GLOBAL TALENT WAR: DIFFERENCES IN SMALL EMERGING COUNTRY

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Abstract. More intensive research of talent issue scientists started since announcement of “war on talent” in 1998. Within the last 20 years researchers have analysed talent flows in developed countries, while analysis of impact to emerging markets and rural areas is still missing. Analysis of large number of literature sources and overviews helped outline differences in analysis of talent and talent management, linkages to globalisation and local and international human resource management (HRM), understand the main factors determining the location of talent and its influence to organisation’s strategies and competitiveness. This paper introduces a platform for wider discussion of challenges talent war faces in small emerging economy development, emigration, and with what response Latvia can meet the existing brain drain in terms of talent development, retention, return, and attraction policies. The new paradigm of talent management opens more strategic, creative, innovative, collaborative and human capital based actions, which we describe for Latvia as “local talent policy measures” versus global talent management approaches driven by large international corporations and developed nations.

Keywords: regional development, talent war; talent definition, talent management; talent development, emerging economy.

Introduction

In a knowledge economy we more operate with human capital, tacit and innate skills and knowledge. After entering the EU Latvia as low income economy faced several new challenges: free market with free flows of goods, capital and people; substantial differences in income and expenditure levels compared to the Western economies motivating people to emigrate. Aging society, low birth rate, low government investments in higher education and R&D, low value added and lack of high-tech industries demanding high skills workforce resulted in unbalanced outflow of talented people and increase of regional disparities. The expected return back of emigrates is low, therefore local talent management issues obtain extra-crucial value.

In global and ICT saturated economy each organisation needs more dynamic, more virtual, creative, mobile and educated employees, on macro-level characterised as a growing talent deficit. If at Industrial Age “people followed jobs” then the knowledge economy theory describes that “jobs follow talented people” [1]. Several authors have recognised the role of cities able to concentrate talent or human capital as a driving force for the regional development [2]. The ability to develop, retain and attract critical amount of required talent determines national or regional competitiveness. However, academics still use broad talent definition and disagree on common understanding of its content.

The purpose of this article is to analyse the meaning of the term talent and talent management (TM) policy framework for small emerging market as Latvia is and identify the differences compared to global corporations. The critical importance of skilled employees is determined by public sector activities, which some scholars define as home-growing policies. Triple Helix policies are valuable again, including also active involvement of regional and local governments; the new role of Higher Education Institutions (HEI) as a provincial knowledge growth poles correlate with economic competitiveness of particular region [3].

Materials and methods

Several research methods have been used while carrying out the research: analysis of literature, analysis of alternatives and statistic data.

Results and discussion

1. Definition of “talent”

Literature provides various definitions of talent, however, they might be divided into two main groups. The first one describes talent as a research object, which could be referred to exceptional characteristics of people. Many authors outline talent as natural inborn ability [4]), commitment, will,
motivation; as a mastery of systematically by intensive work and training developed abilities, skills [5]; it can be measured by collective values of a group of persons with ability above average. The developable talent approach means that everyone can learn, adapt or obtain skills to become excellent in a specific environment depending on his or her potential [6]. If knowledge and skills can be easily taught, then talent is something unique impossible to learn [7]. Giftedness is rare, it emerges at early age and belongs to individuals, who achieve outstanding performance levels in sports, music, mathematics, chess, arts, general memory tasks etc. Only few workers are able to achieve really top-level performance, learning ability in literature also is considered to be dependent on innate capabilities [4]. On contrary, several authors stress efforts, training and practicing as the core of talent, and that almost everybody with use of special techniques may become “a master”[4]. If so, commitment reflects the progress of individual, focus, attitude, enthusiasm, persistence with success to complete projects; talent is characterised by will, motivation and interest, aligning personal and business goals [8]. Talent as more relative, not absolute value is influenced by organisation’s work environment and the type of the job[9]. Attracted “stars” not always guarantee positive changes in organisation’s innovation culture determining performance above or below average standard [10].

Second group distinguishes talent as a research subject – as values of individuals. According to this approach we consider talent as including values of all employees of the firm and as exclusive, e.g., elite group of all personnel. It is important to identify latent innate talent and help every employee develop his working skills and competences, thus increasing the individual performance of all people added value for the organisation [7]. Another approach focuses to more narrow elite group, causing unequal distribution of resources within organisation, decrease of motivation and loyalty among low-end stuff and destructive in-house competition [11]. These are selected employees achieving the best scores of capability, performance, skills and abilities, up to 10 % top of all respective age or area of expertise employees [12]. High potential talent as a partly innate feature is often used in line with TM or HRM and corporate business, outlining that few workers with latent strength can grow to something more and visible than they are at a moment [4]. The positive impact of conducive business environment to talent of the individual in certain circumstances can result in a chain of multiplicative growth [4].

2. The global war for talent

The terms “brain drain” and “brain gain” arose in 1950s when post-war America was filling its scientific laboratories with European post-war immigrants. Higher R&D spending, developed research infrastructure and high and steady income combined with provided money for any new researcher stimulated emigration of scientists and technical specialists from Western Europe, Far East and developing countries to the USA [13]. The continuous inflow of highly educated professionals, skilled and qualified workers, researchers and entrepreneurs in all developed countries is set as a priority of “national competitiveness”. The number of scientists and engineers residing in the US grew from 21.6 million in 2003 to 29 million in 2013. The share of immigrated scientists and engineers residing in the United States in 2013 were 18% (5.2 million) grown up from 16 % (3.4 million) in 2003 [14]. The share of PhDs obtained by foreign-borned students in the USA reached 39 % in 2000 compared to 6 % in 1966, many of them staying in the USA after studies [15]. The new US policy aims to double overall enrolment of international students from 625.000 students in 2008 to 1.25 million in 2020 [16]. The US has benefitted for a long time from being the world’s biggest net importer of talent.

The drivers of EC: the UK, Germany, Ireland and France reacted with a new policy aimed to attract highly qualified immigrants in ICT and electronic sectors mainly as immigrated talent from Eastern Europe: Germany hosts a million skilled foreigners; Britain has almost balance of trade in skilled workers [17]. Highly educated employees in high income countries (less motivation for migration) in 2000 constituted 30.7 % from total employment (in North America even 51.3 %), while average figure in Eastern European countries – only 17.4 % [18]. This means that lower income CEECs will stay at least for medium term as an attractive source of talent emigration for developed EC members.

Rapid economic development in the last two decades in China, India, Brazil and Turkey, increase of university quality, development of high-tech industries in China and India have reduced outflow of talent to the USA. China has increased number of first year doctoral students six-fold between 1995
and 2003, Chinese government has launched new programs to retain university graduates in China and to attract talent from abroad [15]. In the 21st century we see serious re-emigration of academics back to China.

Growing global talent deficit emerged as a “war for talent” (term introduced by McKinsey consultants in 1998). Since that talent management (TM) obtained the decisive role at any organisation’s excellence, competitiveness and characteristics of sustainability. In early 1980s several leading corporations as Texas Instruments, Motorola and General Electric established technology centres in India and China to adapt new products for local market [15]. Today R&D offshoring is a new variation of talent war, and establishment of international joint ventures or R&D partnerships focus to access to local abilities and skills of highly skilled individuals and talent [19]. Globalisation and the shift to knowledge intensive service industries require more intangible and human assets, diverse and multicultural workforce. Rhetoric about global talent war has forced many governments to change their social and economic policies in favour of attraction and retention of talent [20]. Global talent war promotes regional inequality as supports only elite performance, encourages cosmopolitism, while talent concentrates in multicultural elite, and elite has the lowest motives to leave the country [20]. War on talent has influenced and changed corporation’s strategies of TM and HRM.

3. Talent management

HRM is an answer to organisation’s needs for appropriate personnel with definite abilities; TM provides an opportunity for organisation or country to attract talented people. If expatriate factor for HR management became important in 1990s, researches on what value TM can bring to organisation and its human capital appeared in literature since the 21st century. Collings et.al. in the paper [21] defined TM and outlined four different approaches to it.

1. TM could be assigned to the small elite of employees whose skills and expertise is over average in a firm, difficult to replace and recruit, representing proportionally much higher share in total values of organisation compared to other personnel [22]. Such approach categorises employees, differentiates investment into individuals, shifts the recruitment process from pay-for-the-job to pay-for-the person etc.

2. TM embedded into talented HR pools with a limited number of people. This approach requires segmentation of employees in three levels of their performance with elite recruited, retained and rewarded.

3. Employees at pivotal positions (at elite or “A” class) contribute more in organisation’s strategic performance compared to lower class personnel. TM at this level includes systematic review, building, capturing and developing of skills needed for organisation’s success at A-class positions. Therefore, efficient exploitation of developed talent is crucial and protection of the values created is not lost [23].

4. TM in a collective pools practice. We may segment human resources into groups (elite, skills group, employees with definite grade of skills etc.), and measure the impact of investment to organisation’s operational outcomes [24]. The decisions of senior managers for talented individuals in majority are based on their cognitive borders and intuition, not by strategic analysis of human resource processes [22].

Recent research outlines four key TM business processes: value creation, value capturing, value amplification and value protection (retention and preservation) in organisation where interaction with surrounding talent is important [22]. Talent retention depends on the balance of talented individual’s personal goals with organisation’s targets [25]. At corporate level TM in MNCs’ subsidiaries in emerging economies need to be adapted to local circumstances [26].

1. Subsidiaries’ TM strategy should be integrated with the sector specific indigenous research, involve corporate social responsibility, community relations (less in metropolitan regions), presence in the local education system, as well as local and cultural response to global TM strategy [26].

2. Performance at local level of the TM to provide adequate number of qualified people, including acquired talent and respective investments. The CEEC countries are characterised with
bureaucratic and authoritarian management style [27], lack of knowledge of management practices and relationships, and business-fuzzy political culture [28].

3. Institutional factors jointly with resource based approach affect corporate TM decisions at MNC subsidiary level in both metropolitan and provincial locations. Managerial motivated value maximisation based on return from investments in human assets needs to be combined with social capital and analysed in collective or network action achieving also social goals [29]. The local practices and organisation culture can make TM introduction in domestic firms slow [29].

4. Balance between global and local targets to achieve effective transfer of strategy and competitive advantage of subsidiary [26].

National and regional level talent strategy as a system should be based on the three pillar framework.

**Talent development.** The key processes of local talent development are the education system, training and career development, including short and long term local or global assignments, creation of global teams, cross-cultural training. Learners should be committed for result [30], but organisation should make leadership development as integral part of its corporate culture and actively involve senior leaders in the change process [31]. The approach of transfer of knowledge, adoption and absorption of new ideas gets growing significance when greater mobility is in place; diaspora if used efficiently reduces the need to rediscover solution, which exists already somewhere, increases opportunities for knowledge sharing with further diffusion and spillover effects [3]. Talent planning is a core talent management function. HEIs play crucial role in developed and emerging countries. Universities operate as global talent development centres where students and faculty members learn from each other [3]. Today Latvia cannot keep in home country that talent it produces; therefore, little value is to implement specific talent attraction measures.

**Talent retention (recovery) or back-return of your own talent.** The top 5-10 % of talent is highly sought by competitors as more efficient it is to get a skilled person from other organisation instead of investing in it your money [32]. Employees leave organisation or country for better paid jobs, because of unethical supervisor, starting studies, following new employment of spouse, or getting fired. Companies usually introduce retention management measures with understanding cause – effect relationships, analysing stuff replacement costs, diagnosing and setting retention goals, and developing shared understanding between employee and employer [33]. Many global companies recruit diverse talented host-country nationals abroad to repatriate and employ back in their own country of origin, providing them with career and personal life support [34]. Scotland, Ireland, Taiwan, Korea and recently China have demonstrated comprehensive policy of encouraging back diaspora [35]. The reverse brain drain is named also as “brain circulation”. Diaspora involvement in economic activities requires policy measures aimed for integration, assimilation and trust building [36].

**Attracting and acquiring external talent.** Triple Helix approach is used to attract brain from outside, talent location decisions are influenced by public support, satisfaction at HEI, ties with family. At micro level the key points in this process are building organisation’s HR reputation, organizational attractiveness, international careers, family attachment reinforcing joining family (back to home or stay at host country) [37]. Many of Latvian students and emigrants show high willingness to stay in the developed country after graduation not only for temporary period but forever.

4. Latvia’s context – Continuous talent outflow

The fourth emigration wave from Latvia took place exactly after collapse of the Soviet Union [38], when part of educated technical migrants and militarists went back to their home-regions in the Soviet Union or preferred to move to the USA, Israel or the EU countries. These outflows to the Western world were limited by issued number of visas, return back to Russia driven by inability to accept loyalty to small independent state’s values versus confidence in their belonging to the Russian speaking super power and its interests. Second more serious emigration wave from Latvia started since 2004 when the country joined the European Union and since introduction of the Shengen visa regime in 2007. It mainly involved transfer of skilled and active people from the country side, where structural unemployment levels were the highest, to the UK and Ireland. According to Latvian
statistics, just 28 024 people emigrated in the period of 2004-2009 compared to 16 046 immigrants who entered the country [39]. That is likely to be a gross underestimate: the majority of emigrants did not declare their departure. By March 2015 nearly 75 000 individuals from Latvia had acquired National Insurance numbers to work in the UK alone. In the year to 2014 Latvia was one of the three largest sources of applicants for the British government’s Worker Registration Scheme.

![Babyboomers Post-wargenation 1944-1964](image)
- More collectivist working style
- Strong professional knowledge
- Lack of business skills
- Less motivated to share ideas (standing out was unwelcome in the Soviet period)
- Managers of authoritarian and centralised style
- Strong work ethics

![Generation “X” Communist period generation 1964-1980](image)
- Self taught on modern business, but not best techniques
- Wealth dominantes over career
- Individual look to be his own boss
- Focused to compensation and career development opportunities

![Generation Y Democracy generation 1981-2000](image)
- Focused to professional development
- Seek for work – personnel life balance
- Openness to the opportunities, created by globalisation
- Prefer stable jobs in public sector and large firms
- Working abroad is a standard in career
- Consumerism – new attractive lifestyle

![Generation Z Information Age generation 2001 - nowadays](image)
- Feel good in virtual environment
- PC is becoming more a lifestyle and main tool at all
- Open for virtual collaboration and social networking

Fig. 1. Different values of diverse generation groups in Latvia

Other data suggest that an average of 20,000 Latvians left the country each year. During the last five years (since the beginning of 2010, CSB), the population number in the country has diminished by 134 thousand, during the time period 2000 to 2013, by 259 thousand people respectively, and at the beginning of 2015 it comprised 1 million 986.1 thousand. Annual decrease rate of people in 2014 was 22.4 ths. or 0.77 %, in 2013 – 14.3 thousand or 0.7 %, in 2012 – by 11.9 thousand or by 0.6 %, respectively. The number of persons at working age since 2010 has dropped by 141 thousand; in 2014, two times more people at working age emigrated from the country (15.9 thsd), as compared to the immigrant number at this age (8.0 thsd). Since 1993, the share of people at retirement age exceeds the share of children and young people, and it means that in future the number of economically active people will be smaller and the level of demographic burden will increase. At the beginning of 2015, per 1 000 population at the working age there were 371 persons at retirement age and 242 children aged less than 15. For a country the inhabitants of which in the last decade decreased by 307 000 or by 12.9 % of which by 115 000 due to negative natural increase and 192 000 due to emigration, being the 6th fastest shrinking country in the world (by 2050 the number of people is expected to shrink by 19.8 %), with one of the highest rates of single motherhood in the EU (23 %); birth rate (9.1 per 1000); death rate (13.9 per 1000) – one of the highest rates in the EU and extremely low fertility rate (1.34 children/per woman), outflow of young economically active people is a serious danger [40].

Several studies surveys confirmed lack of jobs outside Riga metropolitan area, extremely low paid rural jobs, increased number of people (144 ths in 2006) travelling long distances to work every day, parallel employment in several organisations or shifts motivated people to seek for better temporary employment environment in developed EU countries with attractive social protection system [41].

The economic downturn since 2008 stepped back economic development for ten years. Besides cut of wages, loss of savings, new burden of apartment loans, reduction of regional economical activity the crises totalled with lowered trust to local political system and its ability to achieve
sustainable and predictable development. As opposite, we see increase of shadow economy, administrative red tape burden, corruption and state debt and slow improvements after crises, much lower as political promises were and what developed member countries offer. Gradually temporary intensions to work abroad are replaced by will to stay for long term, socialisation and even foreign citizenship [38]. The attitudes partly to the 3rd wave Western diaspora and its returnees were influenced by Soviet propaganda and full reconciliation was not reached. The basic differences lie in diverse education system, mindset and value system, and historical, territorial and political factors influencing behaviour and distrust of individuals.

**Conclusions**

1. The performed literature analysis outlines the talent definition and TM as a complex process. Many of academics still disagree for precise definition and understanding of the term “talent”. We have analysed the TM procedure more as a system and this is more introductive research as the preliminary results require more detailed and also quantitative analysis in this area. According to the performed research talent is a sum of exceptional inborn values developed within life and learned values of elite group of people inside organisation.

2. The conventional approach of improving TM processes in many corporations is to introduce preventive measures and activities. Growing talent shortage, especially in developed countries, is met by proactive international human resource and TM policy measures at national, regional and micro-levels. The developed countries are beneficiaries of brain drain coming from emerging and developing countries. The rapid development of catching-up countries such as China, India, Brazil, Russia etc. has intensified global competition (war) for talent.

3. Latvia was forced to engage in the race for talent because of availability of skilled graduates, income disparities with developed EU members, lack of well paid jobs in medium and high knowledge intensive industries, especially in small towns and rural areas, as well as extremely low political readiness to do anything. Regional universities and HEIs here have underestimated status regards to the role of targeted entrepreneurship measures to meet loss of human capital as a result of the fourth emigration wave.

This research allows to conclude that mindset, innovation culture (cognitive thinking) and societal values become extremely important in talent war for small post-soviet economy. To illustrate this the authors have performed simple mapping of evolution of societal values for Latvia for the post-WWII period (see Fig.1) using the definition of generations from the article [42]. Each generation reflects the segment of today’s workforce with a common and differentiated package of motivations, thinking, and expertise at the workplace. A successful TM strategy can change an organization’s understanding and doing of what creates division of its employees, showing that they are heterogeneous. Differences between generations can affect the way organizations recruit and build knowledge teams, meet challenges and change, reward and manage people. For Latvia we can transfer developed in Western world model with division of workforce into four main generational groupings: Baby Boomers (born between 1944 and 1964), Generation X (born between 1965 and 1980), Generation Y (born between 1981 and 2001), and Generation Z (born after 2001). Each group has predominant, common features. Organizations can waste their TM approaches by determining recruitment, retention and development strategies that cater to the various needs of each generation. Neglectance of generation’s specificity may lead to serious mistakes and waste of efforts on national, regional talent and entrepreneurship policy level, as well as organisation level, and require further understanding of this challenge and further investigations [42].

The further investigation requires more detailed mapping of talent, values of life and entrepreneurship policy measures, based on the three talent pillar platform (growth, retention and attraction), outlined in this research, identifying right Latvia’s response to growing talent outflow and global competition. The differences in common cognitive pull, behaviour and social and economic values of local generations require diverse attitudes and treatment methods for such domains. The development of sustainable indigenous entrepreneurship in Latvia as a potential response in rural context to the talent gap also should be further analysed.'
References