TALENT MANAGEMENT AND HUMAN RESOURCE PRACTICES

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ABSTRACT: In a competitive marketplace, talent management is a primary driver for organizational success. Broadly defined, talent management is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs (Collings & Mellahi, 2009). The purpose of this essay is to link talent management intervention in contributing to HR practice of recruiting, training and development at the organisational level. In other words, the essay examines the effect of talent management on the HR practice of employee training and selection in the organisation. This essay therefore, provides a comprehensive account of the correlates, contexts, theoretical frameworks, talent pool development, examining the role of HR in finding the right people, employee engagement practices, while measuring business impact of talent management, challenges of talent management and outcomes of talent management from recent literatures and research findings in the field of HR Management practice in recruitment and training. Despite the growing popularity of talent management and over a decade of debate and hype, the concept of talent management remains indistinct. A recent paper concluded that there is “a disturbing lack of clarity regarding the definition, scope and overall goals of talent management”. This paper thus proposes the explanation in the area of talent management as it concerns recruitment and training of employees. While there have been some useful theoretical contributions to date (Boudreau & Ramstad, 2007; Cappelli, 2008), heretofore the theoretical foundations of talent management have been relatively sparse. If talent management is to gain more mainstream acceptance then the theoretical foundations which underpin it must be advanced.

KEYWORDS: Talent management, Human Resources, Employee Engagement, Employee Training.

INTRODUCTION

"Talent Management" has become one of the most important catchphrases in corporate Human Resource Management (HR) and training today (Bersin, 2006). To understand why talent management has become so important, with is imperative to look at the evolution of corporate HR.

In the 1970s and 1980s the business function which was responsible for people was called “The Personnel Department.” The role of this group was to hire people, pay them, and make sure they had the necessary benefits. The systems which grew up to support this function were batch payroll systems. In this role, the personnel department was a well understood business function (Bersin, 2006).

In the 1980s and 1990s organizations realized that the HR function was in fact more important and the concepts of "Strategic HR" emerged. During this period organizations realized that the HR managers had a much larger role: recruiting the right people, training them, helping the business design job roles and organization structures (organization design), develop “total compensation” packages which include benefits, stock options and bonuses, and serving as a central point of communication for employee health and happiness (Bersin, 2006).
In 1997, a groundbreaking McKinsey study exposed the “war for talent” as a strategic business challenge and a critical driver of corporate performance (Micheals, Handfield-Jones & Axelrod, 2001). However, the emergence of “Talent Management” in the “new age” continues to be a major focus, HR organizations are now focused on a new set of strategic inquiries like, how can we make our recruiting process more efficient and effective by using “competency based” recruiting instead of sorting through resumes, one at a time? As well as how can HR organisations better develop managers and leaders to reinforce culture, instill values, and create a sustainable “leadership pipeline?” and so on (Bersin, 2006).

These new, more challenging problems require new processes and systems developed to confront this problem. They require firm integration between the different HR departments and direct incorporation into line of business management processes. Today organizations are starting to buy, build, and stitch together performance management systems, succession planning systems, and competency management systems (Lawler, 2005).

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This essay therefore, provides a comprehensive account of the correlates, contexts, theoretical frameworks, talent pool development, examining the role of HR in finding the right people, employee engagement practices, while measuring business impact of talent management, challenges of talent management and outcomes of talent management from recent literatures and research findings in the field of HR Management practice in recruitment and training.

New conceptual frameworks, research methods, and findings continue to advance our understanding of talent management (SHRM, 2006). However, this knowledge base is compromised by the frequently atheoretical, unsystematic, and fragmented fashion in which research findings in talent management have accrued, and by the conceptual and research complexities inherent in the study of such a rapidly changing and corporately embedded HR practice of talent management (Collings & Mellahi, 2009).

**Literature Review**

Despite the growing popularity of talent management and over a decade of debate and hype, the concept of talent management remains indistinct. A recent paper concluded that there is “a disturbing lack of clarity regarding the definition, scope and overall goals of talent management” (Lewis & Heckman, 2006: 139), a view which also prevails in the practitioner literature.

In this regard, a UK survey found that 51 per cent of HR professionals surveyed undertook talent management activities, however only 20 per cent of them operated with a formal definition of talent management (CIPD, 2006). Thus, the field would benefit from a clear and comprehensive definition of the concept. Second, the current state of talent management literature is exacerbated by the fact that, in addition to ambiguities around the definition of the concept, there has also been an alarming lack of theoretical development in the area (Lewis and Heckman, 2006).

Talent management is regarded as the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs (SHRM, 2006). Talent management is also broadly defined as activities and processes that involve the systematic identification of key positions which differentially contribute to the organization’s sustainable competitive advantage, the development of a talent pool of high potential and high performing appointees to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization (Collings & Mellahi, 2009).

To gain competitive advantage, the demand for human capital drives talent management. Talent management strategies focus on five primary areas: attracting, selecting, engaging, developing and retaining employees. Although pay and benefits initially attract employees, top-tier leadership organizations focus on retaining and developing talent (Perrin, 2003).

Due to demographic changes, the workforce is also increasingly diverse in age, gender and ethnicity comprising lifestyles, migration patterns and cultural norms (SHRM, 2006). Organizations are already taking advantage of these workplace trends.
For example, The Home Depot, Inc., the home improvement giant, focuses its staffing initiatives on older workers (SHRM, 2006).

Talent management strategies also provide the context for diversity and inclusion. Proctor and Gamble, for example, feels that getting the right mix of people is a major part of talent management and hires many of its leaders as university recruits (Morton, 2005).

Moving talent management initiatives forward, however, requires organizational total commitment. That is, all levels of management must be on board with applying the importance of talent management strategies for the benefit of the overall organisation (Becker and Huselid, 2006). When the board is involved, the value of talent management is apparent and has high visibility (Morton, 2005). Yet to be successful, the value must be understood throughout the organization, with strong links between leadership and talent to translate into specific organizational value-based behaviors (Morton, 2005).

Moreover, it is important that HR educate top management on the link between the talent management cycle and the cost of turnover (SHRM, 2006). For example, an employee’s decision to stay or leave is related to career possibilities in the company as well as how he or she can become better prepared to move to other opportunities.

To keep a valued employee, the easy answer is not merely compensation (Tucker, Kao & Verma, 2005). Employee loyalty tends to be more directed to his or her professional skills rather than to the organization (Dell & Hickey, 2002). Hence, to best attract, engage, develop and retain talent, those who have responsibility for talent management must understand what is essential to employees.

A THEORETICAL MODEL OF STRATEGIC TALENT MANAGEMENT

The theoretical model of strategic talent management is based on the definition of talent management identified. The identification of pivotal talent positions should be the first stage in any strategic talent management system. As noted above, while an influential stream of talent management literature emphasizes the identification of ‘A performers’ and focuses on their retention and development (Axelrod, Handfield-Jones & Michaels, 2002; Frank, Finnegan & Taylor, 2004; Michaels et al., 2001) an emerging literature base advocates a focus on the identification of key positions (Boudreau & Ramstad, 2007) or “A positions” (Huselid, Beatty & Becker, 2005) which have the potential to differentially impact on sustainable competitive advantage.

Some strategic HRM (SHRM) scholars (Lepak & Snell, 2008), adopt a bottom up focus in their theory development emphasizing the idea that employees can contribute to the firm’s strategic objective simply because of their value and uniqueness (Becker and Huselid, 2006).

In contrast, Becker & Huselid (2006: 904) advocate a top-down focus arguing that “When employees are able to contribute to a firm’s strategic objectives they have (strategic) value” and that “not all strategic processes will be highly dependent on human capital”. Thus, they recognise that the locus of differentiation, in terms of fit, should be the job not the individual employee.

Human capital is of little economic value unless it is deployed in the implementation of the organization’s strategic intent (Becker & Huselid, 2006; Boxall & Purcell, 2008).

Traditionally, jobs were differentiated in terms of inputs, such as skills, efforts and abilities and working conditions (Huselid et al, 2005). The approach advocated here emphasises evaluation in terms of potential outputs or the potential for roles to contribute to the organisational strategic intent. However, the extent to which a variation in performance between employees in strategic roles is also a significant consideration (Huselid et al, 2005).

While some roles are strategically important, regulation and standardised training or professional qualification, mean that performance in the role may be relatively standardised and the potential for differentiation is limited. Thus strategically important roles which allow for potential differentiation between performances in the role should be particularly central in organization’s strategic talent management systems (Axelrod, Handfield-Jones & Michaels, 2002).

DEVELOPING A TALENT POOL

The term talent pool refers to the pool of high potential and high performing incumbents that the organisation can draw upon to fill pivotal talent positions. While differing with Boudreau and Ramstad’s (2007) use of the term pivotal talent pools, to refer to the key roles within organisations which differentiate performance, the definition is consistent with authors such as Smilansky (2006); Sparrow, (2007).
The framework proposes that having identified the pivotal talent positions within an organisation, the key for strategic talent management system is the development of a talent pool to fill these pivotal positions. In simple terms, this entails a shift from vacancy led recruitment toward ‘recruiting ahead of the curve’ (Sparrow, 2007). This clearly resonates with earlier contributions as it involves the proactive identification of incumbents with the potential to fill key positions which may become available.

However, it is important to introduce a note of caution here. Those employees who are likely to compose this talent pool are high achievers and may easily become disillusioned if they are appointed to roles with limited scope for the application of their skills or development of their talent. In this regard, Hackman, Oldham, Janson & Purdy, (1975) research demonstrates that where jobs are more complex employees tend to be more motivated, more satisfied and even more productive. Given that those included in the organization’s talent pool will be high achievers to begin with, the impact of working in menial roles are likely to be magnified and likely to result in a reduction in employee’s perceived person organization which we return to below.

Thus without wishing to be overly prescriptive, it is suggested that in developing talent pools the following factors would facilitate their effective development. Firstly, organisations should combine internal development and external recruitment in filling talent pools (Cappelli, 2008). This facilitates the management of quantitative risks associated with ensuring there is sufficient talent to meet organisational needs and not an oversupply which represents a waste in resources. Secondly, it is clear that for organisations, it is more effective to develop talent within the broader context of the organisation, rather than with a particular succession role in mind. This prevents developing employees to fit narrow, specialized roles but rather, once developed employees can be developed with broader competencies which would fit a range of roles (Cappelli, 2008).

THE ROLE OF HUMAN RESOURCE

As a primary owner of talent management, HR has many roles one of the most important is that of facilitator of the talent mindset. HR leads the way for the organization to own, as an entity, the role of talent management for organizational success. In the role of business partner, HR works closely with the board, the CEO and senior management to ensure that they are committed to talent management work (SHRM, 2006).

As talent management facilitator, HR also pays close attention to how the organization’s culture supports talent. Broadly speaking, HR’s role encompasses communicating the talent management philosophy companywide and knowing the industry competition. To integrate talent management into all areas of the company, HR also plays a role of change management agent. To drive this change, HR addresses four diverse talent management activities: recruitment, performance management, leadership development and organizational strategy. In this role, HR manages four major risks to the business: 1) vacancy risk (to safeguard key business capabilities, focus on scarce skills and fit to position); 2) readiness risk (to accelerate leadership development, provide full business exposure to rising stars); 3) transition risk (to avoid loss of key talent, select successors with leadership ability and hire for organization capability); and 4) portfolio risk (to maximize strategic talent leverage, focus on senior management’s commitment to development and performance standards) (Corporate Leadership Council, 2003).

Finally, proactive HR leaders take a holistic approach to talent management. It is important to establish clear expectations and communicate openly about the talent management process. By HR explaining to management and employees why talent management is important, how it works and what the benefits are to the organization and participants, talent management strategies are more likely to be seen as a fair process (Walker & LaRocco, 2002).

EMPLOYEE ENGAGEMENT AND ITS RELATIONSHIP TO TALENT MANAGEMENT

According to SHRM, (2006) effective talent management policies and practices that demonstrate commitment to human capital result in more engaged employees and lower turnover. Consequently, employee engagement has a substantial impact on employee productivity and talent retention. Employee engagement, in fact, can make or break the bottom line.

Employees who are most committed perform 20% better and are 87% less likely to resign. In addition, the foundation for an engaged workforce is established by the quality, depth and authenticity of communication by HR and senior management to employees, as well as the quality of supervision. The role of the manager as the most important enabler of employee commitment to the job, organization and teams cannot be overemphasized (SHRM, 2006). Furthermore, when done well, practices that support talent management also support employee engagement (e.g., work-life balance programs—flex time, telecommuting, compressed workweeks, reward programs, performance management systems). Rewards and recognition also help both to retain talent and to improve performance. A Carlson/Gallup study on employee engagement and business
success showed that employees who were extremely satisfied at work were four times more likely than dissatisfied employees to have a formal measurement process in place as well as receive regular recognition. Also, 82% said recognition motivated them to improve job performance (The Gallup Organization, 1998).

Increasingly, organizations are putting formal and informal reward programs in place. For example, according to SHRM’s 2005 Reward Programs and Incentive Compensation Survey Report, 84% of companies offer some form of monetary and/or nonmonetary reward programs to employees. The process of building employee engagement is ongoing. Beyond compensation and benefits, employee engagement is best fostered through a meaningful and emotionally enriching work experience. Effective employee engagement—a mixture of tangible and intangible factors fosters an environment of stimulation, development, learning/support, contribution and recognition. However, a recent study found that less than one-fifth of employees were highly engaged, one-fifth of the workforce was disengaged and about two-thirds were moderately engaged. The impact of employee dissatisfaction varies, depending on work experience (e.g., overwhelming workloads, distant and non-communicative senior leadership, and few developmental opportunities). The risk is that moderately engaged employees may move toward being disengaged (Deloitte, 2005).

The opportunity and challenge for HR, working with senior management, is to increase the strength of employee engagement. Focus on engagement demands strong leadership, a sense of shared destiny, autonomy, accountability and opportunities for development and advancement. To better engage workers, companies must work harder to inspire people and provide a sense of passion, pride and mission (Perrin, 2003). Ultimately, it is organizational culture that determines employee engagement and retention of talent.

**Finding the Right People**

In the war for talent, organizational success depends on effective recruitment and retention. To accomplish this goal, HR can provide value by focusing on five key areas: ensuring organizational stability, emphasizing employer brand and reputation, developing integrated talent strategies, supporting multilevel accountability, getting involved in talent management initiatives and offering opportunities for career and personal development (Dell & Hickey, 2002).

Regarding recruitment and retention, HR has a number of challenges to address. According to SHRM’s 2006 Talent Management Survey Report, the top areas in need of improvement regarding talent management practices and strategies are 1) building a deeper reservoir of successors at every level; 2) creating a culture that makes employees want to stay with the organization; 3) identifying gaps in current employee and candidate competency levels; and 4) creating policies that encourage career growth and development opportunities (Fegley, 2006).

To attract and retain talent, hiring for compatibility the “fit” between employer and employee is critical. In addition, companies with excellent reputations and strong brands are well positioned to attract top talent. Yahoo! Inc. exemplifies the organization that effectively links organizational culture and company values in its recruiting initiatives to determine the best candidates. This process, however, takes time. For example, in the first six months of 2004, Yahoo spent 6,000 hours interviewing candidates to fill 500 positions an average of 12 hours per new hire (Throop, 2005).

**Measuring Business Impact of Talent Management**

Talent management metrics link human capital investment to financial performance. According to management gurus Huselid, Becker and Beatty, there are three critical challenges to successful workforce measurement and management. First, there is “the perspective challenge” meaning; do all managers really understand how workforce behaviors and capabilities drive strategy execution? Second, there is “the metrics challenge” that is, are the right measures of workforce success identified (e.g., workforce culture, mindset, leadership, competencies and behaviors)? The third challenge is “the execution challenge” specifically, in order to monitor progress and communicate the strategic intent of talent management initiatives, are managers motivated to use these data and do they have access and capability to do so? Talent management metrics are evolving (Huselid, Becker & Beatty, 2005). As organizations increasingly focus on talent management strategies, they seek ways to validate these initiatives and measure their business impact.

Companies also create their own measurements to fit their organizational cultures. Pfizer, for example, developed three primary talent management objectives strength of leadership team and pipeline, robustness of talent management processes, and development of talent mindset and values with corresponding drivers and metrics. One metric used to evaluate the robustness of talent management processes is the percentage of key position holders with individual development plans. To be able to identify where talent in the organization is located, a database now houses employee...
profiles, which can be routinely updated. As a result, the organization can make more data-driven decisions regarding talent (Accenture, 2004)

**CHALLENGES OF GLOBAL TALENT MANAGEMENT**

Global competition for skilled workers is keen; worldwide, many employers are experiencing a talent shortage. A survey of nearly 33,000 employers in 23 countries reveals that 40% are struggling to locate qualified candidates (Manpower, 2006). With the liberation of trade policies, transnational companies moving production to low-cost areas and the corresponding growth of global supply chains, increased globalization has resulted in socio-economic and cultural challenges.

Consequently, the demand for skills has countries working hard to develop policies that will attract talent with human and technological skills to support economic growth, retain talent and even reverse talent migration. In a “reverse brain drain” effect, China and India, for example, encourage their educated nationals to return and fill jobs at home (Kuptsch, & Pang, 2006). Thus, the need for talent creates movement between countries. The United States relies on foreign talent, particularly in certain fields. U.S. universities, for example, are not graduating enough U.S. students in science and engineering, and by 2010, 25% of the nation’s scientists and engineers will reach retirement age. Reflecting this shift, in 2000, 22% of all U.S. science and engineering positions were held by foreign-born professionals, up from 14% in 1990 (Morton, 2005).

In contrast, countries such as China and India have a wealth of talent in science, engineering and technology. Research shows organizations value having global frameworks, specifically around a common language and structure in areas such as performance management, leadership development for high potentials and professional development. There is less agreement, however, about developing common frameworks for recruitment (Morton, 2005).

**RECENT STUDIES ON TALENT MANAGEMENT**

Studies on talent management reveal a number of common themes. First, the focus on talent management forces companies to become aware of and assess their workforce talent and current and future talent needs. Second, organizations that understand the business case for talent management successfully link talent management and organizational strategy, reaping benefits in increased workplace performance. Third, organizations are seeking effective ways to measure talent and determine bottom line impact (Deloitte, 2005). According to this study, 43% of companies see retention of key talent as the issue that will have the most impact on their business.

**HOW LEADING ORGANIZATIONS MANAGE TALENT**

From in-depth interviews with HR leaders of large employers in a variety of industries, this study reveals that leading companies make attracting, engaging and retaining employees a strategic business priority. Senior leadership focuses on clearly communicating the business strategy to the workforce as well as defining the role people play to execute that strategy. Effective leaders have a clear understanding of what drives value in their organizations, what motivates their customers and how to achieve growth in the future.

Many companies have developed talent management metrics to support business and financial measures, with metrics built into the balanced scorecard. Through the performance management system, managers are held accountable for employee retention and creating opportunities for high-potential employees (SHRM, 2006).

**RECOMMENDATION FOR THE FUTURE**

To benefit from the knowledge, skills and corporate memory of mature workers, phased retirement will become prevalent. Keeping workers engaged particularly the next generations may call for HR to redesign the workweek, benefits packages and reward programs (Tucker, Kao & Verma, 2005). Effective talent management calls for strong participatory leadership, organizational full participation, employee engagement and workplace scorecards with talent management metrics. Companies that master talent management will be well-positioned for long-term growth in workforce performance for years to come.
CONCLUSION

Given the high level of interest in the concept of talent management over the past decade, it is somewhat paradoxical that it remains relatively poorly defined and lacking in theoretical underpinning (Tucker, Kao & Verma, 2005). This review of the current body of literature suggests that from a theoretical point of view, the area of talent management is in its infancy and a significant degree of theoretical advancement is required. The contribution of this essay is two-fold; to develop a clear and concise working definition of talent management and propose a theoretical model of talent management in recruitment and training.

In doing, insights are drawn from a number of discreet literature bases. The essay aims to aid future research in the area of talent management though (1) helping to clarify the conceptual boundaries of talent management and (2) providing a theoretical framework which can help in framing their research efforts in the area.

Additionally, it should aid HR managers in engaging with some of the issues they face with regard to talent management. This paper thus proposes the explanation in the area of talent management as it concerns recruitment and training of employees. While there have been some useful theoretical contributions to date (Boudreau, and Ramstad, 2007; Cappelli, 2008), heretofore the theoretical foundations of talent management have been relatively sparse. If talent management is to gain more mainstream acceptance then the theoretical foundations which underpin it must be advanced.

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