

TALENT MANAGEMENT IN SMALL ADVANCED ECONOMIES

Talent Management

Edited by Professor Vlad Vaiman, California Lutheran University, US and Professor David Collings, DCU Business School, Ireland

Talent Management is one of the fastest growing areas of research in the areas of Human Resource Management and Organisational Behaviour, bridging core management areas, including HRM, Organisational Psychology, and Strategy and International Business. The series, *Talent Management*, brings together emerging theoretical approaches and real-world practitioner perspectives from across a range of subjects in the field of contemporary talent management including talent management in developing markets, critical approach to talent management, and developing markets and talent analytics. The books within the series provide interdisciplinary perspectives on talent from across disciplinary divides and introduce new and innovative issues and topics in this area in greater depth.

TALENT MANAGEMENT IN SMALL ADVANCED ECONOMIES

SNEJINA MICHAILOVA

The University of Auckland Business School, New Zealand

DANA L. OTT

Otago Business School, University of Otago, New Zealand



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

Copyright © 2019 Emerald Publishing Limited

Reprints and permissions service

Contact: permissions@emeraldinsight.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78973-450-8 (Print)

ISBN: 978-1-78973-449-2 (Online)

ISBN: 978-1-78973-451-5 (Epub)



ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.

Certificate Number 1985
ISO 14001



INVESTOR IN PEOPLE

To our families

This page intentionally left blank

Contents

List of Figures and Tables	<i>ix</i>
List of Abbreviations	<i>xi</i>
List of Contributors	<i>xiii</i>
Foreword	<i>xv</i>
Acknowledgment	<i>xvii</i>
Introduction	<i>1</i>
Chapter 1 Talent, Talent Management, and Why They Matter	<i>7</i>
What or Who is Talent?	<i>7</i>
Talent as a What (Object)	<i>8</i>
Talent as a Who (Subject)	<i>12</i>
Talent as Positions	<i>13</i>
What is Talent Management?	<i>14</i>
Attracting Talent	<i>17</i>
Developing Talent	<i>19</i>
Retaining Talent	<i>20</i>
Why does Talent Management Matter?	<i>22</i>
Talent Management Versus Human Resource Management	<i>23</i>
Talent Management in Practice	<i>24</i>
Chapter 2 Talent Management Decisions	<i>33</i>
Utilize an Exclusive or an Inclusive Talent Management Approach?	<i>33</i>
The Exclusive-inclusive Divide	<i>34</i>

The Exclusive-inclusive Continuum	35
Philosophies and Frameworks Associated With Exclusive and Inclusive Talent Management Approaches	36
Make or Buy Talent?	39
To Tell or Not to Tell Employees that They are (Not) Considered Talent?	42
The Importance of the Psychological Contract	43
The Importance of Ethical and Cultural Considerations	47
So, Should Managers Tell or Not Tell?	48
Chapter 3 Talent Management in Small Advanced Economies	51
What Is Macro-talent Management?	52
What Are Small Advanced Economies?	54
How Are They Different from Large Advanced Economies?	56
What Challenges Do They Face and What Are Their Strengths?	58
What Are Small Advanced Economies and Their Companies Doing in the Talent Management Space?	59
Talent Management in Switzerland	60
Talent Management in Singapore	63
Talent Management in Norway	65
What Can Small Advanced Economies and Their Companies Do in the Talent Management Space?	67
Talent Management in SMEs and Micro-firms	70
Talent Management in Companies with Global Mobility Activities	72
Chapter 4 Talent Management in New Zealand	77
What Are New Zealand's Talent Management Challenges?	79
The Business and Talent Environment	79
The Talent Management Challenges	81
What Are Suitable Solutions to New Zealand's Talent Management Challenges?	82
Get Talent Flowing in and Keep it Staying	83
Stop Talent Leaving	87
Conclusion	97
References	99
Index	111

List of Figures and Tables

Figures

Figure 1.	Typology of TM on the Exclusive–inclusive Continuum.	36
Figure 2.	Talent Philosophies and Frameworks Drawing from the Exclusive–inclusive Continuum.	38

Tables

Table 1.	Questions to Determine the Make or Buy Trade-off.	41
Table 2.	Advanced Economies According to the UN (2018) and IMF (2018).	55
Table 3.	Large Advanced Economies, Small Advanced Economies, and Micro-advanced Economies According to Our Classification Criteria.	57
Table 4.	TM Activities, Driving Phenomena, TM Challenges, and Suitable Solutions for New Zealand Businesses.	84

This page intentionally left blank

List of Abbreviations

BMI	Business Monitor International
CEO	Chief Executive Officer
DIY	Do it Yourself
EU	European Union
EVP	Employer Value Proposition
F&P	Fisher & Paykel
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GTCI	Global Talent Competitiveness Index
GTM	Global Talent Management
HiPo	High Potential
HRM	Human Resource Management
IHRM	International Human Resource Management
IMD	Institute for Management Development
IMF	International Monetary Fund
MNE	Multinational Enterprise
MTM	Macro-Talent Management
NZ\$	New Zealand Dollar
OECD	Organisation for Economic Co-operation and Development
OEXPA	Expatriate Ordinance
ROI	Return on Investment
SAP	Systeme, Anwendungen, Produkte in der Datenverarbeitung (Systems, Applications, Products in Data Processing)
SME	Small and Medium Enterprise
STEM	Science, Technology, Engineering, and Math
TM	Talent Management
UK	United Kingdom
UN	United Nations
US\$	United States Dollar
WTO	World Trade Organization

This page intentionally left blank

List of Contributors

- Ian Craig Associate Director, Talent & Recruitment, The University of Auckland, New Zealand
- Kerr Inkson Professor Emeritus, The University of Auckland, New Zealand
- Bridget Romanes Principal, MOBILE Relocation Experts, New Zealand

This page intentionally left blank

Foreword

Talent Management is a new series of books edited and authored by some of the best and most renowned researchers in the field of talent management. As its name suggests, this Emerald series focuses on talent management, one of the fastest growing areas of research in the areas of business and management. As a topic it bridges a number of core management areas, including HRM, Organisational Psychology, Strategy, and International Business. The series features monographs and edited collections exploring both research and practical perspectives on contemporary talent management. The main aim of the series is to provide a forum for the publication of novel perspectives on talent and talent management from across disciplinary divides. It also provides the opportunity to explore new and innovative issues and topics in this area in greater depth.

In general, this Emerald series, *Talent Management*, is intended to serve the growing market of global scholars and practitioners who are seeking a deeper and broader understanding of the role and importance of talent management in organizations. The series will focus on key areas of talent management practice as well as analyses at national, regional, and city levels. With this in mind, all books in the series will provide a thorough review of existing research and multiple examples of companies around the world, wherever applicable. Given the nature of the subject at hand, the authors and editors of the books to be commissioned will be global in their scope and the leading scholars in their respective areas. They bring exceptional knowledge of and expertise in the issues of talent management they address, and in some instances, the authors are the forerunners of their topics. It makes us feel very fortunate to have such a distinguished group of academics involved in this series.

The inaugural book in the series is dedicated to talent management in small advanced economies and illustrated by an example of one such economy, New Zealand. The book is appropriately titled *Talent Management in Small Advanced Economies*, and it consists of four large sections, or chapters, with the main themes in the chapters intentionally formulated as questions. The first chapter addresses three critical questions – what is talent, what is talent management, and why do they matter. The second chapter is devoted to talent management decisions and decision-making, while the third one explores issues related to talent management in organizations located in small advanced economies. The fourth, and final, chapter focuses on talent management in New Zealand, and the authors provide an in-depth analysis of a number of challenges touched upon in the preceding

three chapters and offer a few recommendations for dealing with these challenges in the context of that country.

It goes without saying that the publisher and editor are vital partners in making this series possible. In particular, we want to express our sincere gratitude for the work of our series editor, Niall Kennedy. He has been very encouraging of the *Talent Management* series and instrumental in providing the necessary support to us and the authors and editors in the series. We also would like to thank the editorial assistant, Sophie Darling, for all her help in making this series a success. Together we are all very excited about the *Talent Management* series and hope you find an opportunity to use and benefit from *Talent Management in Small Advanced Economies*, as well as all other upcoming books in the series!

Vlad Vaiman, School of Management, California Lutheran University, USA

David G. Collings, DCU Business School, Dublin City University, Ireland

May 2019

Acknowledgment

We acknowledge funding received from The University of Auckland Foundation (project ID #3713309) to conduct a research project on Talent Management.

This page intentionally left blank

Introduction

Why should we think, talk, and write about talent and Talent Management (TM)? For more than 20 years we have been hearing that there will be a “war for talent” (Chambers, Foulon, Handfield-Jones, Hankin, & Michaels, 1998). Is it here? Is it still coming? Who will win the war? Will it ever end? These (and many more) questions are not only justified but relevant, and they deserve answers from both the scholarly and practitioner communities.

Attracting and retaining talent is very much on the minds of CEOs in a wide range of industries. Consulting company Korn Ferry Institute (2018) reported that “the biggest issue isn’t that robots are taking all the jobs – it’s that there aren’t enough humans to take them.” This has led to expectations (or perhaps predictions) of a “\$8.5 trillion talent crunch” coming our way – one that is worldwide and from which no country or industry appears to be safe (Korn Ferry Institute, 2018). The most recent data show that globally 45% of employers are already facing a talent shortage, with the percentage by country ranging from 13% in China to 89% in Japan (ManpowerGroup, 2018). Consequently, it is not surprising that TM is one of the most widely discussed topics in management (Schuler, 2015).

Talent is inherently in short supply – with or without a war for it. This in itself has intensified the competition for talent globally. It has also made TM necessary for organizational sustainability and competitive advantage, as well as for countries’ well-being and wealth. It is only logical then that TM as a field has developed and gone through an evolution on its own, becoming increasingly strategic, based on careful analysis of data and trends, and oriented toward a range of processes and practices. More and more, we read about business leaders who are not just good at securing the profitability of their companies, but who are great TM leaders.

It is then not surprising that companies and other organizations have invested considerable resources to compete for talent. They have introduced TM roles, positions, and even entire departments, developed strategies, and utilized practices targeted at the attraction, development, and retention of talent. Practitioners frequently use the terms “talent” and “TM,” and CEOs increasingly invest in that area. Yet many, if not most, struggle to articulate exactly who or what talent refers to: is it degree-qualified people, knowledge workers, or highly skilled employees? Or something else? Questions about what activities talent managers should be developing (or not) are also keeping them awake: is there a return on the investment into TM, and if so, is it high enough; what TM activities should

be prioritized and what can be postponed; etc.? The questions are endless and the answers are far from obvious or straightforward.

As often happens, it took close to a decade for the scholarly community to catch up to all the practitioner interest in TM. However, once the scholarly conversations started, it did not take long for the academics to accelerate – TM is at present one of the fastest growing areas of scholarly inquiry (Collings, Scullion, & Vaiman, 2015; Thunnissen & Gallardo-Gallardo, 2017). Academics seem to have gotten caught up in defining “talent” and “TM,” resulting in them lagging behind in providing actionable directions to practitioners. The otherwise vibrant scholarly TM discussions have received criticism regarding issues such as the lack of definitional clarity, the underutilization of theoretical frameworks, and the lack of universal applicability of TM approaches (Cappelli & Keller, 2014; Gallardo-Gallardo & Thunnissen, 2016; McDonnell, Collings, Mellahi, & Schuler, 2017). Indeed, while recent reports continue to stress the coming “global talent crunch” (Korn Ferry Institute, 2018) and offer insights into “decoding global talent” (Boston Consulting Group (BCG), 2018), TM research has struggled to prove the effectiveness of the TM approaches that have been investigated (Tarique & Schuler, 2010; Thunnissen, 2016).

Thunnissen and Gallardo-Gallardo (2017) recently identified five shortcomings of the TM literature that they argue must be resolved, namely (1) the need for a stable theoretical foundation; (2) consideration beyond the organization’s perspective; (3) inclusion of TM research from more types of organizations, sectors, and locations; (4) stronger incorporation of context; and (5) more results from practice aimed at determining the effects of TM and how it can be improved. Based on these findings and directions, it is clear that the TM literature is in desperate need of resolving some specific weaknesses in relation to TM in practice. This book is partly a response to such calls. As its title communicates, it addresses TM by focusing on a particular context, namely small advanced economies.

Three years ago we initiated a research project on TM in one such economy – New Zealand, the country where we both are based. As a result of a competitive funding call at The University of Auckland where both of us were employed at the time (and one still is), we received a research grant to identify the key challenges that New Zealand companies with international activities face with regard to talent and TM. In the course of the project we had numerous meetings with practitioners from companies and organizations operating in different sectors, as well as with representatives of ministries and governmental organizations. We were also invited to present at several fora. It was an exciting research project with a clear potential for impact.

The more we engaged with the literature on talent and TM, the more we realized that there was insufficient literature centered on small advanced economies. While the academic conversations related to talent and TM are certainly accelerating and have been doing so for some time, surprisingly little research has focused on these issues in the context of small advanced economies. Every time we presented to practitioners and engaged in discussions with them, we received countless questions about the particular issues they were facing in a country

dominated by small- and medium-sized companies and micro-firms. While they were interested in knowing about large corporations' and large countries' solutions to TM challenges, they were even more keen to know about the approaches of other small advanced economies. Small advanced economies have some distinct features and characteristics, and some of the challenges they experience are also distinct, if not unique, as are the solutions they may implement to deal with these challenges.

All this was understandable, justified, and motivating. It was these conversations and discussions that led us to writing this book. The book consists of four chapters, with all main sections in the chapters being intentionally formulated as questions. The idea behind this is twofold – first, we replicate, to a great extent, the manner in which practitioners phrase their struggles; and second, we pose questions ourselves as a way to structure considerations, reflections, doubts, and concerns. We are well aware that organizations are highly contextualized entities and that what may work for some may be detrimental to others. But posing questions and outlining issues and factors to consider when searching for the right answers is, we hope, helpful for those who make decisions about talent and TM.

Throughout the book we have included views and reflections by practitioners themselves and others who are passionate about the topic. Their voices appear in Chapters 1, 2, and 4 and provide an authentic view on a number of topics they themselves have found important. We are grateful for their input and hope that readers will appreciate listening to them directly rather than only to our interpretations of their viewpoints and opinions.

The **first chapter** poses three crucial questions – *what or who is talent, what is TM, and why do they matter*. The question about what or who is talent is a fundamental one. It is also a complex one, because the notion of “talent” does not lend itself to a simple or a universal definition. We have talked with numerous managers who are keen to design and implement TM practices and activities without having considered the matter carefully or developed a clear stand on what or who is talent in their organizations. Not surprisingly, many of these practices and activities often do not reach the anticipated positive effect, and sometimes they directly fail. Deciding what or who is talent has clear consequences for what TM will be and how it can be designed and implemented. To help readers, we highlight three issues they should think about – talent as a what (talent as an object), talent as a who (talent as subject), and talent as positions. Once these matters are clarified, readers will be in a far better position to plan and initiate particular practices and activities.

Chapter 1 also poses the question: What is TM? TM officers (and other managers occupying TM designated positions or having TM roles) answer the question differently. Many seem to be preoccupied with identifying, attracting, and hiring talent. Once they have succeeded in doing so, they often believe their job is well done. Others who seem to have little difficulty in attracting talent are almost entirely focused on retaining talent and measuring retention as a prominent feature of their key performance indicators. Yet other practitioners invest most of their time on talent development, with less attention being paid

4 Talent Management in Small Advanced Economies

to attracting and retaining talent. In this section, we outline what these three components entail and argue that all three are inherent to TM – they are inter-related, are parts of the same system, and all have to be “on the radar” at any point in time. To put it simply, they constitute TM *together*.

The preceding sections of Chapter 1 naturally prompt the answers to the last question we ask in that chapter: Why does TM matter? While we offer answers to this question throughout the book, in this section we outline how TM is similar to, yet different from, human resource management (HRM); and what TM is in practice. While the issues are simple at a first glance, they are in fact not straightforward or clear-cut. We therefore seek to help readers to form a view in relation to them. As TM becomes increasingly strategic, the differences between HRM and TM will probably increase, and the as yet blurred lines between the two are likely to become clearer.

The **second chapter** is devoted to *TM decisions*. Practitioners find themselves constantly and continuously in situations of making TM-related decisions. In this chapter, we address three dilemmas they often find themselves dealing with. The first is determining which approach to TM they should commit to – an exclusive one (where the focus is on A-listers and top performers) or an inclusive one (where everyone is considered talent, on one dimension or another). The second dilemma is deciding whether the focus should be on making (developing internally) talent or buying (externally acquiring) it. The third dilemma seems to be a delicate one – whether or not to tell employees that they are (or are not) considered talent. These dilemmas are serious and complex questions, and we pose them as such.

As we explain in the first section of this chapter, the literature is rather divided with regard to whether an exclusive or an inclusive approach to TM is better or optimal. We introduce the readers to the exclusive–inclusive divide, and we then articulate it is a continuum. That way we prompt our readers to think in different terms and ways about the distinction between exclusivity and inclusivity with regard to talent, before they take a stand in terms of what to opt for. This section finishes with introducing the philosophies and frameworks that are associated with the two distinct approaches. The idea is simple – we urge decision-makers to clarify the underlying, more fundamental views and thinking that form the basis of each of the approaches, instead of being in a hurry to commit to one that may turn out to be inconsistent with the fundamentals that characterize their organization. After all, TM in an organization is part of what this organization is (about).

The second section brings about some clarity to doubts concerning whether talent should be made/developed or bought. An obvious response would be: “It depends.” While this may be true, it is often unhelpful. This section outlines the pros and cons to each of the options and provides food for thought before investments are made.

The final section in Chapter 2 is about whether or not to tell employees that they are (or are not) considered talent. This is a difficult and sensitive issue in any organization, even in those that explicitly opt for an exclusive approach to TM. It can be awkward and uncomfortable to inform employees that they are not considered

talent. Or it could be that the (written) TM strategy stipulates one thing and the actual actions clearly communicate another. One way or another, the decisions of whether to tell employees and what to tell them when it comes to talent is a complex one, and one that depends on a number of other, related factors. In this section, we look more closely at three such factors – the psychological contract, ethical considerations, and cultural influences. After we have prompted managers and other decision-makers to think about such factors and how they may impact TM, they will hopefully be in a better position to take a stand on the dilemma of whether to tell, or not to tell, employees that they are (or are not) considered talent.

The **third chapter** addresses issues related to *TM in small advanced economies*. Here the levels of analysis are different – country and organization/company. Talent is key to a country's present well-being and future; it is, and will continue to be, a fundamental resource for creating a nation's wealth. Not surprisingly, the TM literature has recently embraced macro-issues and topics (Khilji, Randall, & Schuler, 2015; Vaiman, Sparrow, Schuler, & Collings, 2018a, 2018b). We start our discussion of TM at the country level of analysis by elucidating what Macro-Talent Management (MTM) is.

Following this, we clarify what small advanced economies are. This is necessary because different statistics and indices from around the world are used in different countries which are labeled “small advanced economies.” Here we emphasize that these economies are not smaller versions of large advanced economies, and we particularly look at how, beyond the obvious size dimension, they are different. We also address the challenges small advanced economies face and outline some of these countries' specific opportunities and main strengths.

The next section in this chapter attempts to answer the question: What are small advanced economies and their companies doing in the TM space? We note that according to both the Global Talent Competitiveness Index (GTCI) and the IMD World Talent Rankings these countries feature prominently in the top five positions. Indeed, in both 2018 and 2019 the GTCI placed four small advanced economies in the top five places, as did the 2018 IMD World Talent Ranking. Much can be learned from this group of economies with regard to TM. In this section we present the TM terrain in three countries – Switzerland, Singapore, and Norway, which have all appeared in the top rankings of the GTCI over the last few years.

The final section in this chapter addresses a question that is phrased similarly to the previous one, but asks what these economies and their companies can do about TM. Two issues deserve particular attention here – how TM is designed and brought into action in small- and medium-sized enterprises (SMEs) and in micro-firms; and what TM issues and challenges are present in companies with globally mobile activities. So far, SMEs and micro-firms have occupied little space in talent and TM literature; instead most of the attention has been paid to large corporations, which are typically located in large countries. But because of a number of specificities that characterize SMEs (e.g., limited resources, less formal and less centralized structures, higher level of flexibility, etc.), lessons learned from large corporations are not easily transferable to them. So, addressing what they do with regard to TM is a valuable exercise.

Companies with global mobility activities also pose a different set of questions because they differ from domestic companies, and cross geographical, institutional, and cultural borders while conducting their operations, and this in itself has an influence on how they view talent and exercise TM.

The **fourth chapter** is devoted to *TM in New Zealand*. This narrowed focus allows us to delve deeper into a number of issues touched upon in the preceding chapters. The GTCI in 2018 and 2019 ranked New Zealand 12th out of 118 countries and 11th out of 125 countries, respectively. New Zealand features particularly well with regard to talent attraction. So, there are lessons to be learned from New Zealand's experience. It is also worth mentioning that already back in 2001, long before TM really hit the bestseller shelves in the bookstores, the country had developed the so-called New Zealand Talent initiative, outlining a number of strategies for building a talented nation.

The first section in this chapter portrays the New Zealand business and talent environment, and the TM challenges the country and its companies face. The second section endeavors to suggest suitable solutions to New Zealand's TM challenges. True to the idea that TM comprises all three components (attracting, developing, and retaining talent), here we propose that getting talent flowing into the country, and keeping it, and that stopping talent from leaving are equally important. The chapter analyzes two phenomena that have been driving some of the trends we observe – brain drain (or rather brain exchange) and repatriation. Specific challenges posed by brain exchange include global staff mobility posing a critical skills shortage, and not only attracting talent to New Zealand, but keeping it there. We also analyze repatriates' dissatisfaction upon returning from international assignments as well as the loss of repatriates' valuable knowledge. Some of these challenges are not necessarily new, but they seem to persist and remain real ones. The chapter then offers appropriate solutions to address and solve these challenges.

We hope you will enjoy the book!