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# TALENT OR NOT? EMPLOYEE REACTIONS TO TALENT IDENTIFICATION

INGMAR BJÖRKMAN, MATS EHRNROOTH, KRISTIINA MÄKELÄ, ADAM SMALE, AND JENNIE SUMELIUS

*In this article, we examine the effect of talent identification on employee attitudes. Building on social exchange theory, we analyze the association between employees' perceptions about whether or not they have been formally identified as "talent" and the following attitudinal outcomes: commitment to increasing performance demands, building skills, and supporting strategic priorities; identification with the unit and the multinational enterprise; and turnover intentions. Our analyses of 769 managers and professionals in nine Nordic multinational corporations reveal a number of differences between employees who perceive that they have been identified as "talent" and those who either perceive that they have not been identified or do not know whether they have been identified. We found only limited differences between the two latter categories.*

*Keywords:* talent, talent management, attitudes, career, selection, multinational enterprises

## Introduction

Interest in talent management has proliferated over the last decade, with the global shortage of leadership talent being touted as one of the highest HR concerns for multinational enterprises (MNEs) today (Cappelli, 2008; Guthridge, Komm, & Lawson, 2008). Consequently, MNEs have directed increasing attention to global talent management (Farndale, Scullion, & Sparrow, 2010; McDonnell, Lamare, Gunnigle, & Lavelle, 2010; Stahl et al., 2012; Tarique & Schuler, 2010), defined as "all organizational activities for the purpose of attracting, selecting, developing, and retaining the best employees in the

most strategic roles (those roles necessary to achieve organizational strategic priorities) on a global scale" (Scullion, Collings, & Caligiuri, 2010, p. 106). Although approaches vary, talent management usually focuses on a pool of employees who rank at the top in terms of performance and competencies, and are therefore considered leaders or key professionals either at present or at some point in the future (Collings & Mellahi, 2009; Lewis & Heckman, 2006). In MNEs, talent management decisions are increasingly global in that employees may be identified as "talent" or "high potentials" regardless of whether they are parent-country nationals, expatriates, or local employees

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working in foreign subsidiaries ([Collings, Scullion, & Morley, 2007](#)).

At the core of talent management is the assumption that the “talent” must be found, segmented, nurtured, and placed in pivotal positions that are crucial for the competitive advantage of the firm ([Boudreau & Ramstad, 2005](#)). Some attention has been paid to the question of how to identify talent, and scholars have also begun to examine factors that influence whether or not someone is classified as talent ([Mäkelä, Björkman, & Ehrnrooth, 2010](#); [Mellahi & Collings, 2010](#)). This is in line with calls for literature on HRM to shift emphasis from HR practices to include an increased focus on the human capital

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that constitutes the underlying resource of these practices ([Wright & McMahan, 2011](#)).

One key issue that many MNEs wrestle with is whether or not to inform high potentials about their status after talent reviews have been conducted and corporate talent pools decided upon ([Evans, Pucik, & Björkman, 2011](#)). The differential treatment of such employees in terms of developmental support or compensation can be a sensitive matter. If the status of high potentials is not made public, this may, for instance, lead to frustration among high performers who do not feel adequately recognized. On the other hand, if talent pool membership is publicized, the motivation of

those not on the list of talent may drop. While the question has been posed of whether or not to inform individuals about their possible status as talent, there is little, if any, empirical research on the extent to which firms do this, how, and why. More important, there is no research that analyzes this issue in terms of the effects this may have on the individuals themselves. This is a serious omission since employee perceptions of talent management practices and decisions are likely to influence attitudes that are important for the performance of the organization ([Boxall & Macky, 2009](#); [Wright & Nishii, forthcoming](#)).

In this article, we seek to address this research gap by analyzing the association between employees’ perceptions about whether or not they have been formally identified as “talent,” and a number of attitudes that have been associated with positive organizational outcomes in previous research, and which thus are central to effective talent management systems. Building on social exchange theory, we develop a range of hypotheses with regard to how individuals’ perception of their talent status is related to the following attitudinal outcomes: acceptance of increasing performance demands, commitment to building competencies, support of company strategic priorities, identification with the focal unit and the MNE, and turnover intent. Our analyses of 769 managers and professionals in nine Nordic multinational corporations reveal a number of differences between employees who perceive that they have been identified as talent and those who either perceive that they have not been selected or do not know whether they have been identified.

### *Talent Identification and Employee Attitudes: A Social Exchange Perspective*

Social exchange theory suggests that when corporations invest in their employees, they are likely to reciprocate these corporate investments in positive ways ([Cropanzano & Mitchell, 2005](#)), providing a useful lens through which to understand the mechanisms involved in how employees interpret and react to organizational talent management practices. Within this strand of research, there are a number of different ways of conceptualizing the employee–organization relationship. An employer perspective, for example, features in research on employment modes ([March & Simon, 1958](#)), in which it is analyzed in terms of the inducements an organization offers and the contributions it expects from its employees (e.g., [Guest & Conway, 2002](#); [Tsui, Pearce, Porter, & Tripoli, 1997](#)).

The employee view of this organization–employee exchange relationship has, in turn, been extensively studied in relation to

psychological contracts (Rousseau, 1995), which focuses on individuals' perceptions of what the organization offers and what employees are obliged to contribute in return (Conway & Briner, 2002, 2005; Guest, 2004). Previous empirical studies have established a link between perceived organizational inducements and employee obligations (e.g., Rousseau, 1990; Shaw, Dineen, Fang, & Vellella, 2009; Shore & Barksdale, 1998), with individuals perceiving that when the organization has invested in the employment relationship, they have an obligation to reciprocate the investment (Cole, Schaninger, & Harris, 2002; Kuvaas & Dysvik, 2010). A related research stream—organizational support theory—has examined employee reactions to their beliefs regarding how the organization values their contributions and cares about their well-being (Eisenberger, Fasolo, & Davis-LaMastro, 1990). Employees interpret corporate actions, especially HRM decisions (Guzzo & Noonan, 1994; Rousseau & Greller, 1994), as commitments or support on the part of the organization, which they then reciprocate through positive attitudes and behaviors that support the attainment of organizational goals (Coyle-Shapiro & Conway, 2005).

Building on the social-exchange perspective, we argue that talent identification, which explicitly assumes differential treatment of selected employees, is likely to be viewed by talent pool members as an indication of their employer's commitment toward them (Meyer & Allen, 1991) and as discretionary, future organizational support (Eisenberger et al., 1990; Eisenberger, Cummings, Armeli, & Lynch, 1997). In other words, inclusion in a talent pool is perceived as a signal that the focal individual's contribution to the organization has been valued and that the employer has fulfilled its contract by deciding to invest in his or her future career. This, in turn, is likely to lead to an internalized, normative obligation to act in a way that meets organizational goals and interests (Allen & Meyer, 1990; Lee, Liu, Rousseau, Hui, & Chen, 2011; Wiener, 1982).

We therefore expect individuals who believe that they know or, in other words, perceive that they have been identified as talent

to be more committed toward issues that are important for their employer than those who either perceive that they have not been identified or those who do not know whether they have been selected or not. Similarly, based on research into the effects of perceived psychological contract breach (or violation) on employee attitudes and behaviors (Morrison & Robison, 1997; Zhao, Wayne, Glibkowski, & Bravo, 2007), we further expect the attitudes of those who perceive that they are *not* included in talent pools to differ from those of individuals who do not know whether they have been selected. The attitudes of the former will be based on perceptions of unmet expectations and negative signals sent by the organization concerning its support and future investments in them. Thus, employees who *do not know* whether they are identified as talent are likely to be more positive toward the organization than those who perceive they have not been singled out as talent.

#### Acceptance of Increasing Performance Demands

From the organization's point of view, how employees perform in their job is of obvious importance and the performance of individuals labeled as talent is likely to be particularly important (Collings & Mellahi, 2009). Individual performance is to a significant extent an outcome of their knowledge and skills and their personal efforts. Related to the latter, in accordance with social exchange theory, we expect individuals who perceive that they have been identified as talent to be more likely to accept increasing demands to do well in their jobs. This expectation is in line with the positive relationship that was found in a meta-analysis of the relationship between perceived organizational support and employee performance (Riggle, Edmondson, & Hansen, 2009). Therefore, and although there is little existing research that specifically examines employee

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acceptance of increasing performance demands, the following hypotheses will be tested in this study:

*Hypothesis 1a: Individuals who perceive that they are identified as talent are more likely to accept increasing performance demands than those who perceive that they are not identified as talent.*

*Hypothesis 1b: Individuals who perceive that they are identified as talent are more likely to accept increasing performance demands than those who do not know whether they are identified as talent.*

*Hypothesis 1c: Individuals who perceive that they are not identified as talent are less likely to accept increasing performance demands than those who do not know whether or not they are identified as talent.*

### Commitment to Building Competencies

A central tenet of talent management is that corporations need to meet their future need for human capital in particular competencies needed in positions that are important for the competitiveness of the organization (Collings & Mellahi, 2009). One central strategy for meeting these needs is employee development. Applying social exchange theory, individuals who perceive that they are part of talent pools can be expected to reciprocate by building company-specific competencies by seeking out developmental job experiences (De Pater, Van Vianen, Bechtoldt, & Klehe, 2009; McCall, Lombardo, & Morrison, 1988), feedback from their colleagues, mentors, and others whose knowledge and insights they may learn from, as well as striving to develop their knowledge and skills in other ways. This tendency may be further strengthened by efforts on the part of talented individuals to maintain current perceptions about their knowledge and skills (Firfiray, 2009), with management and leadership competence development being one of the ways in which they can achieve this. Therefore, we hypothesize the following:

*Hypothesis 2a: Individuals who perceive that they are identified as talent are more likely to be com-*

*mitted to building competencies than are those who perceive that they are not identified as talent.*

*Hypothesis 2b: Individuals who perceive that they are identified as talent are more likely to be committed to building competencies than are those who do not know whether they are identified as talent.*

*Hypothesis 2c: Individuals who perceive that they are not identified as talent are less likely to be committed to building competencies than those who do not know whether they are identified as talent.*

### Support of Strategic Priorities

Again following social exchange logic, we expect employees to differ in the extent to which they support the strategic objectives of the corporation based on whether they perceive themselves to be identified as talent. Van Riel, Berens, and Dijkstra (2009) found that organizations can support strategically aligned behaviors in workgroups by stimulating employee motivation, informing employees, and encouraging capability development. Similarly, talent management activities, such as the inclusion of a person in a corporate talent pool, that shape employee interpretations of the terms of their psychological contract (Guzzo & Noonan, 1994; Rousseau & Greller, 1994) and signal the kinds of behaviors that are desired and rewarded within the organization (Bowen & Ostroff, 2004) create stimuli that increase individual motivation to actively support the strategic priorities of the employer. We expect employees who perceive they have received talent status to draw more favorable interpretations about their psychological contract and be more likely to support such priorities. Thus, we propose the following hypotheses:

*Hypothesis 3a: Individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than are those who perceive that they are not identified as talent.*

*Hypothesis 3b: Individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than are*

those who do not know whether they are identified as talent.

*Hypothesis 3c: Individuals who perceive that they are not identified as talent are less likely to actively support the strategic priorities of the firm than those who do not know whether they are identified as talent.*

### Organizational Identification

Further, we expect talent identification to have an impact on how employees identify with their employer. Organizational identification refers to the strength of an employee's identification with the organization in which the person works, indicating a "perception of oneness with or belongingness to an organization, where the individual defines him or herself in terms of the organization(s) in which he or she is a member" (Mael & Ashforth, 1992, p. 104). Organizational identification has been found to have several positive effects for individuals and organizations (Ashforth, Harrison, & Corley, 2008). For example, if employees identify with the organization and have positive feelings about its leadership, their self-esteem and self-motivation will be enhanced. Organizational identification also facilitates cooperation across individuals and units since employees share values and loyalties.

Identification is a perception of belonging to an organization that is influenced by situational cues highlighting common interests or shared outcomes between an individual and an organization (Ashforth & Mael, 1989). However, situational cues (e.g., perceived similarity to others) do not necessarily resolve the ambiguity that can exist about organizational membership. We argue that being formally identified as talent will reduce individuals' ambiguity about organizational membership, strengthen their perceptions of positive distinctiveness, and lead to enhanced organizational identification (Firfiray, 2009). This is consistent with research showing perceived organizational support to be positively associated with organizational identification (Edwards & Pececi, 2010). Similarly, perceptions of not being identified as talent may

lead to views of an imbalance in the social exchange process, which in turn may induce individuals to level the playing field by reducing their attachment to the organization (e.g., Turnley & Feldman, 1998).

In MNEs and other large organizations, however, employees may identify with more than one organizational entity. For instance, a manager may identify with both the corporation as a whole and/or the focal unit in which he or she is working. This has been shown to be true for managerial employees in subsidiaries (e.g., Reade, 2001a) as well as for expatriates (e.g., Stroh, Black, Mendenhall, & Gregersen, 2005). Moreover, there is evidence that subsidiary managers (Vora, Kostova, & Roth, 2007) and even expatriates from the MNE home country (Gregersen & Black, 1992) may identify more with the local unit than with the MNE.

### Identification with the Unit.

A study by Reade (2001b) reveals that employee identification with the local unit and identification with the whole corporation are driven by different sets of antecedents. Three factors shown to lead to greater identification with the unit were the perceived support of the individual's immediate supervisor, perceived opportunities for career advancement and fulfillment of potential within the local unit, and perceptions that the individual's nationality is not a barrier to the organizational hierarchy within

both the local company and the global corporation. Building on our earlier arguments regarding positive distinctiveness and organizational support, we argue that being identified as talent sends a strong message that will serve to increase or support these perceptions in the minds of employees.

Furthermore, employee identification with the local unit may be particularly strong among those perceived as talent since the talent review process in MNEs is typically carried out at different levels in the organization, with local and regional units being

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*We expect employees who perceive they have received talent status to draw more favorable interpretations about their psychological contract and be more likely to support such priorities.*

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responsible for assessing local talent ([Evans et al., 2011](#)). Similar to the positive effect of perceived support of the immediate supervisor cited earlier, employees are therefore likely to attribute their talent status (or lack of it) to decisions heavily influenced by decision makers in the local unit. Hence:

*Hypothesis 4a: Individuals who perceive that they are identified as talent are more likely to identify with their unit than are those who perceive that they are not identified as talent.*

*Hypothesis 4b: Individuals who perceive that they are identified as talent are more likely to identify with their unit than those who do not know whether they are identified as talent.*

*Hypothesis 4c: Individuals who perceive that they are not identified as talent are less likely to identify with their unit than those who do not know whether they are identified as talent.*

**Identification with the MNE.** Reade's (2001b) study identified two antecedents of employee identification with the MNE that are relevant for the identification of talent—support and appreciation of superiors at MNE corporate headquarters, and the opportunity for career advancement and fulfillment within the global corporation. Although decisions concerning talent identification are likely to be influenced by people at the local or regional level, being identified as talent and placed in a corporate talent pool as a result of a formal talent review process is still likely to be perceived by an individual as evidence of his or her positive distinctiveness and a clear sign of organizational support from the MNE, and provide individuals with a stronger sense of membership within the MNE. Moreover, being identified as talent may lead to more and/or better opportunities, perceived or actual, for training and development opportunities and career advancement on a global scale. Indeed, an explicit objective of the talent management systems of many MNEs is to improve the possibilities for talented individuals from units worldwide to develop an international career within the corporation. We thus hypothesize:

*Hypothesis 5a: Individuals who perceive that they are identified as talent are more likely to identify with the multinational corporation than those who perceive that they are not identified as talent.*

*Hypothesis 5b: Individuals who perceive that they are identified as talent are more likely to identify with the multinational corporation than those who do not know whether they are identified as talent.*

*Hypothesis 5c: Individuals who perceive they are not identified as talent are less likely to identify with the multinational corporation than those who do not know whether they are identified as talent.*

### Turnover Intentions

Finally, from a talent management perspective, it is crucial for the corporation to retain high-performing individuals with valuable and rare competencies. Perceptions of psychological contract breach are commonly shown to have a strong correlation with turnover intentions ([Zhao et al., 2007](#)). There is also extensive evidence that employees who perceive that they receive support from the organization are less likely to consider leaving it: a meta-analysis revealed a mean corrected correlation of  $-.51$  between perceived organizational support and turnover intentions ([Rhoades & Eisenberger, 2002](#)). Similarly, in the context of international assignments, [Lazarova and Caligiuri \(2001\)](#) and [Stahl, Chua, Caligiuri, Cerdin, and Taniguchi \(2009\)](#) found support for a negative relationship between international assignees' satisfaction with company support and their turnover intentions. Both studies emphasized the centrality of perceptions, arguing that employees' intent to stay or leave the organization is influenced by their subjective perceptions of the value and usefulness of the company support available to them, rather than by an objective evaluation of the existence or effectiveness of a certain practice. This continuance commitment ([Meyer & Allen, 1991](#)) can make it psychologically more difficult for an employee to leave the organization.

In line with the arguments forwarded earlier, perceptions of having been selected as talent can be viewed by employees as an indication that the employer values their contributions and has fulfilled its obligations by deciding to invest in their future development (Lee et al., 2011). Based on this reasoning, we expect that talent identification will influence employees in terms of their turnover intentions as follows:

*Hypothesis 6a: Individuals who perceive that they are identified as talent are likely to have lower turnover intentions than those who perceive that they are not identified as talent.*

*Hypothesis 6b: Individuals who perceive that they are identified as talent are likely to have lower turnover intentions than those who do not know whether they are identified as talent.*

*Hypothesis 6c: Individuals who perceive that they are not identified as talent are likely to have higher turnover intentions than those who do not know whether they are identified as talent.*

## Method

### Data Collection

This study is based on data collected in the context of a large-scale research project on global HRM. The first step of the entire data-collection process was to identify the largest Finnish MNEs in terms of number of employees. We also checked that the scope of their international operations was suitable for the purpose of our project. Our aim was to gain access to at least ten subsidiaries in ten MNEs, one home-country and nine foreign units (excluding representative offices), in each MNE by asking the corporate HR representative to select those units that fit these criteria. The result was that eight MNEs chose to participate; however, this was reduced to seven since one MNE was forced to postpone data collection due to major restructuring. We then targeted additional Swedish and Norwegian MNEs of similar size to increase comparability, resulting in one Swedish and three

Norwegian MNEs joining the project. The resulting 11 Nordic MNEs represent a variety of industries, ranging in size from 2,500 to 60,000 employees, and have units in an average of 30 different countries. According to the corporate HR representatives, all MNEs sought to achieve a corporate-wide talent management system. It should be noted that none of the firms had an explicit policy of always informing individuals about their talent status.

The data for this article were collected through a web-based survey of 930 managers and professionals in 106 subsidiaries of the 11 corporations. This part of the study began with an e-mail sent to the HR manager of each of the subsidiaries (whom we had interviewed over the phone approximately six months earlier). In this e-mail, we described the survey and requested names and e-mail addresses of ten respondents in each participating subsidiary. We proposed the following criteria for the respondents in order to achieve a consistent frame but with enough variation: (1) there should be a fairly even balance between managers (with direct subordinates) and professionals/specialists (with no direct subordinates) from each unit, (2) the managers should be one or two hierarchical steps from the general manager (i.e., they report to the general manager or to a manager that reports to the general manager), and (3) managers and professionals/specialists were accepted from a range of different departments/functions, but not from the HR function.

Upon receipt of the list of names, we contacted the prospective respondents directly via e-mail, briefly describing the project and its authorization from corporate and subsidiary HR, and inviting the respondents to complete a web-based survey. We created a unique questionnaire for each company, which enabled the inclusion of some company-specific terminology, such as the specific name of their talent review process where applicable. After one to two weeks, all respondents received

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*Perceptions of  
having been  
selected as talent  
can be viewed by  
employees as an  
indication that the  
employer values  
their contributions  
and has fulfilled  
its obligations by  
deciding to invest  
in their future  
development.*

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**TABLE I** Characteristics of Participating Managers and Professionals

<b>N = 769</b>	<b>Category</b>	<b>%</b>
<b>Gender</b>	Male	74.2
	Female	25.8
<b>Tenure in MNE</b>	Years (mean)	5.22
<b>Tenure in unit</b>	Years (mean)	4.61
<b>Reports to unit GM</b>	Yes	40.2
	No	59.8
<b>Nationality</b>	Host-country national	92.4
	Foreign national	7.6

an e-mail reminder. In some units where the response rate remained low, we contacted the unit HR managers for a second time, asking them to remind the respondents or provide additional names. The total number of questionnaires sent out was 1,230, and the final number of individuals responding to the survey was 930, producing a response rate of 76 percent. The survey was answered anonymously, with individual respondents being unidentifiable. For the purpose of this study, we excluded the individuals from two MNEs that did not have an explicit formal talent review process. This resulted in a sample of 787, and after having removed missing values, the final sample was 769 managers and professionals from 90 MNE units in nine corporations. Characteristics of the sample are provided in Table I.

The survey questionnaire was developed through multiple rounds of iteration, and pretested in pilot interviews with four external managers in equivalent positions to the respondents. Based on these, some questions were reworded in order to make them easier to understand. The questionnaire language was English and took between 15 and 20 minutes to complete. We chose to use the English-language version in all subsidiaries, as this was the official language used in inter-unit communications within the MNEs. In addition, for practical reasons as well as for comparability, we did not consider it realistic to translate the questionnaire into the more than ten national languages across the MNE units.

## Operationalizations

### Independent Variable

**Talent identification.** As discussed, all nine corporations in our sample had formal yearly corporate talent review systems in place, which they used for identifying high-performing and high-potential individuals. In order to assess whether the respondent was identified as talent, we asked the respondents the question “Are you formally identified by [the MNE] as belonging to a talent pool?”<sup>1</sup> Based on this, we created a three-category grouping variable in which group 1 = those who perceive that they are identified as talent ( $n = 185$ ),<sup>2</sup> group 2 = those who do not know whether they are identified as talent ( $n = 494$ ), and group 3 = those who perceive that they are not identified as talent ( $n = 90$ ).

### Dependent Variables

In order to test the discriminant validity of our dependent variables and ensure that each of our constructs comprised only one underlying dimension (Cascio, 2012), we did a Varimax rotated factor analysis, extracting six factors. The analysis revealed five factors with Eigenvalues over 1, and a sixth factor with an Eigenvalue slightly below 1. Despite this, we decided to maintain the distinction between the six constructs based on theoretical arguments and because there were no significant cross-loadings exceeding the .50 level (Hair, Anderson, Tatham, & Black, 1998). The factor loadings ranged between .730 and .886, and

the individual factors explained the following amount of variance: factor 1: 39.2 percent, factor 2: 16.9 percent, factor 3: 9.1 percent, factor 4: 6.1 percent, factor 5: 5.5 percent, and factor 6: 5.1 percent.

**Acceptance of increasing performance demands.** The operationalization of this construct was adapted from previous research (Rousseau, 2000). We asked respondents to indicate the extent to which they had made the following commitments to their employer: (1) to accept increasingly challenging performance requirements, (2) to adjust to changing performance demands, and (3) to accept new and different performance requirements. The questions were rated on a seven-point Likert scale ranging from 1 = “not at all” to 7 = “to a great extent.” The Cronbach’s alpha value for this construct was 0.92.

**Commitment to building competencies.** Following Rousseau (2000), we operationalized the respondents’ commitment to building competencies by asking them to rate the extent to which they had made the following commitments to their employer: (1) to seek out developmental opportunities that enhance my value to my employer, (2) to build skills to increase my value to my employer, and (3) to make myself increasingly valuable to my employer. The questions were rated on a scale from 1 = “not at all” to 7 = “to a great extent.” This construct had an alpha value of 0.92.

**Support of strategic priorities.** We measured the support of strategic priorities of the firm by asking respondents to rate the extent to which they had made the following commitments to their employer: (1) to actively support the strategic priorities of my employer in my daily work, (2) to actively help colleagues and subordinates focus on the strategic priorities of my employer, and (3) to actively discuss the strategic priorities of my employer with my peers. This operationalization is in line with previous research (van Riel et al., 2009). The questions were rated on a scale where the scale anchors were 1 = “not at all” and 7 = “to a great extent.” The construct had an alpha value of 0.88.

**Identification with the unit.** In line with the values-based construct validated by

Reade (2001a), we measured identification with the local unit by asking respondents to indicate the extent to which they agreed with the following statements: (1) The practices of this local unit/subsidiary are in line with my personal values, (2) What this local unit/subsidiary stands for is important to me, and (3) My values and the values of the local unit/subsidiary that I work for are the same. The questions were rated on a seven-point scale ranging from 1 = “do not agree” to 7 = “agree entirely.” The alpha value for this construct was 0.88.

**Identification with the MNE.** We measured identification with the MNE by asking respondents to indicate the extent to which they agreed with the following three statements: (1) [The MNE’s] global practices express my own values, (2) [The MNE] represents values that are important to me, and (3) I see no difference between my values and the corporate values of [the MNE]. The operationalization was also adapted from the values-based construct validated by Reade (2001a). The questions were rated on a seven-point scale where 1 = “do not agree” and 7 = “agree entirely.” This construct had an alpha value of 0.89.

**Turnover intentions.** We operationalized the respondents’ turnover intentions by asking them to indicate the extent to which they agreed with the three following statements: (1) I intend to look for a job outside of [the MNE] within the next year, (2) I often think about quitting my job at [the MNE], and (3) I intend to remain with [the MNE] for the near future (reverse-scored). The questions were adapted from Konovsky and Cropanzano (1991) and rated on a seven-point scale ranging from 1 = “do not agree” to 7 = “agree entirely.” The alpha value for this construct was 0.81.

### Control Variables

To control for individual-level heterogeneity in terms of demographic and organizational characteristics (Felin & Hesterly, 2007), we controlled for gender, tenure in the MNE, number of subordinates, and nationality in terms of whether the respondent was a

host-country national or not. Gender and nationality were operationalized as dummy variables, whereas tenure in the MNE and number of subordinates were linear and measured in number of years and number of subordinates, respectively.

**Results**

In order to assess the hypothesized differences between the three different groups (talent, not talent, and don't know if talent), we

Hypotheses 2a and 2b, which posit that individuals who perceive that they are identified as talent are more likely to have a commitment to building competencies than are those who perceive that they are not identified as talent, and those who do not know whether they are identified as talent, are both supported.

conducted our analysis using multivariate analysis of covariance (MANCOVA), which enabled us to examine group differences while also taking interdependencies between the different dependent variables into account (Hair et al., 1998). Since we have a nested dataset in which the respondents belong to one of 90 different MNE units, we also control for this by including the MNE unit as a categorical blocking variable. (We also ran a separate analysis in which we used "MNE" rather than the MNE unit as the categorical grouping variable; the overall results remained similar in terms of both sign and significance to those reported here.)

The correlation matrix of the variables in the study indicates that all correlations in the model are below 0.70. This suggests that our model does not suffer from a serious collinearity problem since Kline (2005) argues that the first indication of substantial multicollinearity is correlations above 0.85. In Table II, we present the correlation matrix and descriptive statistics of the variables in this study. In Table III, we present the

results of our models.<sup>3</sup>

Our first set of hypotheses argues for differences between the three groups (yes, don't know, and no) in terms of accepting increasing performance demands. Hypothesis 1a, which posits that individuals who perceive that

they are identified as talent are more likely to accept increasing performance demands than those who perceive that they are not identified as talent, is supported ( $\beta = 0.377, p < 0.01$ ). Similarly, Hypothesis 1b, suggesting that individuals who perceive they are identified as talent are more likely to accept increasing performance demands than those who do not know whether they are identified as talent, is also supported ( $\beta = 0.306, p < 0.01$ ). Conversely, Hypothesis 1c, which suggests a difference between the groups "no" and "don't know" regarding the likelihood of accepting increasing performance demands, is not supported ( $\beta = 0.070, p > 0.05$ ).

Our second set of hypotheses concerns attitudinal differences in commitment to building skills. Hypotheses 2a and 2b, which posit that individuals who perceive that they are identified as talent are more likely to have a commitment to building competencies than are those who perceive that they are not identified as talent, and those who do not know whether they are identified as talent, are both supported ( $\beta = 0.649, p < 0.001$ ) and ( $\beta = 0.400, p < 0.001$ ). Hypothesis 2c ("no" vs. "don't know") is not supported ( $\beta = 0.249, p > 0.05$ ).

In Hypothesis 3a, we receive support ( $\beta = 0.456, p < 0.01$ ) for our argument that individuals who perceive that they are identified as talent are more likely to actively support the strategic priorities of the firm than those who perceive that they are not identified as talent. Our results also support Hypothesis 3b ("yes" vs. "don't know") ( $\beta = 0.373, p < 0.001$ ), but not Hypothesis 3c ( $\beta = 0.084, p > 0.05$ ), which suggests a difference between the groups "no" and "don't know" regarding the support of strategic priorities.

In Hypotheses 4a and 4b, we argue for an increased likelihood of identifying with the unit if individuals perceive that they are identified as talent, as opposed to if they perceive that they are not identified as talent, or do not know whether they are talent. These hypotheses are both supported ( $\beta = 0.369, p < 0.05$ ) and ( $\beta = 0.230, p < 0.05$ ). However, our results show no support for Hypothesis 4c ("no" vs. "don't know") ( $\beta = 0.139, p > 0.05$ ). Further, we find no support for Hypothesis 5a ( $\beta = 0.173, p > 0.05$ ), which posits that

**TABLE II Means, Standard Deviations, and Pearson Correlations**

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13
Mean	0.66	0.84	0.27	5.79	5.65	5.82	5.55	5.45	2.42	0.74	5.22	0.08	1.15
SD	0.47	0.37	0.45	1.01	1.10	1.01	1.09	1.14	1.39	0.44	1.71	0.26	0.88
1. Talent (1 = yes, 0 = no)													
2. Talent (1 = yes, 0 = don't know)													
3. Talent (1 = don't know, 0 = no)													
4. Acceptance of increasing performance demands	0.24***	0.14***	0.01										
5. Commitment to building competencies	0.32***	0.18***	0.10*	0.63***									
6. Support of strategic priorities	0.29***	0.20***	0.06	0.58***	0.59***								
7. Identification with unit	0.26***	0.12**	0.12**	0.33***	0.26***	0.31***							
8. Identification with MNE	0.17**	0.13**	0.02	0.33***	0.28***	0.34***	0.58***						
9. Turnover intentions	-0.22***	-0.09*	-0.10*	-0.15***	-0.17***	-0.14***	-0.40***	-0.30***					
10. Gender (male = 1, female = 0)	0.08	0.02	0.04	-0.06	-0.06	0.00	0.00	-0.01	0.00				
11. Tenure in MNE	-0.15*	0.02	-0.12	-0.03	-0.16***	0.00	0.04	0.04	0.03	0.13***			
12. Nationality (foreign = 1, host-country national = 0)	0.03	-0.02	0.04	0.05	0.03	0.08*	-0.02	0.06	0.04	0.02	0.02		
13. No. of subordinates	0.26***	0.10**	0.11**	0.15***	0.10**	0.23***	-0.18***	0.19***	-0.05	0.24***	0.17***	-0.01	

All two-tailed tests. \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ .  
 N = 782-787 for variables 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13; N = 281-283 for variable 1;  
 N = 685-688 for variable 2; and N = 591-594 for variable 3.

**TABLE III** Multivariate General Linear Regressions

	Yes vs. No			Yes vs. Don't Know			Don't Know vs. No		
	$\beta$	Std. Error	t-statistic	$\beta$	Std. Error	t-statistic	$\beta$	Std. Error	t-statistic
<b>Unit<sup>a</sup></b>									
<b>Controls<sup>b</sup></b>									
1. Acceptance of increasing performance demands	0.377	0.14	2.76**	0.306	0.09	3.45**	0.070	0.12	0.59
2. Commitment to building competencies	0.649	0.15	4.35***	0.400	0.10	4.13***	0.249	0.13	1.91
3. Support of strategic priorities	0.456	0.14	3.28**	0.373	0.09	4.12***	0.084	0.12	0.69
4. Identification with unit	0.369	0.14	2.60*	0.230	0.09	2.49*	0.139	0.12	1.12
5. Identification with MNE	0.173	0.15	1.17	0.296	0.10	3.07**	-0.123	0.13	-0.95
6. Turnover intentions	-0.479	0.18	-2.61**	-0.182	0.12	-1.53	-0.297	0.16	-1.85
<b>R<sup>2</sup></b>	0.196–0.267			0.196–0.267			0.196–0.267		
<b>F</b>	3.362***			3.362***			3.362***		
<b>N</b>	769			769			769		

All two-tailed tests. \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$ .

<sup>a</sup>The blocking variable "unit" is not significant for variable 3, significant at a  $p < .05$  level for variable 2, and significant at a  $p < .001$  level for variables 1, 4, 5, and 6.

<sup>b</sup>Of the control variables, gender (being male) was positively related with variable 1 ( $\beta = .359, p < .001$ ) and variable 2 ( $\beta = .278, p < .01$ ). Tenure was negatively associated with variable 2 ( $\beta = -.105, p < .001$ ), and number of subordinates was positively related with variable 1 ( $\beta = .162, p < .001$ ), variable 2 ( $\beta = .128, p < .05$ ), variable 3 ( $\beta = .244, p < .001$ ), variable 4 ( $\beta = .208, p < .001$ ), and variable 5 ( $\beta = .203, p < .001$ ). Nationality in terms of if the respondent was of foreign nationality (rather than being a host-country national) was negatively associated with variable 3 ( $\beta = -.382, p < .05$ ).

individuals who perceive that they are identified as talent are more likely to identify with the MNE than those who perceive that they are not identified as talent. Hypothesis 5b (“yes” vs. “don’t know”) on the other hand is supported ( $\beta = 0.296, p < 0.01$ ), while Hypothesis 5c (“no” vs. “don’t know”) is not ( $\beta = -0.123, p > 0.05$ ).

Finally, in our last set of hypotheses, we suggest differences between the three different groups concerning their turnover intentions. Hypothesis 6a is supported ( $\beta = -0.479, p < 0.01$ ), suggesting that individuals who perceive that they are identified as talent are less likely to have turnover intentions than those who perceive that they are not identified as talent. Hypotheses 6b (“yes” vs. “don’t know”) and 6c (“no” vs. “don’t know”) are not supported by our results ( $\beta = -0.182, p > 0.05$ ) and ( $\beta = -0.297, p > 0.05$ ).

Of the control variables, the number of subordinates came out as significant in all three models (“yes” vs. “no,” “yes” vs. “don’t know,” and “don’t know” vs. “no”), showing a strong positive relationship with all dependent variables, except turnover intent, as follows: acceptance of increasing performance demands ( $\beta = 0.162, p < 0.001$ ), commitment to building competencies ( $\beta = 0.128, p < 0.01$ ), support of strategic priorities ( $\beta = 0.244, p < 0.001$ ), identification with the unit ( $\beta = 0.208, p < 0.001$ ), and identification with the MNE ( $\beta = 0.203, p < 0.001$ ). The respondent being of foreign nationality (as opposed to being a host-country national) was negatively associated with the support of strategic priorities ( $\beta = -0.382, p < 0.05$ ) in all three models, and tenure in the MNE was negatively related to commitment to building competencies ( $\beta = -0.105, p < 0.001$ ). Finally, in all three models, gender (being male) was positively associated with the acceptance of increasing performance demands ( $\beta = 0.359, p < 0.001$ ) and the individual’s commitment to building competencies ( $\beta = 0.278, p < 0.05$ ).

## Discussion

### *Theoretical Implications*

The objective of this article was to examine the association between employees’ perceptions about whether or not they have been formally

identified as “talent” and a number of individual attitudes. Our contribution to the literature lies in using a social exchange perspective to develop and empirically test a number of hypotheses concerning the previously unexplored association between talent identification and employee attitudes that are central to talent management and in previous research have been associated with positive organizational outcomes (Boxall & Macky, 2009; Wright & Nishii, forthcoming).

Our findings show that there are significant differences between those who perceive they have been identified as “talent” and both those who perceive they haven’t and those who don’t know. First, comparing those who perceive that they have been identified with those who haven’t, we found that those who perceive that they have been identified as talent are more likely to be associated with all attitudes examined (commitment to increasing performance demands, to building competencies that are valuable for their employers, and to actively support its strategic priorities; identification with the focal unit; and lower turnover intent), with the exception of identification with the MNE.

Second, we found that those who perceive they have been identified as talent are more likely than those who don’t know their talent status to be associated with all the attitudes examined, except turnover intentions. In other words, those who perceive they are identified as talent and those not knowing have the same likelihood of leaving the corporation. Taken together, these findings suggest that informing talented individuals of their status has a motivational effect in line with the predictions of social exchange theory and thus support the general logic of talent management. At the same time, the nonsignificant findings concerning identification with the whole corporation (“yes” vs. “no”) and turnover intention (“yes” vs. “don’t know”) point to the intriguing possibility that these individuals know their value and that retention issues may arise should their expectations and needs not be met. Longitudinal studies of this issue are needed to enhance our understanding of the dynamics involved (cf. Robinson, Kraatz, & Rousseau, 1994).

The lack of significant differences between individuals who perceived that they had not been identified as talent and those who didn't know was surprising, as it seems to indicate that informing them that they are not talent has little negative effect. We can only speculate why this was the case. For instance, cognitive dissonance theory (Festinger, 1957) would lead us to expect that individuals who haven't been identified as talent might cope with this knowledge by downplaying the importance of

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being a member of a talent pool. This would be similar to the “sour grapes” effect, where individuals lower their opinion of anything they don't or can't get (Mann, Janis, & Chaplin, 1969). In social identification terms, although group membership (i.e., “talent”) is perceived to be known (cognitive identification), the emotional attachment (affective identification) and value connotation (evaluative identification) assigned to this group are perhaps not strong enough among those not identified as talent to influence their attitudes or behaviors (Tajfel, 1981). In either case, a perception of not being identified as a talent would not have significant attitudinal effects. However, more research is clearly warranted on this issue.

In line with Scullion et al.'s (2010) definition of global talent management, which includes the need for organizations to take into account their “global strategic priorities as well as the differences

across national contexts for how talent should be managed” (p. 106), it is reasonable to expect that there may be contextual differences in the preferred communication strategy and overall impact of talent identification on employee attitudes (Farndale et al., 2010). Indeed, although all nine corporations in our sample had corporate-wide talent management strategy and practices, there are a number of potential sources of exogenous variation that may influence their impact on employee attitudes, including different company policies, differing

implementation within the various units of one MNE, and differences within supervisor–subordinate relationships. For instance, recent case-study research on Western MNE subsidiaries in China suggested a heightened interest in identifying internal talent to address the high turnover of qualified Chinese employees (Hartmann, Feisel, & Schober, 2010). It was beyond the scope of the present study to investigate the influence of such cultural or institutional factors further, but this would be an interesting avenue of future research.

Another key exogenous effect is that arising from differences in supervisor–subordinate relationships and leadership/communication styles of supervisors. Supervisors influence employees' attitudes toward the HR practices of the organization (Kuvaas & Dysvik, 2010) as well as their perceptions of the employment relationship (Rousseau & Tijoriwala, 1998). There is likely to be significant variation—regardless of company policies—in terms of how individual supervisors communicate about their subordinates' talent status, ranging from explicit formal assertions to informal and indirect clues. More comparative and qualitative research is called for to shed light on the effects of the communication strategies of supervisors, and how individuals make sense of and react to the signals they are sent, formally and informally, about their talent status.

### *Limitations and Future Research*

Like all research, this study is subject to a number of limitations. First, given its cross-sectional nature, we cannot rule out the possibility of common method variance having influenced the results. However, while the same individual provided data on both independent and dependent variables, the former was a grouping variable (as opposed to a Likert-type scale variable) and placed in the background section of the questionnaire. This is likely to have created a reasonable degree of psychological separation, which helps in reducing other potential sources of common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

Second, we measure individual perceptions of whether they are formally identified as

talent or not. This may or may not correspond with objective talent pool inclusion. However, a key point we are making is that it is the perception of being identified as a “talent” that matters for the dependent variables, rather than any “objective” identification, regardless of whether this involves membership in a formal talent pool, training, accelerated promotion, or a certain type of job. Nevertheless, it would also have been of interest to analyze the correlates of talent pool membership. Furthermore, in line with equity theory and social comparison (Carrell & Dittrich, 1978), knowledge about the talent status of fellow colleagues could also be included as a variable in order to help shed further light on employees’ attitudinal reactions.

Third, we acknowledge a possibility of reverse causality. It may be that individuals who are seen to exhibit some of the attitudes examined in this study are more likely than others to be included in talent pools, rather than (only) the other way around. However, while this might be feasible concerning, for example, the acceptance of increasing performance demands, it is unlikely that corporate executives involved in decision making about talent-pool inclusion have in-depth knowledge about the organizational identification and turnover intentions of individual employees. The findings concerning the groups “yes” vs. “don’t know” also suggest that reverse causality is unlikely. Assuming that the “don’t know” category includes both those who actually have and haven’t been identified as talent, we would expect the differences between “yes” vs. “don’t know” to be less significant than the differences between “yes” vs. “no.” Since this isn’t the case (see Table III), the more logical explanation is that identification leads to attitudinal reactions. Nonetheless, feedback loops may also exist in that inclusion in a talent pool might predict inclusion in the future, partly due to the attitudinal differences examined earlier. We therefore call for longitudinal research to examine the nature of causality within the relationships analyzed in the present study.

Finally, considering the external validity of the findings from our study, it should be noted that the sample of MNEs consisted of

firms from three Nordic countries. It may be that Nordic samples differ from, for example, Anglo-American ones with regard to how prepared companies are to differentiate between employees and employee attitudes with regard to differentiation (both reflecting Nordic equalitarian values). Although any generalizations beyond the Nordic countries should be done with caution and we can only speculate, it may be that our results would be more pronounced in cultures in which individual-level differentiation is traditionally more accepted. While the findings from a recent study conducted by a consultancy firm for the Chartered Institute of Personnel and Development in the United Kingdom are broadly similar to those presented here regarding the positive attitudes of those in talent pools and non-detrimental attitudes of those who are not (Chartered Institute of Personnel and Development, 2010), future research on MNEs from other countries is needed to investigate whether or not there are contextual limitations to the generalizability of the results.

### *Managerial Implications*

The results suggest that it is not only better to inform employees that they have been identified as talent, but that it is perhaps also better to tell those who have not made it into talent pools—at least, if both talent reviews and communication about inclusion are conducted in a transparent and fair way, and if those who haven’t been identified as talent have a real chance of making it next time around. At best, this transparency may create a continuous tournament concerning who is viewed to have talent and thus have a motivational effect on employees. We know that talent reviews are susceptible to a number of biases stemming

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from, for example, cultural differences, gender, and network centrality (Collings & Mellahi, 2009; Greer & Virick, 2008; Mäkelä et al., 2010). It is therefore likely that the reactions of employees to their talent status will be mediated by their perceptions of whether the talent review process was carried out fairly (Firfiray, 2009; Turnley & Feldman, 1998).

It is worth noting that explicit, differential treatment of employees has the potential to reinforce competitive organizational climates in which the few go forward and the many are left behind (Cooper, 2008). Such climates might, on the one hand, lead to self-selection of performance-oriented individuals to the organization, but may on the other hand also have long-term effects on employee morale and be demeaning for those who are solid workers but lack the ambition to compete for higher positions or for some reason are perceived by corporate decision makers to lack future potential. Indeed, it is argued that a company's long-term performance depends on the unsung commitment and contributions of their "B players" (i.e., those who are capable, steady performers, and provide an important counterbalance to the ambitions of the high-performing "A players"; DeLong & Vijayaraghavan, 2003). It is therefore important to consider the potential long-term implications of identifying talent, and to counterbalance the focus on top talent with creative "talent solutions" (Beechler & Woodward, 2009) that capitalize on diversity (Greer & Virick, 2008), and involve

broader and more inclusive approaches to talent management.

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## Notes

1. This question was customized for the various MNEs by using the company-specific term (i.e., in some cases "Are you identified as talent?" and in others "Are you identified as a high potential?") The choice of wording was based on the term used in earlier face-to-face interviews carried out with corporate HR representatives at HQ.
2. We can only speculate that this relatively high figure (i.e., 20 percent of the sample) is partly due to our focus on managers and professionals no more than two levels from the general manager, but may also be due to the respondents' inflated expectations of their standing.
3. Since one group always constitutes the reference group, we conducted two separate runs in order to get the comparisons between all the groups. In the first run, "no" was the reference group, thus enabling the comparison between the "yes" vs. "no" and "don't know" vs. "no" groups, while in the second run "don't know" constituted the reference group in order to allow for the comparison between the "yes" and "don't know" groups.

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