



The global “war for talent”

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ARTICLE INFO

Article history:

Received 25 April 2008

Accepted 21 January 2009

Available online 1 July 2009

Keywords:

War for talent

Global

Human resource management

ABSTRACT

In this paper we examine the “global war for talent,” the factors that impact it, and organizations’ responses to it. Using a comprehensive search of more than 400 contemporary academic and business press articles, the paper reviews relevant research and reassesses the “talent war.” We posit that the dominant approaches to the “talent war” based on a scarcity state of mind and action, often characterized by a tactical and exclusive top talent or “star” focus, are being challenged by the emergence of a more evolutionary paradigm. This new paradigm adopts more strategic, innovative, cooperative and generative approaches which we describe as creative ‘talent solutions.’ The paper also highlights implications for future research, teaching and development in the field.

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Not long ago: “The war for talent never ends. Middle managers in China? Good luck finding them, let alone keeping them. Assembly line workers in Central Europe? They are well educated and hard working: Trouble is, every company wants them. The cubicle warriors of Bangalore? They get the job done — if they stick around. For corporations, managing these widely scattered, talented, restive, multicultural workforces has never been harder” (McGregor and Hamm, 2008: 34).

After the financial crisis hit. “The corporate ship is taking on water as it is sucked into the financial maelstrom. The deckhands, cooks and cabin boys are cast into the waves ...meanwhile; the captain orders liferafts to be prepared for those whose lives cannot be sacrificed — the high performers.” (Smith, 2008: 50).

1. Introduction

As the global economy expanded dramatically between 2002 through 2007, business leaders and human resource managers worried about the intensifying international competition for talent; the impact of not having the right people in place to lead and confront business challenges; as well as employing below-average candidates “just to fill positions” (Economist, October 2006; Price and Turnbull, 2007). Reflecting these concerns, PricewaterhouseCoopers’s 11th Annual Global Survey showed that 89% of CEOs surveyed put the ‘people agenda’ as one of their top priorities (PWC, 2008a,b:35).

Today, with an unprecedented global financial crisis, economic slow-down, and massive restructuring, “talent” remains a critical agenda item focused on the highest achievers: “As deteriorating performance forces increasingly aggressive head count reductions, it’s easy to lose valuable contributors inadvertently, damage morale or the company’s external reputation among potential employees, or drop the ball on important training and staff-development programs” (Guthridge et al., 2008). A recent

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Hewitt survey (2008) indicates that despite the downturn, the overwhelming majority of firms still intend to focus on top talent, with nearly half the companies planning to sustain or increase learning and development expenditures.

This paper examines the so-called global “war for talent” phenomenon — its drivers, responses, and implications for scholars and practitioners. Section 1 discusses the talent concept; Section 2 briefly covers critical factors impacting the “war”; Section 3 reassesses the “war”; Section 4 discusses evolving and creative solutions for talent; and Section 5 addresses research implications.

The paper's research methodology included comprehensive Google and ABI Inform Global searches between October 2007 and October 2008 using the key words “global war for talent,” “war for talent,” “talent management,” and “global talent.” Over 400 articles and books from the academic and popular press were reviewed, including 219 articles identified in an ABI Inform search of works published between 2006 and 2008 that included the keywords “global talent.”

2. The talent concept

The “war for talent” was officially launched in 1998 when McKinsey & Company, America's largest and most prestigious management-consulting firm, published their now-famous report proclaiming that “better talent is worth fighting for” (Chambers et al., 1998: 45). Their data came from a year-long study of 77 companies from a variety of industries and nearly 6000 managers and executives, supplemented by case studies of 20 companies widely regarded as being rich in talent. McKinsey's research concluded that the most important corporate resource over the next 20 years would be smart, sophisticated business people who are technologically literate, globally astute, and operationally agile. According to McKinsey, talent is ... “the sum of a person's abilities... his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes his or her ability to learn and grow” (Michaels et al., 2001: xii). For McKinsey, talent refers to “the best and the brightest” and many organizations adopted the term to refer to their “A Level” employees who rank in the top 10 to 20%. In the popular book, *Topgrading*, Bradford Smart (2005: xviii) defines talent as “A players [that] are the top 10% of talent available in all salary levels, best of class.” Robertson and Abbey also focus on the best and the brightest, in *Managing Talented People* (2003). They describe an elite group of high-impact, but high-maintenance individuals who can deal with more complexity but are more complex in themselves.

In contrast to the definitions above, talent has become a synonym for the entire workforce in many organizations and a large number of companies do not even know how to define talent (Economist, October 2006). Professor and HR guru David Ulrich takes a holistic view with his definition: talent = competence commitment contribution (Ulrich, 2006). In his formulation, competence means that individuals have the knowledge, skills and values that are required for today and tomorrow. Commitment means that employees work hard, put the time in to do what they are asked to do, giving their discretionary energy to the firm's success. Contribution means that they are making a real contribution through their work — finding meaning and purpose in their work. “... [C]ompetence deals with the head (being able), commitment with the hands and feet (being there), contribution with the heart (simply being)” (Ulrich 2006: 32). Using Ulrich's terms, the talent war represents the drive to find, develop, and retain individuals, wherever they are located in the world, who have the competencies and commitment needed for their jobs and who can find meaning and purpose in their work.

Despite these competing definitions of talent, the “star” approach, championed by McKinsey, has been the most pervasive. When published, McKinsey's study heralded a corporate sea change — “The Old Reality” (people need companies) replaced by “The New Reality” (companies need people) — people, not machines, capital or geography, becoming the new source of competitive advantage. The resultant “war for talent” arose from demographic trends creating scarcity, exacerbated by the state of human resource and talent management. The survey also showed a majority of companies with insufficient and sometimes chronic talent shortages. In the “New Reality,” jobs are present even in down times but talent is always scarce. McKinsey predicted that future demand for talent would increase and supply decrease, thus making the search for the best and brightest a constant and costly battle (Chambers et al., 1998).

In 2000, McKinsey updated their study, finding that 89% of respondents thought that it was even more difficult to attract talented people than 3 years before — 90% believed it was more difficult to retain them. They also found companies doing the best job of managing their talent were delivering far better results for shareholders with “A players” — the top 20% or so of managers — raising operational productivity, profit and sales revenue much more than average performers (Axelrod et al., 2001).

McKinsey concluded that top people look for a great company and a great job when deciding where to work. For them, a great company is one that is well managed, has great values and culture. Talent wants a job that is big, where they have responsibility for a number of functional levers, and where they can make decisions on their own (Fishman, 1998). While a “talent mind-set” became the new orthodoxy of American management in the late 1990s and early 2000s (Gladwell, 2002), a darker-side of this approach came into glaring view with the rise and then demise of Enron, one of McKinsey's “success stories” and ultimate “talent” companies.

Enron hired 250 new MBAs a year during the 1990s and top performers were rewarded inordinately and promoted without regard to seniority or experience (Michaels et al., 2001). Employees were sorted into A, B, and C groups in a process of “differentiation and affirmation.” The A's were challenged and disproportionately rewarded. The B's were encouraged and affirmed and the C's had to shape up or be shipped out. Unfortunately, because performance appraisals were subjective, the company ended up promoting people based on evaluations that weren't based on performance, and the needs of customers and shareholders were secondary to those of its “stars” (Gladwell, 2002).

A similar belief in many other organizations that winning the war for talent requires strategies focused on “stars” is challenged by recent research that shows that this nearly single-minded focus on 10–20% of individuals in an organization often backfires and

reduces, rather than enhances individual, team and organizational performance. We will return to this issue and an analysis of the literature on the wisdom of focusing on stars in [Section 4](#).

3. Factors impacting the war for talent

Although it is beyond the scope of this article to review all of the influences on the global “talent war,” this section briefly reviews four significant factors affecting the quantity, quality and characteristics of talent: (i) global demographic and economic trends; (ii) increasing mobility of people and organizations; (iii) transformational changes to business environments, skills and cultures; and (iv) growing levels of workforce diversity.

3.1. Global demographic and economic trends

Increasing longevity, declining birthrates, and the disproportionate size of the post-war baby boom generation are large demographic forces driving an unprecedented shift in the age distribution of the general population, and with it, the labor pool supply ([Potter, 2005](#)). With higher levels of sanitation and healthcare, people born today can expect to live between 65 and 80 years in most countries, compared to an average age of 18 for most of human history, and 50 at the turn of the 20th century ([US Census Bureau, 2008](#)). Longevity is accompanied by dramatically declining birth rates. The average number of children per woman in countries like China (1.8), Italy (1.2), Germany (1.4), Singapore (1.4), and Japan (1.2), are below the replacement rate of 2.1 children per woman needed to maintain population levels ([United Nations, 2008](#)). In addition, baby boomers are ageing, with Europe and Japan facing the most dramatic shifts in population profiles and old-age dependency ratios. By 2025, the number of people aged 15–64 is expected to fall in Germany (7%), Italy (9%) and Japan (14%) ([United Nations, 2008](#)). At the same time, one mitigating demographic trend is for older people to remain in the workforce far longer than in the past, in either full-time or part-time roles — particularly with changes to retirement laws and social security arrangements ([Spitulnik, 2006](#)).

In addition to demographic changes, globalization, with increasing economic integration across nations, profoundly impacts labor supply and the talent war. Geographic-based economic barriers are falling as national governments remove legal and regulatory hurdles to international interaction; capital markets are vast and global; and rapid advances in digital technology have slashed the cost of communications and computing ([Bryan and Fraser, 1999](#)). The [International Labor Office \(2008\)](#) reports that labor markets across the world, including those in the poorest regions, are more integrated and stronger today. Labor market integration is driven by foreign direct investment (FDI) — currently at its highest level (\$1833 billion in 2007) — despite the financial and credit crises ([UNCTAD, 2008](#)).

A catalyst for talent development, as exemplified by Malaysia and Mexico, FDI is often accompanied by imports of technological and managerial best practice. When foreign companies become established they usually seek to replace expatriates with local employees, creating demand for new jobs and new skills ([Heidrick and Struggles, 2007](#)). FDI growth has led to talent shortages in a number of industries and countries, fueling the global talent war. The recent talent shortage is particularly acute in China and India. For example, multinational companies (MNCs) in China must contend with 20–30% annual turnover and staff poaching ([Economist January 2007](#); [Farrell and Grant, 2007](#); [Prieur, 2007](#); [Lakshman, 2008](#)).

3.2. Increasing mobility

Globalization changes the mobility of people across permeable geographic and cultural boundaries ([Baruch et al., 2006](#)). Global labor competition and border mobility are possible with lower immigration and emigration barriers, and with people more willing to relocate outside their home countries ([Tung and Lazarova, 2007](#)). Inter-country and regional economic and demographic differences also stimulate labor flows such as comparative gaps in real wage rates and differences in labor-force age profiles ([Pritchett, 2006](#)).

Migration flows are sometimes labeled “brain drain” since high-skilled workers have larger emigration rates (5.5% versus 0.9% for low-skilled and 1.6% for medium-skilled) and these rates are accelerating far faster for the high-skilled group than for the rest ([Economist, October, 2006](#)). However, reverse migration trends are beginning to intensify. Many countries are luring returnee immigrants as a cadre of highly trained and qualified people with valuable Western-style managerial experience and entrepreneurial skills, while simultaneously possessing local market knowledge and access to networks in the host country ([Tung and Lazarova, 2006](#)). Supported by government policies and economic liberalization, dynamic reverse migration is converting “brain drain” into “talent flow” ([Carr, Inkson and Thorn, 2005](#)).

3.3. Transformational changes to business environments, skills and cultures

The move from product-based to knowledge-based economies is a fundamental business transformation impacting the global war for talent. Worldwide, the service sector provides 42.7% of jobs compared to agriculture (34.9%) and industry (22.4%) and in developed economies the service sector is even larger; for instance, representing 71.5% of all EU jobs ([ILO, 2008](#)). Service economies shift investment towards intangible and human assets. Baruch Lev, an accounting professor at New York University, estimates that intangible assets — from a skilled workforce to patents to know-how — account for more than half the market capitalization of America's public companies; and that today intangible assets represent 70% of the value of S&P 500 companies — rising from 20% in 1980 ([Economist, October, 2006](#)).

Among human assets, high-value decision makers are growing in number and importance, making companies much more dependent on their people, particularly on their top talent (Pink, 2001). Companies are hiring more workers for more complex occupations requiring higher cognitive ability. They are also organizing themselves to hire, retain and raise the productivity of their most valuable knowledge workers (Johnson et al., 2005; Rae-Dupree, 2008).

Other shifts in organizational dynamics and culture are affecting the global talent war. Between 1998 and 2001, in response to economic boom times, companies added large numbers of employees, fueled by the fear that if they weren't growing fast enough or the competition got there first, they would soon be out of business (Wahlgren, 2002). Employers experienced a tight labor market and a major practice shift, as the pressure to hire externally and laterally required a new approach compared to recruiting almost entirely at entry level (Cappelli, 2003). This increase in outside hiring contributes to higher turnover, which forces employers to be in a state of continuous hiring and gives rise to the feeling that there is a shortage of workers (Cappelli, 2003).

After the boom ended in 2001, a significant economic bust resulted in layoffs that were immediate and dramatic – in the United States alone, 2.2 million workers were furloughed in 18 months. The downturn also affected a generation of managers and employees who had only known prosperity and exposed those in their twenties, thirties and even early forties to the harsh realities of a normal business cycle (Wahlgren, 2002).

Companies responded to the need to downsize and economic shifts by moving from bureaucratic, steep hierarchical structures to flatter or even network arrangements with cross-level, cross-functional teams at the core (Conger, 1998; Paine, 2006). This changed the skills and abilities needed to effectively work and manage in the new economy, putting more focus on building and sustaining relationships.

In addition, research shows that specialization, globalization, and technology are making interactions far more pervasive in developed countries, driving the shift from left-brained work to right-brained work (Pink, 2001) and from transactions to interactions (Johnson, Manyika and Yee, 2005). According to McKinsey research, only 15% of US employees are engaged in transformational work where they are involved in extracting or converting raw materials into finished goods. The rest of the workforce now consists of people who largely or solely spend their time interacting – defined as the searching, coordinating and monitoring required for exchanging goods or services (Johnson et al., 2005). Yet there are barriers to finding, developing and utilizing relationship skills. Managers often do not have enough time to devote to mentorship and employee development. In addition, many do not know how to provide feedback and develop people, nor are they rewarded for doing so (Goldberg, 2007). Historically stable and relatively predictable business environments provided the context for the old social contract of job security. Employees and employers regarded their relationship as long-term and grounded in loyalty, commitment and accountability (Paine, 2006). In the 21st century's "age of discontinuity," (Foster and Kaplan, 2001) change is accelerating with organizations less predictable and stable. Employers now view employees as "... free agents responsible for their own employability and employees now assume an active role in monitoring their own learning, skill and career development... Free agents give their talent in exchange for opportunity" (Pink, 2001:100). However, the spur in overall employment turnover adversely affects organizational performance. Time and money are needed for search activities, and voluntary employee turnover negatively relates to firm labor productivity (see e.g., comparative research in Japan and the United States by Yanadori and Kato, 2007).

3.4. Diversity

Companies operate in an increasingly globalized environment and must manage widely dissimilar employee populations, markets, cultures and modes of work. While cultural issues and conflicts are challenging for multinational organizations, migration and the globalization of customers, suppliers and investors brings diversity into domestic companies. The level of ethnic, cultural, generational and gender diversity of individuals working within a single organization and indeed, within a single office, is increasing.

In addition to greater cultural and national diversity, organizations are faced with wider generational diversity. Individuals born in the same time period share a common history that creates common experiences and may influence the attitudes, behaviors, and work styles of generational "peer personalities" (Conger, 1998; Strauss and Howe, 1991). The demographic trends described earlier mean that in many workplaces, three, and sometimes four, generations are working together – from 'Veterans' and 'Baby Boomers' to Generations 'X' and 'Y'. Generations with very different values and expectations sit side-by-side and often, younger employees manage older, more experienced people. This cross-generational workforce can be a source of conflict or a source of learning, productivity, and innovation for organizations (Smola and Sutton, 2002).

There is also increasing gender diversity with growing female labor force participation rates. Women dominate employment creation worldwide. In 2006/7, 1.6 of 1.9 million new jobs were for women (ILO, 2008:36). Increased female labor participation presents an opportunity for companies to attract and retain talented women to help fill talent gaps. Catalyst (2007) research shows that companies with a higher representation of women in senior management positions outperform companies with proportionally fewer women at the top; but there has been little change in the number of executive women in corporations around the world in recent years (Jacobs, 2005). In developing countries, the relatively recent entrance of women into traditionally male dominated roles in organizations creates new management challenges (Elliott, 2007).

Another source of diversity is the broad array of different working modes. Many people are working part-time rather than full-time; some are working remotely through telecommuting; and others are "hired" but are contract workers, not regular employees. For example, in the EU, part-time employment rose from 14.2% in 1992 to 18.2% in 2002 (Maher, 2008); and in Japan non-regular employees rose from 20% in 1994 to 34% in 2007 (OECD, 2008). By one estimate, the number of American employees who telecommute at least 1 day per month will increase from 24.1 million in 2006 to around 100 million in 2015 (OfficeTeam, 2008).

The work life cycle is also changing. Rather than a linear pattern — education, work, and retirement — there is a move to “cyclic lifeplans,” with periods of education, work and recreation overlapped and interspersed across a lifetime (Potter, 2005). This trend challenges standardized career paths, development programs and incentive systems. “Employee consumerism” is rising, especially for those with in-demand skills and experience. These people are more informed about employment options, opportunities and markets, thus intensifying competition for finding and hiring top talent (Potter, 2005).

4. Reassessing the “war for talent”

Taken together, all of the factors discussed above form a rapidly changing, incredibly complex and diverse global environment for companies to attempt to attract, develop, motivate and retain talent. Assessing these trends, executives and consultants see a global war for talent persisting into the foreseeable future. However, recent research shows that the nearly single-minded focus on individuals that is endemic to companies' strategies for fighting the talent war often backfires and reduces, rather than enhances individuals, teams, and organizations: “The best evidence indicates that natural talent is overrated, especially for sustaining organizational performance” (Pfeffer and Sutton, 2006: 86). In analyzing McKinsey's research (Chambers et al, 1998; Axelrod et al, 2001), Pfeffer and Sutton (2006: 87) identify “... deep flaws in that the claimed cause of performance (managing talent) was measured after its effect.” They also assert that “...despite claims in *The War for Talent*, *Topgrading*, and numerous other books on hiring the best people, the talent mind-set is rooted in a set of assumptions and empirical evidence that is incomplete, misleading and downright wrong” (Pfeffer and Sutton, 2006: 90).

According to its authors, “the war for talent” rests on three critical assumptions: individual ability is largely fixed and invariant — there are better and worse people; people can be reliably sorted on their abilities and competence; and organizational performance is, in many instances, the simple aggregation of individual performances. What matters is what individuals do, not the context or the system in which they do it (Pfeffer and Sutton, 2006: 90).

Regarding these assumptions, Pfeffer and Sutton (2006) acknowledge that there is substantial evidence in the literature that the best (e.g., the top 10%) are much better performers than the rest. At the same time, the best predictor of future performance is not past performance but general mental ability. IQ is the most powerful predictor of job performance but still only correlates .04 with performance and accounts for no more than 16% of variance in performance. In addition, they note that performance varies over time so, depending on when you look, A players could look like B players and vice versa.

The assumption that talent is fixed is dangerous because theories of performance and ability become self-fulfilling prophecies. Carol Dweck (2002) concludes from her research that when people believe they are born with natural and unchangeable intelligence, it causes them to learn less over time; they become too focused on being smart and looking smart, rather than on challenging themselves, expanding their skills and becoming smarter; they don't expend the effort to learn new things or improve old skills and even when they do try, they don't enjoy it. On the other hand, people who believe that intelligence is malleable keep getting smarter and more skilled at what they already can do, and are willing to learn new things that they do badly at first (Pfeffer and Sutton, 2006).

A similar self-fulfilling dynamic operates at the organizational level: “...if you believe that only 10% or 20% of your people can ever be top performers, and use forced rankings to communicate such expectations in your company, then only those anointed few will probably achieve superior performance” (Pfeffer and Sutton, 2006: 96). Great systems are often more important than great people. People's performance depends on the resources they have to work with, including the help they get from colleagues and the infrastructure that supports their work.

Recent research (Groysberg et al., 2004; Groysberg et al., 2006; Groysberg et al., 2008) supports the pivotal role of context in determining individual and organizational performance and cautions “fighting — and winning — the ‘star’ wars could be the worst thing you ever do for your company” (Groysberg et al., 2004: 1). In their research of high-flying CEOs, researchers and software developers, as well as leading professionals in advertising, investment banking and the law, the researchers found that when a company hires a star, the star's performance plunges and there is a sharp decline in the functioning of the group the person works with and the company's market value falls.

This effect is not short-lived. In their analysis of 1052 ‘star’ stock analysts, the researchers found that 46% of the analysts did poorly in the year after they left one company, with their performance plummeting by an average of 20%, and did not climb back to old levels even five years later. The authors explain this by noting that just 30% of a star's performance stems from individual capabilities and 70% from resources and qualities specific to the company that developed them, such as reputation, information technologies, leadership, training and team chemistry (Groysberg et al., 2004). These researchers suggest that companies should grow their stars, use training and mentoring to develop them, and then strive to retain them by helping to broaden their skills, publicly recognizing them and easing their work/life tension.

Groysberg et al. (2006) also examined 20 former General Electric executives hired as CEOs between 1989 and 2001 — pointing to three types of skills and experience that shape performance in one job and may influence circumstantial performance in another: strategic human capital, or the individual's strategic expertise in cost cutting, growth, or cyclical markets; industry human capital — the technical and regulatory knowledge unique to an industry; and relationship human capital or the extent to which an individual manager's effectiveness can be attributed to their experience working with colleagues or part of a team.

While the stock prices of companies rose when these ‘stars’ were appointed, Groysberg et al (2006) found that a number of formerly successful GE executives did a lot of damage in their new roles. The 11 CEOs who “matched” their new companies were associated with a 141% positive return while the 9 “mismatched” were associated with a negative 39.8% return. The study found that when 3 or more GE alumni joined their new team annualized above average abnormal returns were 15.7% compared to

negative 16.7% where one or none accompanied them from GE. The authors also showed that the success of these executives correlated directly to how similar the systems and culture of the new company were to GE's, and the executives' ability to put their "GE tool kit" to work.

More recently, Groysberg et al. (2008) found that stars' performance falls and their new company's market value falls for men — but not for women. Groysberg postulates that it is because high-performing women build their success on portable, external relationships with clients and other outside clients. He also discovered that when women consider changing jobs, they weigh more factors than men do, especially cultural fit, values and managerial style, allowing them to transition more successfully to new companies.

The role of relationships and team dynamics to individual and organizational performance is also highlighted in research by Eisenhardt and Schoonhoven (1990) who conducted a large longitudinal study of new semiconductor firms founded between 1978 and 1985 operating in high-velocity environments. These researchers discovered that firms founded by people who had worked together before were more likely to survive and be financially successful. The executives with shared history probably learned how to get along, communicate with each other, and likely learned performance routines for making decisions quickly and effectively — saving valuable time building coordination and trust.

One implication of the research by Eisenhardt and Schoonhoven, and Groysberg and his colleagues is that if companies are going to hire a 'star' they should focus on hiring members of his team or network. "A growing body of literature shows performance is heavily dependent on having people who are experienced working together and who work together for a long time" (Sutton, October 2006).

The other implication is that context matters. The skills and experience that 'stars' bring with them into a new organization are more likely to transfer effectively to the executive's new role when the new environment is similar to the old one (Groysberg et al., 2006).

Recent research by Stahl et al. (2007) also focuses on context in a study of talent management processes and practices in a sample of 37 MNCs, including 20 companies renowned for their international scope, reputation, and long-term performance. This research suggests that companies that excel at talent management ensure internal consistency and reinforce the practices they employ to attract, select, develop, evaluate and retain talent, as well as closely align those practices with the corporate culture, business strategy and long-term organizational goals. Furthermore, leading companies in their study have a talent management process with multiple owners — including the CEO, managers at all levels, and HR.

Despite limited research to the contrary, such as the studies cited above, there is a pervasive assumption that a focus on people means a focus on hiring the most talented individuals. A key reason is cultural. The "war for talent" is a phrase that, not coincidentally, was coined by an American consulting firm. It represents a set of assumptions and a belief system that is firmly rooted in American culture. Many of the current business models and thinking evoke warfare history and have a bias toward "killing off the competition" and pitting "us" against "them" (Sutherland and Stavros, 2003). The "war for talent" is a classic case of this competitive framing that belies a mindset dominated by scarcity, competition, and fear. Deeply held yet unexamined ideologies and mental models such as these can drive business practices, including talent management. These mental models resist disconfirming evidence and persist in affecting judgments and choice, regardless of whether or not they are true. For instance, while there may be little evidence of links between a "star-focused" approach and individual or organizational performance, beliefs based in ideology and cultural values are quite "sticky" (Pfeffer and Sutton, 2006).

In addition to unconscious models and decision-making preferences, there is a "knowing–doing gap" (Pfeffer and Sutton, 2006). To illustrate, a recent global survey that found that while 56% of respondents believe that an ageing population in developed economies will affect their profitability, only 29% took active steps to take advantage of the trend or mitigate its negative impacts (McKinsey, 2008).

Another "knowing–doing gap" is the failure to use strong predictors such as work sample tests, job tryouts, and structural job interviews, despite their demonstrated effectiveness (Schmidt and Hunter, 1998). In addition, a survey by the Novations Group of more than 200 HR professionals from large companies found that although respondents reported that forced ranking resulted in lower productivity, inequity and skepticism, negative effects on employee engagement, reduced collaboration, and damage to morale and mistrust in leadership, more than half of the companies in their survey used forced ranking (cited in Pfeffer and Sutton, 2006:17).

Based on their research, Pfeffer and Sutton identify five main causes for the "knowing–doing gap." First is "excessive talk" — organizations believe discussion is doing something and decisions are made without follow-up. Planning, meetings and report writing become defined as valuable 'action' even if it has no effect on what people actually do. The second cause is implicit theories of behavior and an over-reliance on organizational memory to guide decisions and actions. These often-unexamined decision making rules may or may not be valid or effective in the current environment. Third, many organizational climates are characterized by fear which causes people to be scared to express ideas and to act on knowledge they have acquired. Fourth, there is the absence of measures, where problems with processes are masked and management lacks direction to seek improvement. Exaggerated concerns about outcomes become an obstacle to idea experimentation. Finally, internal competition generates knowing–doing gaps. Even when part of an organization knows and implements good ideas, the rest may reject those ideas if the organizational climate is too competitive (Pfeffer and Sutton, 2000).

Based on three case studies where organizations were able to transform knowledge into action, Pfeffer and Sutton (2000) suggest six principles to close the "knowing–doing gap": action should prevail over talk, with real learning coming from doing; knowing why things are made is as important as knowing how; tempered responses to mistakes and the absence of fear lead to more positive experimentation and action; competition should be directed toward other companies, not internally; measurement should be closely aligned with behavior and organizational culture; and leaders are fundamental in turning knowledge into action.

5. Beyond the war – creative approaches for talent solutions

While many organizations are failing to address the knowing–doing gap in talent management, a number of companies are taking steps to break out of old business models and scarcity mindsets with new approaches to finding, developing, motivating and retaining global talent. A new creative paradigm of ‘talent solutions’ is evolving. These are innovative, integrated and strategic responses, rather than tactical war battles, to create more cooperative and generative talent approaches.

First, a number of companies are instituting new approaches in finding additional sources of talent. Many companies are rethinking and redesigning employment systems that traditionally favored certain nationalities over others to increase their potential talent pool by challenging and changing underlying assumptions regarding global staffing, compensation and promotions. For example, SAP had been struggling for years in the US and then changed its hiring practices, which had favored German expatriates, to attract the best local talent. It has since become a major player not only in the US but worldwide. Similarly, Nokia Corp. has made drastic changes to its compensation scheme, which used to follow traditional Finnish practices but is now more regionally based, in order to become a more powerful global competitor for talent (Fernandez-Araoz, 2007, p. 20).

Some companies are now explicitly focusing on using or retaining baby boomers, a significant percentage of whom will remain in the workplace into their sixties and seventies and even older. UBS Financial Services began hiring baby boomers as retirement advisors, believing that they are extremely effective with clients in the same life phase (Court et al., 2007). GE capitalizes on generational differences by using reverse mentoring with internet mentors where junior employees tutor senior managers on new technology. On the other hand, IBM and P&G seek retirees to work on projects that let them share expertise with younger workers (Court et al., 2007).

For those companies wanting to retain and utilize experienced older workers, a compelling value proposition is needed where meaningful work is combined with rewards that generate higher levels of commitment and contribution. Some large employers, for example, are pursuing wellness programs or in-house clinics as a means to offer free medical services to their employees and immediate families. With a large ‘captive’ workforce this approach can reduce escalating medical plan costs to employees and employers, alike, as well as the convenience factor which reduces time-off for office visits and minor-medical type medical needs (Gillette, 2007). Lincoln National, an American financial services company created a task force to design flexible work arrangements for older workers and the drugstore chain, CVS, created “snowbird programs” that permit boomers to transfer during the winter to sunny locations such as Arizona and Florida.

Second, many companies are instituting new practices to leverage their increasingly diverse employee base with some companies emphasizing personal accountability for diversity in their organizations, and incorporating diversity considerations into employee performance and compensation reviews (PWC, 2007a,b). Ernst and Young and IBM assess their managers on how well they retain and advance minorities and women (Jacobs, 2005) because they believe that effective diversity management is an imperative for organizational success (PWC, 2007b). Managing diversity effectively has many payoffs that go beyond attracting, leveraging and retaining talent and research by Herring supports the positive impact of diversity on organizational success (cited in PWC, 2007b). Research also shows that interventions that use integrative methods for encouraging and learning from diverse cognitive perspectives have a significant impact on organizational performance (Van de Ven et al., 2008). Nevertheless, diverse teams are often no more effective, and can be less effective than homogeneous teams, when a company manages diversity improperly or for the wrong reasons (PWC, 2007a,b). Research on diverse teams shows that heterogeneous work groups are less socially integrated and experience more communication problems, more conflict and higher turnover rates than homogeneous groups (Chatman et al., 1998). Creating the organizational conditions to effectively manage diversity is elusive and organizational culture plays a large role in the outcomes associated with diversity (e.g., Chatman et al., 1998).

To leverage diversity, companies must change not only their policies and practices, but also the mindsets of individuals in the workplace. For example, 67% of older workers (ages 45–74) in the United States perceive age discrimination in the workplace as a problem (AARP, 2002); and from Europe to Asia to North America, there are significant levels of discrimination, overt and covert, against women, who represent an underutilized talent resource (ILO, 2008).

Additionally, individuals’ open and flexible mindsets and their ability to adopt a “learning perspective” turn out to be critical in successfully leveraging diverse talent. Ely and Thomas (2001) found in their research of three professional service firms that racially diverse teams perform better when members share a “learning perspective” — a willingness for and an openness to learning. When team members ignored or failed to openly share their differences, the researchers found that their different perspectives and cultural experiences could not be mobilized to help solve problems.

Third, a number of organizations are implementing new practices to retain valuable employees. Consider the accounting profession in the United States where the supply of new talent is well below anticipated demand given stricter accounting and audit regulations; and where professional service firms are finding it difficult to retain young associates who jump at a better offer because they feel that the firm is not helping them grow. Deloitte, one of the Big Four global accounting and consulting firms, where four generations work, is engaging in what it calls “mass career customization.” The objective is to help employees envision their careers through a series of interactive exercises and online resources and to give employees a consistent framework for exploring their career options (Kranz, April, 2008).

Following an internal review in 1999, Goldman Sachs increased its emphasis on formal training to hold onto talent and set up a Goldman Sachs University. The firm also encouraged senior partners to put more effort into developing talent (Economist, October, 2006).

Fourth, companies are actively using development partnerships to influence and build the next generation workforce. PricewaterhouseCoopers has a broad set of initiatives to motivate, educate and help develop the next generation of future leaders.

In May 2008, the firm launched a unique educational community initiative, Impact, to benefit academically gifted African-American high school juniors by helping participants navigate the college planning and application process through monthly workshops, dedicated professional mentors and access to tools and strategies intended broaden their education and career choices (PWC, May 29, 2008a,b).

Australia's Macquarie Group, the international investment house, created a partnership with INSEAD in 2006, to provide the first corporate-specific Master's degree from a top-tier business school. High-potential employees study finance, accounting, leadership and strategy through part-time residential classes on four continents while working in their global business. This provides rigorous and relevant study yet significant personal and organizational flexibility (Marshall, 2007).

6. Implications for research, teaching and development

Our discussion leads to a number of implications for research, teaching and development. First, there are a number of factors that are changing the availability and characteristics of talent available today and in the foreseeable future. There are still substantial gaps in our understanding, practical and theoretical, of the dynamics and interplays between the changing characteristics of the environment, the workforce, and individual and organizational outcomes. Many of the assumptions behind the "war for talent" are being called into question as traditional work trends change and economic conditions remain volatile and pessimistic. Regardless of these uncertainties, recent attention on talent has exposed a number of opportunities, as well as weaknesses, in current research and practice for finding, developing and leveraging global talent.

Second, finding the right talent, at the right time, in the right place, remains an ongoing challenge for organizations, particularly during the current global economic recession. Even when economic growth returns, developments in technology alone will profoundly influence the level of complexity in organizations and specific jobs. Work is also becoming relational, rather than transactional, and an individual's abilities to build and sustain relationships, as well as the organization's ability to build systems and processes to maximize those relationships for business performance will be critical to competitive success. Employers and educational institutions will need to restructure their organizations, jobs and revamp policies and procedures to attract, develop and effectively manage and engage employees for complex and relationship-driven work.

Third, because only 10–20% of employees are A players, by definition, organizations cannot afford to ignore their B players: "... companies' long-term performance — even survival — depends far more on the unsung commitment and contributions of their B players — these capable, steady performers are the best supporting actors of the business world" (DeLong and Vijayaraghavan, 2003: 3). B players are not necessarily less intelligent than A players, but may be less ambitious or want work-life balance, and provide stability and counterbalance the ambitions of the high-performing visionary A players (DeLong and Vijayaraghavan, 2003).

Fourth, forces within and across national borders will continue to present organizations with an increasingly diverse workforce and challenges to traditional employment and employee management models. This more complex environment will require new leadership capabilities and companies will need to find and develop a whole new generation of leaders. In addition, many organizations have not adapted their structures and processes to respond to the differing nature of the employee-employer relationship. Peter Cappelli (2003), writing about the situation in the United States, notes that employers may face difficult challenges in recruiting and hiring people in the future but that those challenges will stem not from a shortfall in the number of workers caused by demographic shifts but from fundamental changes in the nature of the employer-employee relationship that contribute to the difficulty of retaining employees. He suggests that employers work to improve their inadequate human-resource capabilities rather than worry about a non-existent shortage of workers.

Fifth, organizations cannot continue to discuss or attempt to address "talent issues" in a vacuum. As discussed earlier, context matters. Organizational culture plays a particularly important role in unleashing or constraining the talents of individuals, and the fit between individuals, organizational strategy, tasks, structure and processes, as well as the culture, are all critical in "winning" the global war for talent and sustaining organizational competitiveness (e.g., Chatman and Eunyong Cha, 2003; Groysberg et al., 2004, 2006, 2008; Stahl et al., 2007). In an age of extreme diversity, where many people no longer work where their employers can watch them or in jobs with easily measurable output, organizations must use creative ways to bind their workforces together (Cairncross, 2002). However, we argue that organizations' responses to these new trends has been slow due to organizational inertia; existing business and mental models developed in a different age; resistance to change; cognitive biases in decision-making; and the knowing-doing gap.

6.1. Focusing new research

There are a number of research opportunities that the "global war for talent" presents for scholars. First, many related subfields are currently underdeveloped. For instance, there is little empirical and qualitative research on generations and most of the rigorous research has been conducted by sociologists and historians. There is therefore a strong need to further study the differences in rewards, development and training needs, leadership styles, and motivation of different generations (Paine, 2006), as well as across other diverse groups of employees. Research question areas include: the dynamics involved in managing and leading a diverse (inter-generational, racial, cross-cultural, gender) team; the implications for business of changing individual values over time; the ways organizations can retain valuable senior talent while recruiting bright young talent; and the characteristics of the most effective learning environments for diverse employee populations (e.g., different generations, genders and nationalities).

A second academic subfield has blossomed with a number of recent publications; primarily theoretical and normative, addressing the specific competencies associated with globalization and the increasing demand for global leaders at all organizational levels (Gregersen et al., 1998; Osland et al., 2006; Mendenhall et al., 2008; Beechler and Baltzley, 2008). However, empirical research and clear guidelines are still lacking. Effective assessment tools are also needed to evaluate and track global leadership competencies (although some work is emerging to address this gap: e.g., Mendenhall et al., 2008; Thunderbird, 2008). Potential research questions for this field include: In a world where there is often neither the money nor the time for long-term expatriate assignments, what are the most effective approaches to developing global leaders? What are the leadership competencies, critical success factors and assessment approaches for successfully managing and leading a complex, diverse environment?

Third, even if they are able to find and develop managers for global leadership positions, companies are not necessarily able to hold onto them. For example, in the extensive literature on expatriates, some scholars estimate failure rates as high as 40% and others as low as 8–12% and they disagree on what constitutes expatriate failure and the actual rate (Harzing and Christensen, 2004; Mezas and Scandura, 2004). Research also shows that 10% of expatriates leave their firm shortly after finishing their assignments and another 14% leave between 2–3 years after their return.

A recent study by McKinsey of well-known MNCs finds that the movement of employees between countries is still surprisingly limited with many people who would like to relocate being fearful that doing so will hurt their career prospects or result in post-repatriation demotion. The study showed that the managers surveyed had an average of 1.5 cross-border moves compared to an average of 2 for managers at the top performing companies. It found that respondents moved 1.7 times on average between different divisions within the same geography but only 1.3 times between different functions – indicating that movement from silo-to-silo is still limited. The conclusions indicate that companies that satisfy their global talent needs and overcome cultural and other silo-based barriers tend to outperform those that don't and that there is a strong correlation between financial performance (profits per employee) and effective global talent management practices (Guthridge and Komm, 2008). Following these provocative findings, more empirical work is needed to understand the complex dynamics involved in developing and retaining global talent and leadership, in not only Western contexts, but in the newly emerging markets as well.

6.2. Generating and applying new models and mindsets

It is not just empirical research that is required. New models and mindsets are also needed because those developed in the post-war era are not sufficient to find, develop and nurture talent in our complex, dynamic, interconnected and global world. Companies and universities will need to evolve their approaches to learning and development to account for higher levels of diversity among individuals in terms of language, culture, knowledge, and cognitive capacity. Rather than relying on past experience and conventional wisdom, businesses, HR practitioners, academics and their students should utilize evidence-based management. This requires a readiness to put aside past beliefs and wisdom and base action on contemporary facts and information – making more informed and intelligent decisions to update practices (Pfeffer and Sutton, 2006).

Using evidence-based management requires an agile learning mindset. As Eichinger and Lombardo's (2004) research demonstrates, those who succeed in making a behavioral or attitudinal change have specific learning mindsets and strategies. People with a learning mindset seek and have more experiences to learn from, enjoy complex first time problems and challenges associated with new experiences, get more out of these experiences because they have an interest in making sense of them and perform better because they incorporate new skills into their repertoire (Eichinger and Lombardo, 2004: 2). Having a learning mindset has a positive impact on current performance, longer term potential, and future career success (McCall et al., 1988; Lombardo and Eichinger, 2000; Eichinger and Lombardo, 2004), as well as team performance (Ely and Thomas, 2001).

In addition, a global mindset, which includes a strong learning orientation, is critical for those in cross-cultural and/or cross-border jobs (e.g., Rhinesmith, 1996; Gupta and Govindarajan, 2002; Jeannot, 2000; Maznevski and Lane, 2004; Bouquet, 2005; Boyacigiller et al., 2004; Kedia and Mukherji, 1999; Levy et al., 2007; Beechler and Javidan, 2007). Global mindset drives discovery of new market opportunities, establishing presence in key markets and converting presence into global competitive advantage (Govindarajan and Gupta, 2001). How successful an organization is at exploiting emerging opportunities and tackling their accompanying challenges depends crucially on how intelligent it is at observing and interpreting the dynamic world in which it operates.

Creating a global mindset is one of the central ingredients required for building such intelligence. A global mindset holds the capacity to navigate successfully across cognitive and geographical space, including different knowledge and meaning systems (Beechler and Javidan, 2007). A global mindset synthesizes the ability to integrate diversity across culture and markets. Openness to diversity across cultures and markets is critical because it allows individuals and companies to combine speed with accurate response, although it is also easy to become a prisoner of diversity – getting intimidated by enormous differences across markets or reinventing the wheel in every market (Gupta and Govindarajan, 2002). This mindset has the ability to develop and interpret criteria and business performance that are independent of a single country, culture, or context assumptions; and the ability to synthesize across this diversity and to implement those criteria appropriately in different countries, cultures, and contexts (Govindarajan and Gupta, 2001; Maznevski and Lane, 2004).

6.3. Building future talent development systems

To address the need to find, develop and effectively leverage global talent, whether there is a “war” or not, practitioners and academics must enhance their own evidence base, learning agility and global mindsets, as well as select for and develop, learning

agility and global mindsets in their employees and students. Most of the theories taught in universities and business schools were developed in the 20th century and require re-examination in light of the incredible changes of a global and interconnected 21st century. In order to lead, rather than follow trends in global talent identification, development, and retention, it is important for academics to ask new questions, seek new information, draw on multiple perspectives and viewpoints, and apply a global learning mindset to research inquiry and teaching.

In organizations, prevailing stereotypes, “knowledge,” and attitudes around “talent” similarly need to be challenged. For example, the McKinsey Global Institute found that fewer than 10% of the China graduates who applied for jobs at MNCs had the right skills and qualifications to work there. The Asian Development Bank also notes in its 2008 Asian Development Outlook that the skills shortage is aggravated by China's failure to produce the right kind of graduates, rather than too few (Fenton, 2008). Similarly, as we noted above, interviews with HR managers at MNCs that look for talent in emerging countries would only consider hiring 10–25% of graduates in India. Shortage of talent is not just a supply issue; part of the problem is the mindsets of managers, who in many MNCs take an imperial approach to global leadership (Fenton, 2008). Unfortunately, too few companies have the cultural sensibilities to embrace people of different nationalities and hire and promote them without regard to which passport they carry (Nohria, 1999).

Some, like The Coca-Cola Company, are taking a more worldly approach to developing managers with an international outlook. The company sends management trainees from China to centers around the world and currently has six mainland Chinese working at its headquarters in Atlanta who will take up leadership positions in China in 12 to 18 months (Fenton, 2008). Such practices align with the research findings and advice of Stahl et al. (2007: 23): “...a company that can achieve the right balance of global standardization and local implementation (i.e., global talent pool alignment) aligns its talent with both local and global needs and thus creates a deep, diverse talent pool. To balance this tension, companies must focus on both global branding and local leadership.”

Creating local talent pools, whether composed entirely of locals or of both homegrown and foreign talent, emerges as best practice in Stahl et al.'s research (2007). However, a local talent pool approach can be effective only when combined with overseas rotations to give locally recruited employees an international perspective, exposure to the corporate culture, and a network of contacts throughout the organization. These researchers find that the most successful international rotation programs involve short- to medium-term assignments (6–18 months), focus on specific business and development needs, and include retention incentives, such as participation in leadership development schemes or the prospect of increased responsibilities after the local staff members return home.

Developing and retaining local and global talent will also test the prevailing competencies and professional development of HR managers. Never in the history of management has business literacy been more essential for the HR profession (SHRM Research Quarterly, 2007), yet a major gap exists. A 2006 study by Lawler et al. focused on the practice of HR and how it changed from 1995 to 2004, finding that a low level of satisfaction still exists with HR business partner skills: “In fact, while HR professionals may increasingly understand the business, overall they still do not appear to bring substantive business expertise to the organization” (SHRM Research Quarterly, 2007:5). Improving business competencies is essential for the HR professional and research points to the growing need to link business education programs with the development of HR leaders and practitioners. In particular, critical competencies for effective HRM include the ability to think and act strategically in many different roles (SHRM Research Quarterly, 2007). When companies do make talent a priority, they often fall into the trap of focusing narrowly on HR systems and processes, which diverts attention from the place where most of the obstacles lie — people's heads (Guthridge et al., 2008).

On the university side, business schools can further integrate HRM programs with a business focus. The Society for Human Resource Management in the United States has created the SHRM Academic Initiative to promote HR and business education to help standardize HR education (SHRM Research Quarterly, 2007). HR professionals working in a global environment need to be able to effectively interface with international staff, suppliers and government officials, all of whom will likely have different values, beliefs, assumptions and traditions. However, it is rare that high-potential HR managers receive the same global career development as line managers.

HR professionals can also foster global literacy on effective leadership by becoming more global in their own expertise — personal literacy (understanding and valuing oneself), social literacy (the ability to engage and challenge people), business literacy (the ability to focus and mobilize the company) and cultural literacy (valuing and leveraging cultural differences) (SHRM Research Quarterly, 2007). Universities and companies should partner to provide such opportunities for current and future HR professionals, as well as for their students.

7. Conclusion

Rapid, complex and pervasive changes are occurring that will continue to impact labor and talent — both in terms of quality and quantity. From unrelenting global demographic and economic forces to the increasing mobility of people and organizations, the business environment is more demanding and complex. There are knowledge-driven industry transformations as well as cultural changes — within businesses and in individuals' views on career life cycles. These require higher cognitive capabilities; extensive relationship management and leadership skills; and new human resource, development and career processes. There is a much wider diversity in culture, gender, working generations and modes of employment than ever before. These can be sources of advantage to be leveraged or conflict to be managed. Despite today's global financial circumstances, the capacity of organizations to attract, develop, motivate and retain talent will remain a critical strategic issue for the 21st century's knowledge economies. It will impact the ability of organizations to survive the crisis and ready themselves for eventual recovery.

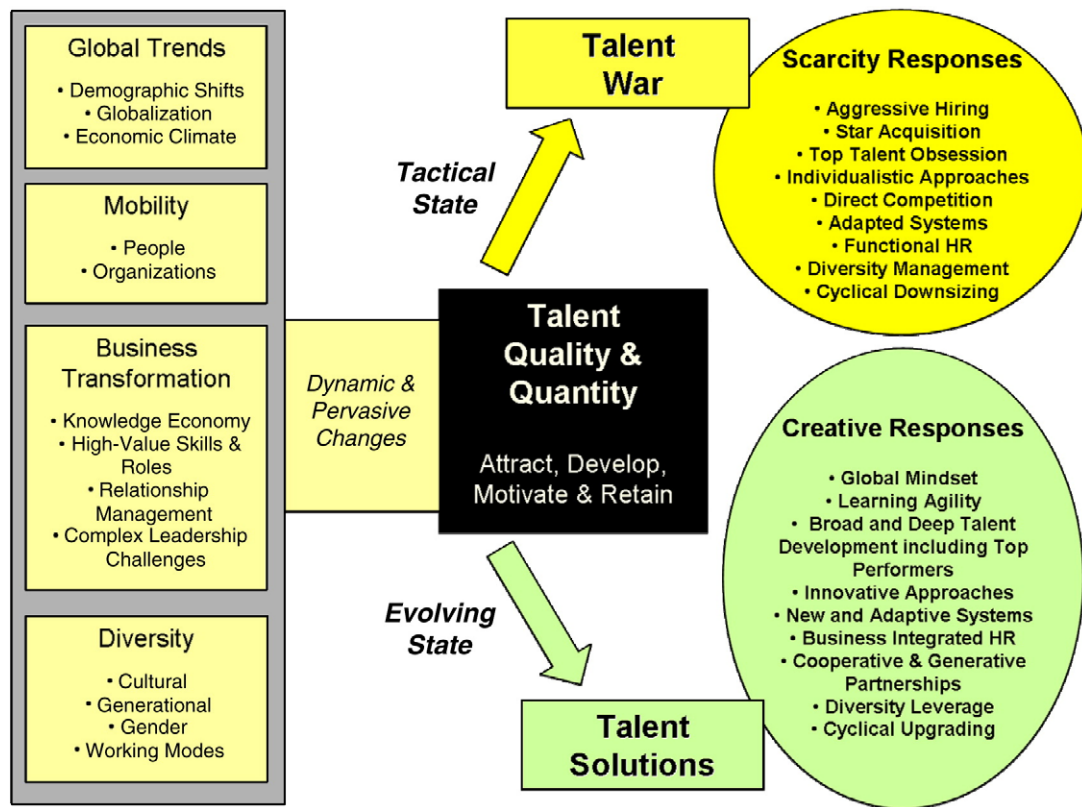


Fig. 1. Talent response dimensions.

We postulate that many current responses to the “talent war” have been driven by a scarcity state of mind and action. We characterize these approaches to include: aggressive and cyclical hiring; ‘star’ acquisition; obsessive and exclusive ‘top talent focus’; direct competition; and old systems and thinking adapted and adopted to the perceived market conditions of the time. Yet, we highlight the emergence of a more evolutionary paradigm where ‘talent solutions’ are creative. Creative solutions require a global mindset for people and organizations; evidence-based management; learning agility; broader and deeper approaches to talent management and professional development that encompass not only “top talent” but a wider range of employees, as well as the capacity to leverage diversity. These should be supported by innovative and integrated processes, systems, culture and partnerships (see Fig. 1: Talent Response Dimensions, below).

Businesses, practitioners and academics must move away from the competitive, winner/loser mentality inherent in the language and tactical outlook of the global “war for talent” toward a more cooperative, generative approach of creative ‘talent solutions.’ The language, substance and innovation can provide an evolutionary and suitably inclusive paradigm to attract, develop, motivate and retain talent – globally and locally.

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