European perspectives on talent management

David G. Collings* and Hugh Scullion

J.E. Cairnes School of Business & Economics, National University of Ireland, Galway, University Road, Galway, Ireland Email: David.collings@nuigalway.ie Email: hugh.scullion@nuigalway.ie

*Corresponding author

Vlad Vaiman

School of Business, Reykjavik University, Menntavegur 1, Reykjavik 101, Iceland Email: vlad@ru.is

Abstract: While talent management has gained a central place in the managerial discourse, academic research in the area has lagged behind. This paper considers talent management with a particular focus on the European context and sets the scene for the special issue which it precedes. Given that much of our understanding of talent management is premised on work by North American colleagues, the paper and special issue are intended to provide a European contribution to the field. We hope that through empirical insights from the European context combined with the theoretical approaches adopted in the various papers, we will at minimum provide a point of departure for the field of talent management in the European context.

Keywords: talent management; talent; global talent management; European management; European Union; MNEs.


Biographical notes: David Collings is the Head of the Management discipline at the J.E. Cairnes School of Business and Economics at NUI Galway, Ireland. Previously, he was a faculty at the University of Sheffield Management School. His research interests focus on management in multinational corporations with a particular emphasis on staffing and talent management issues. His work in these areas has been published in journals such as the Journal of World Business, Human Resource Management, and Journal of Vocational Behavior. He sits on a number of editorial boards, including the Journal of World Business, and is the Editor of the Human Resource Management Journal and Irish Journal of Management.

Hugh Scullion is a Professor of International Management at the J.E. Cairnes School of Business and Economics at NUI Galway, Ireland. His research interests include global staffing, the role of the corporate HR function in international firms and global talent management (GTM). He has published in
1 Introduction

Since the late 1990s, the concept of talent management has gained increasing currency in debates around the strategic contribution of employees to organisational success. Practitioner reports clearly indicate that talent management occupies a significant amount of senior managerial time and, additionally, that it is something which managers struggle to manage effectively. In the European context, a recent report by the Boston Consulting Group concluded that talent management is one of the five key challenges facing the HR profession. Worryingly, it is one of the challenges which the function was least competent in (BCG, 2007). Thus, within the practitioner community talent management has become an accepted part of the managerial lexicon and gained legitimacy as an important contributor to business success. Indeed, one report went as far as to argue that “Superior talent management correlates strongly with enhanced business performance” (Ernst and Young, 2010, p.4). Based on the analysis of data collected from the same survey, the authors of this report argue that over a five-year period organisations with talent management programmes which are aligned with business strategy deliver a return on investment (measured by return on common equity (ROE)) on average, 20% higher than that of rival companies where strategies are not aligned. Where key elements of their talent management programmes are aligned, ROE over a five-year period averages 38% higher than that of competitors without alignment. The centrality of talent management is reflected in the following quote by a CEO interviewed in a recent study by the Hay Group (2007, p.5):

“Strategic talent management isn’t just a nice to have; it’s the ongoing life force of our organisation, the mechanism that helps us determine the future demands on our leaders, specify the gap between what we have and what we need. It’s what helps us win today and renew ourselves for the challenges of tomorrow.”
European perspectives on talent management

However, the academic community has been far more sceptical of the concept of talent management and has been slow to jump on the talent management bandwagon. This scepticism resonates with the initial intellectual cynicism which other constructs, such as employee engagement and burnout, which emerged in a bottom-up way from practice faced within the academic community (see Macey and Schneider, 2008). From an academic perspective, talent management has been criticised for lacking conceptual and intellectual foundation, definition and rigour (Collings and Mellahi, 2009; Scullion et al., 2010). However, a number of recent contributions have contributed to this emerging field and provided some theoretical framing for the study of talent management and appear to offer some optimism for the potential of the area to contribute to the study of the management of organisations (Boudreau and Ramstad, 2007; Cappelli, 2008; Lengnick-Hall and Andrade, 2008; Becker et al., 2009; Collings and Mellahi, 2009; Groysberg, 2010; Tarique and Schuler, 2010).

However, with some notable exceptions (Vance and Vaiman, 2008; Collings and Mellahi, 2009; Farndale et al., 2010; Makela et al., 2010; McDonnell et al., 2010) much of the theoretical and empirical base upon which talent management is premised is based on North American thinking and research. Indeed, the seminal work of the McKinsey consultants who captured the war for talent was based on the challenges which the US organisations faced with regard to the aging workforce and tightening labour markets in the US context. While this work has advanced the debate significantly and provided important insights into the conceptualisation and understanding of talent management, as the field moves into adolescence it is important that insights from beyond the US context influence the debate. This is not to critique the significant contributions which have emerged from the USA but rather a call for a counterbalance from different perspectives and traditions. It is with this intention that this special issue was developed. Rather than being overly prescriptive about what submissions might look like, our intention was to let our submitting authors provide the parameters on what a European perspective on talent management might look like. We hope that though empirical insights from the European context combined with the theoretical approaches that have been adopted in various papers, we will at minimum provide a point of departure for the field of talent management in the European context.

Rather than debating the merits and conceptual and intellectual boundaries of talent management (see Scullion and Collings, 2011), in this paper we will set the scene for the special issue by considering the European context and how this may influence debates and practice in talent management. We will also provide a summary overview of the contributions to this special issue.

2 The European context of talent management

Europe is a vast and diverse region covering an area of some 9839 square kilometres (roughly equivalent in size to the USA), approximately 800 million inhabitants, 45 nation states and more than 70 languages (Mayrhofer and Holt Larsen, 2006). The region includes the 27 member states of the European Union (EU), which are working towards greater economic integration through reducing trade barriers and other policy and interventions aimed at facilitating the free movement of people, goods, services and capital. This led to a rapid increase in cross-border trade and higher levels of intra-European foreign direct investment that has intensified the trend towards regional
integration (Dicken, 2010). One direct impact of membership of the EU is that the substantial legal and administrative requirements for foreign workers do not apply to transfers between EU countries. This represents a significant difference between the European and the other international free-trade areas and has led to strong talent flows between European countries.

Seventeen of these 45 nations share a single currency, the Euro, which further increases integration. From a talent perspective, a key characteristic of the EU is the free movement of nationals of the member states within the EU. This facilitates the movement of key talent within the 27 members of the EU, with some minor restrictions for some recent entrants to the union. There are an additional eight countries at various stages of negotiation for candidature of the EU. The former communist countries of Central and Eastern Europe represent a further important part of the region. While the boundaries of this region are open to question, it includes countries such as the Czech republic, Slovakia, Hungary, Poland, Albania, Bulgaria, Romania, the countries constituting the former Yugoslavia, Russia and countries formed after the break-up of the Soviet model (see Hollinshead, 2010; Vaiman and Holden, 2011). Indeed, this part of the region has been characterised by “a TM [talent management] landscape of cultural, geopolitical and institutional features of exceptional complexity” (Vaiman and Holden, 2011).

Clearly, in evaluating the utility of a special issue on European perspectives on talent management it seems reasonable to consider the potential value added of such a project. First and foremost, we argue that Europe is a significant player in the global economy and as such merits consideration in its own right. Indeed, Rugman identifies the EU as one of the triad of regions which drive the global economy (the others being NAFTA and Asia) (see Rugman and Verbeke, 2004). Rugman argues that the sales and activities of most multinational enterprises (MNEs) are concentrated in their home triad. Given that over 60 of the 100 largest non-financial MNEs are headquartered in Europe (UNCTAD, 2010), the region is clearly a key player in the global economy. The International Monetary Fund (IMF) estimates that the 27-member EU alone contributes almost 22% of the world total of gross domestic product1 (IMF, 2010). When the other countries in Europe are included, the economic significance is even more apparent. For example, Russia represents a key member of the BRIC economies (Brazil, Russia, India and China), and the growth of its share of global trade continues apace.

Secondly, European MNCs tend to be early internationalisers due to the relatively small size of their domestic markets. This means that they tend to have a higher percentage of revenues coming from outside the home country and also have a longer history of moving their managerial talent across borders (Scullion and Brewster, 2001). Further, the process of international development was very different in Europe and many European MNCs built up overseas subsidiaries, which enjoyed a large degree of autonomy, which made it difficult to switch from the direction of local autonomy towards global integration. This presented particular challenges for highly decentralised European MNCs in developing effective talent pipelines at a regional or a global level (Farndale et al., 2010). This research suggests differences in organisation and structure between North American and European MNCs, with the former placing more emphasis on formalisation of structure and process, while the latter places greater importance on socialisation (Bartlett and Ghoshal, 1989), which required different approaches to talent management. A key challenge in this regard is to understand talent management strategies and practices in relation to the changing strategies of international business
firms (Scullion et al., 2010). Research has suggested there is a considerable variation in approaches to talent management in different types of international firms (Scullion and Starkey, 2000).

Thirdly, while acknowledging great variety within the region, the context in which people management takes place in Europe is significantly different to the US context where much of the theory around talent management has emerged (Brewster, 1995; Brewster et al., 2000; Holt Larsen and Mayrhofer, 2006; Brewster et al., 2008). While a full discussion of these issues is beyond the scope of the current paper, we point to some of the more salient issues here. A key point of differentiation relates to the relative emphasis on legislative frameworks (both national and supranational in the context of the EU) on the management of employees, reflected in the greater regulation of recruitment and dismissal, the relative power of trade unions and the collective approaches towards employee management in a number of key countries, institutional arrangements around communicating with employees, work councils and the like (Brewster, 1995; Brewster et al., 2000). A further key factor in the context of talent management is the significant role which the state plays in the development of employee skills and competencies in countries such as Germany (Thelen, 2001). On balance these arrangements mean that governments have a greater controlling influence on behaviour (through legislation) and a greater supportive role (through financing) than in the USA resulting in comparatively less autonomy for employers in managing employees in the European context (Brewster, 1995). Further, significant differences emerge in how firms are financed in the European context (although this is not universal, with the UK model much closer to the US model). In contrast to the short-termist shareholder approach, which dominates the US model, more coordinated market economies in the European context (Hall and Soskice, 2001) are characterised by a more patient, stakeholder approach. Corporate funders, such as banks, generally adopt a more patient approach to firm-financing meaning that firms can adopt a longer-term approach to employee relations. We suggest that the context of people management is significantly different in the European context than in the US context, where much of the extant theorising has emerged with exogenous factors playing a particularly significant role in influencing management behaviour with regard to the management of employees.

We turn next to the potential for differing scientific and epistemological traditions in the European context. Our argument is not that European theoretical approaches are superior rather they may be different from the extant approaches. In this regard, as alluded to above, a key consideration in the European context is the importance of context and the challenge to universalistic models of management practice (Brewster, 1995). Current debates around talent management resonate with earlier debates around human resource management and management generally in the European context. For example, considering the emergence of a European model of management Thurley and Wirdenius (1991) characterised the European approach as, *inter alia*, tied to the idea of European integration; reflective of values such as pluralism and tolerance, while not being necessarily developed from them and; more associated with a balanced stakeholder philosophy, recognising the role of social partners. Further, as Mayrhofer and Holt Larsen (2006, p.5) note, the contextual paradigm which predominates in Europe emphasises understanding and explaining differences between and within management systems in different contexts. Studies building on these traditions could begin the building of a comparative understanding of talent management (c.f. Vance and Vaiman, 2009;
Finally, given the centrality of demographic trends in the USA in the emergence of the war for talent in the 1990s, it is instructive to consider the major demographic trends likely to influence talent management in Europe in the coming decades. The respondents to the BCG’s (2007) survey of HR trends in Europe through 2015 identified managing demographics as one of the key challenges facing the function. This challenge was two-fold relating to the loss of capacity and knowledge as workers retire and the aging of the workforce and the implications thereof in terms of work schedules, changing nature of motivation, ill health, etc. These trends are reinforced by a recent study commissioned by the World Economic Forum (2011, p.11). This study points to the implications of the retirement of baby boomers in terms of talent gaps in key economies around the globe. The study predicts that in Western Europe talent supply will decline continuously, leading to “almost empty talent pipelines beyond 2020”. In the UK and Germany, immigration and growth rates will be insufficient to counterbalance the workforce losses caused by the aging population. While in Spain and Germany, talent shortages are expected to be major issues through to 2030 (World Economic Forum, 2011), while the challenges for working populations in Poland and Russia are considerable (Ward, 2011).

A second key demographic trend relates to the increased significance of the Millennials, generally considered to be those who entered the workforce since the turn of the present century. These employees are likely to be in high demand, given the demographic trends identified above. Additionally, they appear to have rather different expectations in terms of the workplace and what it offers them (PWC, 2008). Specifically, they have a preference for mobility at an early stage in their careers. They place a strong emphasis also on corporate social responsibility (CSR) and highly value training and development. Millennials also appear to resonate with many of the characteristics of boundaryless careers (Arthur and Rousseau, 1996), with strong expectations that they will change organisations a number of times during their careers (PWC, 2008). For talent management the challenge will be to better understand the role of employer branding in attracting and retaining this cohort. Additionally, understanding how their motivation and engagement represents an important micro level of study in this regard.

Thus Europe represents a rich and diverse context for the study of talent management, and the different scientific traditions evident there offer the opportunity for the framing of talent management issues in novel ways. We hope the papers in this special issue will provide the initial impetus for this emerging debate.

3 The contributions to the special issue

The first paper in this collection is ‘The impact of servant leadership on organisational commitment among the highly talented: the role of challenging work conditions and psychological empowerment’ by Asag-Gau and van Dierendonck (2011). The key objective of the paper is to provide additional insights into the relationship between leadership and talent management. In their study, the authors tested a model in which both the challenging work conditions and empowerment mediate the impact of servant
leadership on organisational commitment. The results indicate an excellent fit of the conceptual framework that the authors introduce – namely, it is confirmed that servant leadership is positively related to challenging work conditions and that the same work conditions are related to three out of four psychological empowerment dimensions.

The next paper, written by Whelan (2011), is titled ‘It’s who you know not what you know: a social network analysis approach to talent management’. Its objective is to illustrate how social network analysis can support talent management efforts in knowledge-intensive organisations and, more specifically, to show how such an analysis can assist talent management initiatives both through proper talent positioning and by responding to unexpected voluntary turnover of best employees. The major findings of this study prove that the talent management endeavours should focus not only on identifying key positions in an organisation, but also on the connections between people in complementary key positions.

The third paper in this issue is ‘Exploring the links between corporate social responsibility and global talent management: a comparative study of the UK and Korea’ and is written by Kim and Scullion (2011). The authors of this study note that there is no visible link between the concepts of CSR and GTM, which they feel is an obvious gap in both literature and practice that should definitely be bridged. Kim and Scullion embark on the comparative study of CSR and GTM in the UK and Korea in order to explore the link between CSR and GTM efforts and examine how this relationship differs in distinct national contexts. The results of this study reveal that in the UK, organisations take the link between CSR and GTM more seriously than in Korea – a fact that may be explained by each country’s institutional and cultural contexts which prompts companies to demonstrate CSR in specific ways and affect public views on what constitutes socially responsible business behaviour.

The subsequent paper, authored by Bethke-Langenegger et al. (2011), is titled ‘Effectiveness of talent management strategies’, and it deals with the effects of various talent management strategies on organisational performance. Using a dataset of 138 Swiss companies, the authors introduce four different TM strategies and find that talent management initiatives aimed at retaining and developing talented employees have a positive impact on important outcomes such as job satisfaction, motivation, commitment and trust in leaders. In addition, the authors have been able to demonstrate that if the company’s management focuses upon corporate strategy, the associated TM practices will have a more significant impact on, among other factors, corporate profits than any other areas of TM will ever do.

The final instalment in this collection is ‘Managing talent for organisational learning’ by Vivas-López et al. (2011). The main objective of their research is to examine the relationship between talent management and organisational learning in the process of knowledge creation. The authors of this paper test their newly established conceptual model of knowledge creation and management based on the sample of 167 large Spanish companies and find that firms must be efficient in developing and implementing a talent-friendly organisational environment, regulations and processes in order to encourage and support continuous organisational learning and the acquisition of new skills and capabilities.
References


European perspectives on talent management


Note
1 Based on purchasing-power-parity (PPP).