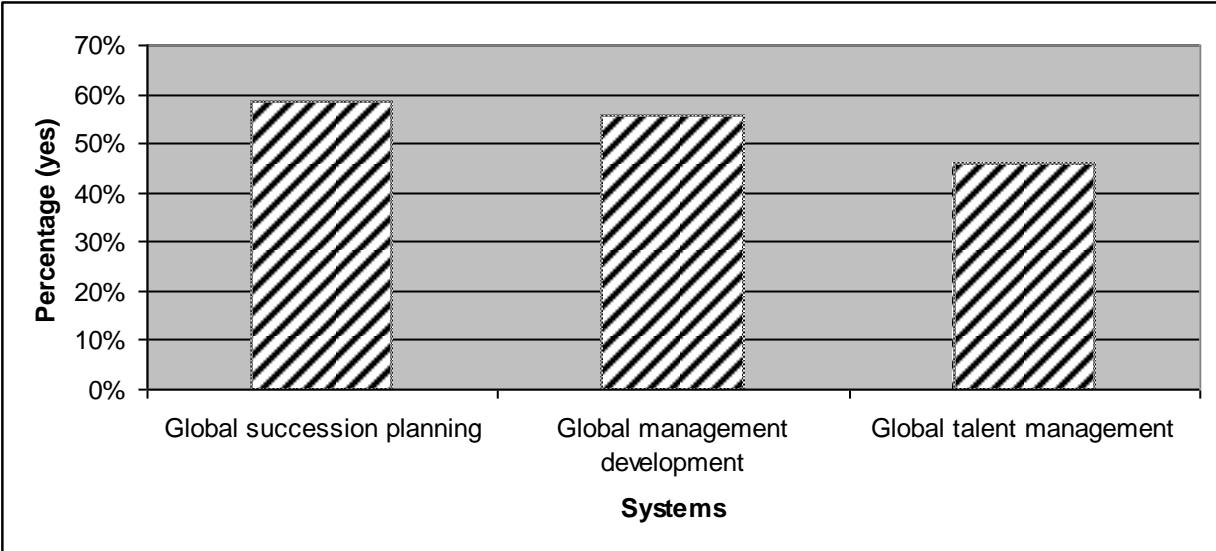


Table 2: Logistic Regression Models

Variable	Global Succession Planning Model			Global Management Development Model		
	<i>B</i>	<i>S.E.</i>	<i>Odds Ratio</i>	<i>B</i>	<i>S.E.</i>	<i>Odds Ratio</i>
<i>Country of origin</i>						
UK	-.633	.541	.531	-1.163**	.526	.312
Ireland	.247	.542	1.280	-.645	.543	.525
Germany	-.663	.646	.515	-.632	.623	.532
Rest of Europe	.399	.497	1.490	.131	.477	1.140
<i>Size</i>						
5000-29999 worldwide employees	.665*	.402	1.944	.721*	.390	2.057
30000-59999 worldwide employees	1.751***	.570	5.758	1.283**	.547	3.608
60000+ worldwide employees	2.626***	.579	13.815	1.691***	.482	5.424
<i>Sector</i>						
High-tech manufacturing	-1.070*	.552	.343	-1.260**	.546	.284
Financial & business services	-.279	.524	.757	-.159	.514	.853
Retail, hotels, catering, etc.	-.025	.617	1.025	.565	.580	1.760
Other sector	-1.225*	.670	.294	.215	.666	1.240
Global/regional product standardization	.796**	.360	2.217	.440	.348	1.553
HR policy formation body	1.329***	.329	3.776	1.247***	.325	3.481

*** = Significant at .01 level; ** = Significant at .05 level; * = Significant at .10 level

Note: Omitted reference categories were U.S. country of origin, 500-4999 worldwide employees, and traditional manufacturing sector.

Global Succession Planning Model: N = 240 Nagelkerke R² = .387 Hosmer and Lemeshow Significance Test = .873
 Global Management Development Model: N = 234 Nagelkerke R² = .314 Hosmer and Lemeshow Significance Test = .190

Table 3: Ordinal Regression Models

Variable	Global Talent Management Model		Utilization of Development Mechanisms Model	
	Coefficient	S.E.	Coefficient	S.E.
<i>Country of Origin</i>				
Rest of Europe	.369	.434	-.291	.451
UK	-1.086**	.472	-.481	.531
Ireland	-.170	.485	.343	.556
Germany	-.600	.551	-.177	.644
<i>Size</i>				
5000-29999 worldwide employees	.682*	.358	.059	.437
30000-59999 worldwide employees	1.620***	.500	.090	.526
60000+ worldwide employees	2.210***	.458	.957**	.487
<i>Sector</i>				
High-tech manufacturing	-1.269***	.489	.495	.517
Financial & business services	-.198	.464	.268	.473
Retail, hotels, catering, etc.	.344	.536	-.544	.527
Other sector	-.505	.597	-.652	.641
Global/regional product standardization	.713**	.315	.537	.355
HR policy formation body	1.297***	.296	1.046***	.330

*** = Significant at .01 level; ** = Significant at .05 level; * = Significant at .10 level

Note: Omitted reference categories were U.S. country of origin, 500 to 4,999 worldwide employees, and traditional manufacturing sector.

Global Talent Management Model: N = 230
 Utilization of Development Mechanisms Model: N = 173

Nagelkerke R² = .375
 Nagelkerke R² = .232

Test of parallel lines = .871
 Test of parallel lines = .926