Six Principles of Effective Global Talent Management

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ONE OF THE BIGGEST CHALLENGES facing companies all over the world is building and sustaining a strong talent pipeline. Not only do businesses need to adjust to shifting demographics and work force preferences, but they must also build new capabilities and revitalize their organizations — all while investing in new technologies, globalizing their operations and contending with new competitors. What do companies operating in numerous markets need to do to attract and develop the very best employees so they can be competitive globally? To learn how leading multinational companies are facing up to the talent test, we examined both qualitative and quantitative data at leading companies from a wide range of industries all over the world. (See “About the Research,” p. 26.)

The range of talent management issues facing multinational companies today is extremely broad. Companies must recruit and select talented people, develop them, manage their performance, compensate and reward them and try to retain the strongest performers. Although every organization must pay attention to each of these areas, our research convinced us that competitive advantage in talent management doesn’t just come from identifying key activities (for example, recruiting and training) and then implementing “best practices.” Rather, we found that successful companies adhere to six key principles: (1) alignment with strategy, (2) internal consistency, (3) cultural embeddedness, (4) management involvement, (5) a balance of global and local needs and (6) employer branding through differentiation.

How Companies Define Talent
We use the term “talent management” broadly, recognizing that there is considerable debate within companies about what constitutes “tal-
LEVERAGING YOUR TALENT: TALENT MANAGEMENT

ABOUT THE RESEARCH
This paper is based on a multiyear collaborative research project on global talent management practices and principles by an international team of researchers from INSEAD, Cornell, Cambridge and Tilburg universities. The research looked at 33 multinational corporations, headquartered in 11 countries, and examined 18 companies in depth. We selected the case companies based on their superior business performance and reputations as employers, as defined through Fortune listings and equivalent rankings (e.g., the “Best Companies for Leadership” by the Hay Group and Chief Executive magazine).

The case study interviews were semi-structured, covering questions about the business context, talent management practices and HR function. We interviewed HR professionals and managers and also a sample of executives and line managers in an effort to understand the ways companies source, attract, select, develop, promote and move high-potential employees through the organization. A second stage of research consisted of a Web-based survey of 20 companies. The survey contained items on six key talent management practice areas (staffing, training and development, appraisal, rewards, employee relations, and leadership and succession) and the HR delivery mechanisms (including the use and effectiveness of outsourcing, shared services, Web-based HR, off-shoring and on-shoring). Ultimately, we received a total of 263 complete surveys from the Americas, Asia-Pacific, Europe, the Middle East and Africa.

The Percentage of Employees Included in the High-Potential Group also differs across companies. For example, Unilever, the Anglo-Dutch consumer products company, puts 15% of employees from each management level in its high-potential category each year, expecting that they will move to the next management level within five years. Other companies are more selective. Infosys, a global technology services company headquartered in Bangalore, India, limits the high-potential pool to less than 3% of the total work force in an effort to manage expectations and limit potential frustration, productivity loss and harmful attrition.

The inclusive approach. Some companies prefer a more inclusive approach and attempt to address the needs of employees at all levels of the organization. For example, when asked how Shell defined talent, Shell’s new head of talent management replied, “I don’t have a definition yet. However, I can assure you that my definition will make it possible for any individual employed by Shell at any level to have the potential to be considered talent.” Under an inclusive approach, talent management tactics used for different groups are based on an assessment of how best to leverage the value that each group of employees can bring to the company.

The two philosophies of talent management are not mutually exclusive — many of the companies we studied use a combination of both. Depending on the specific talent pool (such as senior executive, technical expert and early career high-potential), there will usually be different career paths and development strategies. A hybrid approach allows for differentiation, and it skirts the controversial issue of whether some employee groups are intrinsically more valuable than others.

What We Found
As we looked at the array of talent management practices in the 18 companies we studied, we asked interviewees why they thought their company’s individual practices were effective and valuable. Their responses helped us to formulate six core principles. We recognize that adopting a set of principles rather than best practices challenges current thinking. But best practices are only “best” in the context for which they were designed. The principles, on the other hand, have broad application.

Principle 1: Alignment With Strategy
Corporate strategy is the natural starting point for thinking about talent management. Given the company’s strategy, what kind of talent do we need? For example, GE’s growth strategy is based on five pillars: technological leadership, services acceleration, enduring customer relationships, resource allocation and globalization. But GE’s top management understands that implementing these initiatives may have...
less to do with strategic planning than with attracting, recruiting, developing and deploying the right people to drive the effort. According to CEO Jeffrey Immelt, the company’s talent management system is its most powerful implementation tool. For instance, to support a renewed focus on technological leadership and innovation, GE began targeting technology skills as a key development requirement during its annual organizational and individual review process, which GE calls Session C. In all business segments, a full block of time was allocated to a review of the business’s engineering pipeline, the organizational structure of its engineering function and an evaluation of the potential of engineering talent. In response to Immelt’s concern that technology-oriented managers were underrepresented in GE’s senior management ranks, the Session C reviews moved more engineers into GE’s senior executive band. Talent management practices also helped to drive and implement GE’s other strategic priorities (for example, establishing a more diverse and internationally experienced management cadre).

In a similar vein, a recent survey of chief human resource officers of large multinationals highlighted another approach to aligning talent management with the business strategy. One HR director wrote:

“We have integrated our talent management processes with the business planning process. As each major business area discusses and sets their three-year business goals, they will also be setting their three-year human capital goals and embedding those human capital goals within their business plan. Achievement of these goals will be tracked through our management processes.”

Strategic flexibility is important, and organizations must be able to adapt to changing business conditions and revamp their talent approach when necessary. For example, Oracle, the hardware and software systems company, found that its objective goal-setting and performance appraisal process was no longer adequate. Management wanted to add some nonfinancial and behavior-based measures to encourage people to focus on team targets, leadership goals and governance. This necessitated a significant overhaul of Oracle’s existing performance management systems, investment in line management capability and overall changes to the mind-set of line managers and employees.

**Principle 2: Internal Consistency**

Implementing practices in isolation may not work and can actually be counterproductive. The principle of internal consistency refers to the way the company’s talent management practices fit with each other. Our study shows that consistency is crucial. For example, if an organization invests significantly in developing and training high-potential individuals, it should emphasize employee retention, competitive compensation and career management. It also should empower employees to contribute to the organization and reward them for initiative.

Such combinations of practices will lead to a whole that is more than the sum of its parts. There should also be continuity over time. As one manager at Siemens remarked, “What gives Siemens the edge is the monitoring of consistency between systems: the processes and the metrics must make sense together.” For example, one Siemens division has tied everything related to talent management together in such a way that internal consistency among the various HR elements is virtually guaranteed. The division recruits 10 to 12 graduates per year, assigns the new hires to a learning campus (a network for
top new graduates within the division) and assesses them at the development center. Later, the designated employees go through a leadership quality analysis and review procedure, including feedback and performance appraisal, and become part of the mentoring program led by top managers. The whole process is continuously monitored through reviews and linked to the company’s reward systems.

BAE Systems, the defense and security company, places a similar emphasis on consistency. From the time prospective managers arrive at the company, or upon their designation as a member of the leadership cadre, they are continuously tracked for development purposes. Drawing upon data from 360-degree appraisals, behavioral performance feedback and executive evaluations of their input to the business planning process, managers participate in leadership development programs that target the specific needs revealed by the leadership assessments.

The emphasis on consistency is also paramount at IBM, which works hard to assure that its people management systems are consistent across its subsidiaries. To achieve this alignment, IBM combines qualitative and quantitative data collected quarterly to ensure that its practices are consistently introduced and implemented. The company also conducts an HR customer satisfaction survey twice a year to learn how employees are responding to the programs and to detect areas of employee dissatisfaction.

Principle 3: Cultural Embeddedness

Many successful companies consider their corporate culture as a source of sustainable competitive advantage. They make deliberate efforts to integrate their stated core values and business principles into talent management processes such as hiring methods, leadership development activities, performance management systems, and compensation and benefits programs. For example, whereas companies have traditionally focused on job-related skills and experience to select people, some multinationals we studied have expanded their selection criteria to include cultural fit. These companies assess applicants’ personalities and values to determine whether they will be compatible with the corporate culture; the assumption is that formal qualifications are not always the best predictors of performance and retention, and that skills are easier to develop than personality traits, attitudes and values.

IKEA, the Sweden-based furniture retailer, for example, selects applicants using tools that focus on values and cultural fit. Its standard questionnaire downplays skills, experience or academic credentials and instead explores the job applicants’ values and beliefs, which become the basis for screening, interviewing, and training and development. Later, when employees apply internally for leadership positions, the main focus is once again on values in an effort to ensure consistency. IBM likewise subscribes to a strong values-based approach to HR. Not only does IBM hire and promote based on values; it regularly engages employees to ensure that employee values are consistent throughout the company. It does this through “ValuesJam” sessions and regular employee health index surveys. The jam sessions provide time to debate and consider the fundamentals of the values in an effort to make sure that they are not perceived as being imposed from the top.

We found that a strong emphasis on cultural fit and values was common among successful global companies. In evaluating entry-level job applications, Infosys is willing to trade off some immediate skill requirements for a specific job in favor of good cultural fit, the right attitude and what it refers to as “learnability.” In addition to evaluating the applicant’s college record, Infosys puts applicants through an analytical and aptitude test, followed by an extensive interview to assess cultural fit and compatibility with the company’s values.

Rather than selecting employees for attitude and cultural fit, a more common approach to promoting the organization’s core values and behavioral standards is through secondary socialization and training. Standardized induction programs, often accompanied by individualized coaching or mentoring activities, were widely used among the companies that we studied. We found that leading companies used training and development not only to improve employee skills and knowledge but also to manage and reinforce culture. For example, Samsung, the Korea-based semiconductor and mobile phone maker, has specifically geared its training program to provide its employees worldwide with background on the company’s philosophy, values, management principles and employee ethics, regardless of where the employees are located. Management’s goal is not to freeze the existing culture but to have an effective means of sup-
porting change. Several years ago, Samsung’s top management came to realize that in order to become a design-driven company, it needed to let go of its traditional, hierarchical culture and embrace a culture that promotes creativity, empowerment and open communication. By encouraging young designers and managers to challenge their superiors and share their ideas more freely, it hopes to make the transition.

In addition to inculcating core values into young leaders, successful companies often make focused efforts to adapt their talent management practices to the needs of a changing work force. Consider the growing interest in healthy work-life balance. As the number of employees seeking balance between their personal and professional lives has increased, more companies have begun to offer flexible working arrangements in an effort to attract the best talent and retain high-potential employees. For example, Accenture, the consulting and technology services firm, has a work-life balance program that was initially aimed at the career challenges faced by women, but it has since made it available to men as well; among other things, the program features flextime, job sharing, telecommuting and “flybacks” for people working away from their home location. The program has allowed Accenture to significantly reduce its turnover rate among women while also increasing its number of female partners. Internal surveys show that team productivity, job satisfaction and personal motivation among women have improved substantially. Although the number of companies offering such programs is still relatively small, the ranks are growing.

Consistent with an increased emphasis on values, some companies have introduced what might be called “values-based” performance management systems: They assess high-potential employees not only according to what they achieve but also on how they reflect or exemplify shared values. BT, the British telecommunications giant, has implemented a performance management system that looks at employees on two dimensions: the extent to which they achieve their individual performance objectives, and the values and behaviors they displayed to deliver the results. The combined ratings influence a manager’s variable pay. Other companies, too, are realizing the importance of balancing financial success with goals such as sustainability, compliance or social responsibility.

**Principle 4: Management Involvement**

Successful companies know that the talent management process needs to have broad ownership — not just by HR, but by managers at all levels, including the CEO. Senior leaders need to be actively involved in the talent management process and make recruitment, succession planning, leadership development and retention of key employees their top priorities. They must be willing to devote a significant amount of their time to these activities. A.G. Lafley, former CEO of Procter & Gamble, claims he used to spend one-third to one-half of his time developing talent. He was 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.”

However, that level of executive commitment is rare. In a recent survey of chief human resource officers at U.S. Fortune 200 companies, one respondent lamented that the most difficult aspect of the role was creating a true sense of ownership among the senior leaders regarding their roles as “chief talent officer”; recognizing that having the right people in critical leadership roles is not an HR thing or responsibility, but rather, it is a business imperative and must be truly owned by the leaders of the respective businesses/functions…. Creating this type of mindset around leadership and talent is the biggest challenge I face.

One of the most potent tools companies can use to develop leaders is to involve line managers. It means getting them to play a key role in the recruitment of talent and then making them accountable for developing the skills and knowledge of their employees. Unilever, for example, believes in recruiting only the very best people. To make this happen, top-level managers must make time for interviews, even in the face of all their other responsibilities. Line managers can contribute by acting as coaches or mentors, providing job-shadowing opportunities and encouraging talented employees to move around within the organization for career development.

The responsibility for talent development extends beyond managers. Employees need to play an active part themselves by seeking out challenging assignments, cross-functional projects and new positions.
However, our survey finds that job rotations across functions or business units are not very common. Although HR managers in our survey saw value in job rotations and new assignments for career development, many companies lack the ability to implement them. A possible explanation is the tendency of managers to focus on the interests of their own units rather than the whole organization; this narrowness may hinder talent mobility and undermine the effectiveness of job rotation as a career development tool. A McKinsey study found that more than 50% of CEOs, business unit leaders and HR executives interviewed believed that insular thinking and a lack of collaboration prevented their talent management programs from delivering business value.

**Principle 5: Balance of Global and Local Needs**

For organizations operating in multiple countries, cultures and institutional environments, talent management is complicated. Companies need to figure out how to respond to local demands while maintaining a coherent HR strategy and management approach. Among the companies we studied, there was no single strategy. For example, Oracle emphasized global integration, with a high degree of centralization and little local discretion. Matsushita, meanwhile, focused on responsiveness to local conditions and allowed local operations to be highly autonomous.

A company’s decision about how much local control to allow depends partly on the industry; for instance, consumer products need to be more attuned to the local market than pharmaceuticals or software. Furthermore, rather than being static, a company’s position may evolve over time in response to internal and external pressures. Our study suggests that many companies are moving toward greater integration and global standards while simultaneously continuing to experience pressure to adapt and make decisions at local levels. For example, Rolls Royce has global standards for process excellence, supported by a global set of shared values and a global talent pool approach for senior executives and high potentials. At the same time, it has to comply with local institutional demands and build local talent pools. Clearly, the challenge for most companies is to be both global and local at the same time. Companies need a global template for talent management to ensure consistency but need to allow local subsidiaries to adapt that template to their specific circumstances.

Most companies in our sample have introduced global performance standards, supported by global leadership competency profiles and standardized performance appraisal tools and processes. Activities that are seen as less directly linked with the overall strategy of the corporation and/or where local institutional and cultural considerations are viewed as crucial (for example, training and compensation of local staff) continue to be more at the discretion of local management. At IBM, for example, foreign subsidiaries have no choice about whether to use the performance management system; it is used worldwide with only minor adaptations. But subsidiaries may develop other policies and practices to address local conditions and cultural norms.

While locally adapted approaches create opportunities for diverse talent pools, they limit a company’s ability to build on its global learning in hiring, assessing, developing and retaining top global talent. This requires more integration across business units. One company in our study didn’t coordinate hiring and development efforts across its different divisions, so even though it had diverse talent pools, it wasn’t able to take advantage of cross-learning opportunities. Shell, on the other hand, has come to embrace HR policy replication across divisions over innovation. Companies that find a balance between global standardization and integration and local implementation have the best of both worlds. They can align their talent management practices with both local and global needs, resulting in a deep, diverse talent pool.

**Principle 6: Employer Branding Through Differentiation**

Attracting talent means marketing the corporation to people who will fulfill its talent requirements. In order to attract employees with the right skills and attitudes, companies need to find ways to differentiate themselves from their competitors. P&G, for example, was in one year able to attract about 600,000 applicants worldwide — of whom it hired about 2,700 — by emphasizing opportunities for long-term careers and promotion from within.

The companies in our study differed considerably in how they resolve the tension between maintaining
a consistent brand identity across business units and regions and responding to local demands. Shell, for example, uses one global brand for HR excellence and several global practices or processes for all its businesses. The brand highlights talent as Shell’s top priority; each business is then able to take that global brand and apply it locally. This means that rather than having all branding efforts coming from corporate headquarters, each subsidiary receives its own resources to build the brand in accordance with the local market demands and the need for differentiation.

Intel takes a different approach. It positions many of its top-level recruiters outside the United States to ensure that the Intel brand is promoted worldwide. For instance, Intel has recently set up a large production facility in Vietnam. To staff the operation, the company sent a top-level HR manager from its California corporate office to build local awareness of Intel as an employer. “Hiring top talent, no matter where we are, is top priority for Intel,” the manager explained. To accomplish this, Intel has become involved with local governments and universities to advance education and computer literacy. Such investments may not pay off immediately, but they put roots in the ground in countries that see hundreds of foreign companies come and go each year.

Infosys has also taken significant 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. For example, the company initiated a “Catch Them Young” program in India that trains students for a month; the students are then invited to work for Infosys on a two-month project. In rural areas, Infosys offers computer awareness programs in local languages to help schoolchildren become more comfortable with high-tech equipment. Although not initially directed at recruitment and branding, the program has been an effective strategy for enlarging the pool of IT-literate and Infosys-devoted students in India, which may eventually make it easier to find talented software engineers. Infosys’s global internship program, called InStep, however, is central to the company’s employee branding effort: It invites students from top universities around the world to spend three months at the Infosys Bangalore campus. It is part of an ongoing effort to make the company more attractive to potential candidates outside of India and to tap into the worldwide talent pool.

One way companies are trying to get an edge on competitors in attracting talent is by stressing their corporate social responsibility activities. GlaxoSmithKline, the pharmaceutical giant, offers an excellent case in point. The company capitalizes on its employment brand and reputation through regular news releases and media events at key recruitment locations. Former CEO Jean-Pierre Garnier stressed the importance of GSK’s philanthropic activities in increasing the attractiveness of the company among potential recruits and providing an inspiring mission to the employees:

GSK is big in philanthropic undertakings; we spend a lot of money with a very specific goal in mind, such as eradicating a disease. … [O]ur 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.

While some of the leading companies in our study see corporate social responsibility as an integral part of their talent management and branding activities, others consider improved brand attraction as a welcome result of their philanthropic activities.

A Convergence of Practices
In addition to adhering to a common set of talent management principles, leading companies follow many of the same talent-related practices. Although our survey showed that global corporations continue to use overall HR management systems that align with their cultures and strategic objectives, the companies are becoming more similar — and also more sophisticated — in how they manage talent. Several factors seem to be driving the convergence. First, companies compete for the same talent pool, especially graduates of international business schools and top universities. Second, the trend toward greater global integration means that companies want to standardize their approaches to talent recruitment, development and management to ensure internal
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consistency. And third, the visibility and success of companies such as GE, amplified by commentary by high-profile consulting firms and business publications, have led to widespread imitation.

Yet, as we noted earlier, best practices are only “best” when they’re applied in a given context; what works for one company may not work in another. Indeed, the need for alignment — internally across practices, as well as with the strategy, culture and external environment — has profound implications for talent management. Even with the global convergence in terms of the practices used, companies cannot simply mimic top performers. They need to adapt talent management practices to their own strategy and circumstances and align them closely with their leadership philosophy and value system, while at the same time finding ways to differentiate themselves from their competitors. Multinational corporations that excel in managing talent are likely to retain a competitive edge.

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