

Importance of Talent Management in Business Strategy: A Critical Literature Review

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Abstract

The purpose of the articles is to identify the importance of talent management in attainment of business strategy. Detailed literature review is undertaken in order to evaluate the role of talent management in successful attainment of business strategy. Through literature review, it was found that talent management has its share in modern organizational strategies. The study revealed that human resource undoubtedly is an unpredictable resource with multicolored behavioral attributes; if these attributes are truly discovered and utilized then they definitely contribute in value addition of an organization. The research also enlightens the need to investigate its true practice currently under operations and the need of research on its implication and effects on organizational developments. Also the need is felt to look into the impact of talent management on employee and employer's attitude if is truly practiced.

Keywords: Talent Management, Business Strategy, Behavioural Attributes, Best Practices in Talent

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In recent times where technology has hastened the pace of technical advancement in business processes, production technology is also changed with the speedy technical growth,

meanwhile another advancement is also taking place in the sphere of business and trade organizations, and that is “intellectual stature”. In 1960 Rowstow, a renowned economist stated different stages of economic development, where a traditional economy plans to have sound developments in basic sector of economy to take off and then it gets to maturity and in the last, there is an era of high mass consumption with complete revolution in the believes and thoughts. The last stage of Rowstow’s development termed as “High Mass Consumption” where he argued that the change occurs in the way of thinking, production technology, attitude of governance, the change in monarchy, consumption pattern and leadership style. As far as the leadership style is concerned, it is embedded with organizational attitude as well. Today’s organizational thinking is far different and technically advanced than 50 years back. Believes are changed, attitude is different and organizational psychology is explicitly revolutionized where organizational concerns are much broader than only profits and financial returns. Many studies are there which show the dynamics of strategic structure of an organization and all of them are unanimously agreed over the intellectual development of organization and more concern is now process-centered than outcome specially in process of analysis, decision making and implementation (Frynas, Millahi& Pigman.,2006; Karim, 2006; Barsade& Donald, 2007). Business firms and organizations need to develop their selves along with the demanding global business environment specially their pool of intellectuals.

Arporn (2008) suggests that companies and firms have to grow with the global needs, it has to improve its performance and for doing so, firms have to focus to improve its work force and management style. This has proven over millennia to be the way to manage resource – the use of hierarchical top down power structures that institutes a system of policies, procedures and programs to ensure delivery of products and processes in a manner consistent with stated objectives. By any measure of success, this works and in doing so it created the basis of our modern world. So what is there to question about this received wisdom and body of practice? Well...

just about everything! The nature of the question posed in the title of this article itself is a function of values. Managing resource, when referring to people, is a value judgment that causes old Karl to smile from wherever he is now. If people, first dehumanized by calling them employees – or even worse, “stakeholders” - are resources to be used to deliver “product and process in a manner consistent with organization’s objectives, then it is clear that they truly are just what Marx called them - “factors of production”. In the minds of leaders and board members, this may be a valid way of coping with vast amounts of data and information required to process daily – however as a “map of the territory”, a map of how to manage resourcefulness, it is sorely out of date and needs to be upgraded.

Human resource is supposed to be the core resource of any organization. Modern HR practices are enhancing the performance of modern working teams and management. Many studies argue that strategic approaches of Human Resource Management align the internal and external business dynamics into HR practices which is not that easy as it seems (Baron & Kreps, 1999; Baird & Meshoulam, 1988; Zupan& Kase, 2005). Recent developments in the social sciences have introduced new phases and colors in management in general and in human resources in particular. Now HR is not only a macro spiral of hiring, recruiting placements, compensation and finally rationalizing labor under the shelter of downsizing or rightsizing but HR is now more scientifically controlled and monitored area and not less important than to manage marketing and financial issues of an organization. A new term talent management has been introduced in last decade with revolutionary definition of talent and talent management. Schon& Ian, (2009) worked on the issue titled as “The global war for talent”. They stated that the last decade witnessed global changes that intensified the competition in pooling the talent internationally and talent management becomes challenging aspect of organizational development. Chambers et al.,(1998) proclaim that “better talent is worth fighting for” (cited in Schon& Ian, 2009) and McKinsey (2008) has evidently claimed that next 20 years would be very smart

and demanding where technically literate and intellectually equipped people will be placed in driving positions. McKinsey (2008) also defines talent as “the sum of a person's abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes his or her ability to learn and grow” (Michaels et al., 2001: also cited in Schon & Ian, 2009). Global war for talent is also narrated by Richard et al. (2011) in their white paper for Development Dimensions International, Inc. (DDI). DDI first defined talent as a mission critical process that ensures organizations to have the quantity and quality of people in place to meet their current and future business priorities. The process covers all key aspects of an employee’s “life cycle:” selection, development, succession and performance management.

Richard et. al. (2011) evidently explain the need for talent management in different aspects, their plea for talent management magnify the need of strong and robust HR structure in an organization. They emphasized over six drivers fueling the need of talent management. Firstly, there is a strong plea for better talent and better business performance endorsed by Bassi & McMurre in 2006 (cited in , Richard et. al. (2011) where they revealed that high score in human capital posted higher stock market returns and better safety records. Axelrod et. al. (2002) conducted surveyed 1300 manager of 112 companies and found only 37% companies identified the A, B and C grade performers and 28% companies turned assignment into action plans. Secondly, Talent is a rapidly increasing source of value creation and they referred brooking institution which found that the dependency of talent resulted in an increase in the firm’s value from 38% to 83% in 20 years. Another study conducted by Barling et al. (1996) experimented a training sessions periodically for 20 Banks branches on transformational leadership and found that the managers who participated in sessions reported better financial outcomes in their branches ($F=7.69$), for personal loan sales ($F=3.32$) and for credit card sales ($p<0.10$). Thirdly, the context in which we do business is more complex, dynamic and demanding in

recent time, constantly innovative capability of a firm should be increase and the talent of idea generation is overwhelmingly welcomed specially in western economies in last few decades. Fourthly, boards and financial markets are demanding more from their CEOs and executives. Executives and leaders are in turn more keen to have such personals either through trainings or through external hiring who not only facilitate them in achieving short term goals but as well as keeping long term objectives of the firm intact. Howards & Wellins (2008) approved that the top “leadership support” is the key to leadership development and organizational performance. Fifthly, employer expectations from workers are also changing, they are now looking for better results in operations, they are fed up of obsolete technologies, and they are more concerned about the work life balance. Sixthly, Workforce demographics are evolving. Organizations wage a new “war for talent” these days.

Arguments in favor of “war for talent” built by Noelle et. al. in their white paper for IPatInc. in 2004. They referred to the study of Michaels, Handfield & Axelrod, (2001) who found that in last century, only 17% job were looking for knowledge worker but in 2011 the ratio has been mounted to 60%. Noelle et. al. (2004) termed pool of talent as intangible assets and all other monetary and physical resources as tangible assets, they found the percent of market value related to tangible assets in 1982 was 62 percent, with 38 percent for intangible assets. In 2000, the growing importance of intangibles is demonstrated in the fact that only 15 percent of market value is related to tangibles, while a whopping 85 percent is related to intangibles. The demographics are undoubtedly indicating the diversion of entrepreneurial and managerial psychology toward strategic importance of talent management.

Best Practices of Talent Management

So far the literature is taking the reader to the strategic importance of talent management in an organization but before going onward, the need is felt to highlight the best practices of talent

management that are proposed and reviewed by many others (Richard et. al., 2011; Noelle et. al., 2004; Teng, 2007). Here a special reference to Richard et al. (2011) who devoted his study in explaining nine best practices for talent management, here a glance view of his study is felt necessary to come to a meaningful end of literature review.

Best Practice #1

Start with the end in mind—talent strategy must be tightly aligned with business strategy. Any kind of practice and activity in an organization, is supposed to be aligned with its vision and long term objectives. In the same way, short-run strategies should also be embedded compliance with organizational goals. Maximization of profits and growth in sales rejuvenate steady lost market share. In short, every strategy requires appropriate talent to serve.

Best Practice #2

Talent management professionals need to move from a seat at the table to setting the table. The HR professionals have to involve into the operations and executions, rather sitting on the chair, they must show the gesture of partner and a person to be trusted in advices when time comes to talk about talent. DDI experimented by asking leaders to rate the overall quality of HR. Only a quarter offered a very good or excellent rating, and just 30 percent of CEOs viewed HR as a strategic partner. Here leadership is required to show strong gesture towards talent management policy and leaders need to spend more time and energies with workers and managers.

Best Practice #3

You must know what you're looking for—the role of Success Profiles . Obviously, organization is equipped with the pools of talent, and it has to be either advanced by training according to

required task or through external hiring. Research by Gandossyet. al. (2007) from the Hewitt Group illustrates that top global companies consistently apply their competency models across the organization, and their competencies are significantly more aligned with overall business strategies. Eighty-four percent of top global companies demonstrated alignment, compared to just 53 percent of other organizations. Using success profile in fact enhances organizational efficiency, experience, exposure, knowledge, and personal attribute accelerate the pace of advancement and organizational performance.

Best Practice #4

The talent pipeline is only as strong as its weakest link. It is also a fact that organizational progress is not only depending on senior talent but it is a unified effort at each level of hierarchy. Hierarchical structure comprises mixed pool of talent, some are explicitly defined for special tasks and some of them have overlapping success profile. Investing in talent is not only beneficial for current jobs but it also plays as qualifier for job transition.

Best Practice #5

Talent Management is not a democracy. Companies have to focus on their potential talent rather than behaving neutral for all employees. Definitely potential employee, if deployed accordingly and rewarded in sophisticated way then in result he or she would be adding remarkably in the value creation of organization. Many companies do so specially in marketing area or their executive level to manage in broader range with multiple experiences which definitely add value in response. Conclusively “Invest in the best” theory works.

Best Practice #6

Potential, performance and readiness are not the same thing. It is very necessary to draw a line in between Potential,

performance and readiness. Potential, most of the time hidden in personal trait, it could not be transformed into performance unless it is not discovered and used properly. Taking one from potential to readiness takes long time in process; study says that, it took almost a decade where highly potential leaders got to senior positions. Along the way, individuals need mentoring, stretch assignments and personalized developments to build key skills (Bussi & McMurrer, 2006). Organizations must focus on the classification between talents; it should hunt the talent, carve their potentials, and use their potential appropriately on the basis of strong commitments and long term affiliation. With the passage of time organization must invest in it and provide all possible opportunities in the shape of trainings and developments and last but not the least, engage them in stretched assignments with justified compensations. Such practices definitely enhance the performance of professionals and their readiness will definitely be sharpened. Saba & Martin (2008) worked over 310 organizations looking at how they develop their leadership pipeline and how they implement best practices to improve leaders in key positions. The study breaks the participants into 3 specific groups (Best-in-Class, Average, and Laggards) based on Percentage of key vacancies filled by internal candidates, job performance successors, bench strength, and employee engagement. Best-in-Class organizations are 40% more likely to focus on developing a leadership pipeline across all levels of the organization. Best-in-Class are 64% more likely than the industry average and more than twice as likely as laggards to have a formal process for identifying high potential workers.

Best Practice #7

Talent management is all about putting the right people in the right jobs. Late Douglas Bray, a renowned philosopher in the field of industrial and organizational psychology, followed AT&T managerial talent throughout his 30-plus-year careers, marking changes in his skills and motivations over time. More than a decade ago, he made a statement, “If you have only one dollar to spend on either improving the way you develop people or improving your selection and hiring process, pick the latter.” Division of labor is not

a new idea, all classical and neoclassical economists believe in division of labor which is unanimously defined as right person for right job. Douglas only focused on priority of selection rather than development of skills. Development is not an easy task because some of the attributes of personality cannot be developed, therefore hiring for the right skill is more efficient for organization than developing those skills.

Best Practice #8

Talent management is more about the “how” than the “what.” Organizations may have many “what’s” in their routine courses of actions. From executives to frontline force, each level is being given tasks to achieve. New talent management practices diverting focus from “what’s” to “how’s” potential talent is supposed to be trusted and equipped to design the line of action to overcome any challenges. Organizations are supposed to believe on the potentials, performances and success profiles. Organization’s trust on talent makes it more efficient and ready. Trust may bring quick results rather than to pay an extra penny.

Best Practice #9

Software does not equal talent management. Software can be helpful in calculations, measurements and in streamlining the processes, but finally decision making depends upon wisdom and expertise. Software can forecast in the presence of uncertainty and it provides alternates and strategies but selection of alternate or strategy is purely a human decision. Therefore relying on computer, it would be prudent to trust on talent.

Here emphasis is shown on the need of talent management and best practices that can be truly fruitful in favor of organization and employee, not only in short run but long run as well. Though some cases and examples are quoted as references which highlight two phase of discussion, one is the research that has been done so

far in talent management and second is the direction of research that is supposed to be aligned with the need of research. There are more sophisticated developments that occurred in recent years in the field of talent management and it is turning now to new talent engagements and managements like strategic talent management and integrated talent management but the main issue, and the finding of this debate is the knowledge gap that is really required research and investigations. There is a need to enlist different layers and tiers of HR practices and align it to the design and structure of talent management. Need for talent, advertisement for job, recruitment process, selection, training, workshops, determining wages and salaries, and talent development in short each HR practice and area can be held separately and turned into effective tool of managing talent. There is another question arises that, is the talent management implicitly exists in routine operations of organization or it is explicitly structured practice? And in both cases the results and outcomes are same or different? If they are different then what is the size of difference and what specific practice is showing difference? All such questions are still awaited for answers. Through this debate, an open invitation can be given to HR researchers and practitioner to investigate research gap.

Conclusion

Literature and above discussion is tending one to believe in the importance of talent management in modern organizational strategies. Human resource undoubtedly is an unpredictable resource with multicolored behavioral attributes; if these attributes are truly discovered and utilized then they definitely contribute in value addition of an organization. Recent development in managing talent is not only opening new shades of talent management but also enlighten the need to investigate its true practice currently under operations and the need of research on its implication and effects on organizational developments. Also the need is felt to look into the impact of talent management on employee and employer's attitude if is truly practiced. Though there are many studies which focused

on the talent management and its impacts in different scenarios and environments. Luis & Charles (2007) worked on gender based diversity management and highlighted many constructs which truly explained the elements of managing talent but the study is limited to gender case. Birdy et.al. (2008) work focused over employee empowerment, Collins et. al. (2004) worked for effect of knowledge outcome and leader development programs in almost 308 organizations, Harter et.al. (2002) worked on many variables which directly or indirectly encompassing the practices of talent management and its multiple effects on organizational performance. If such kind of studies are continued to different cases like placements, hiring, promotions, training and workshops, cultural diversity and all other factors that are discussed in best practices given above, would be really enriching the literature of talent management which is recently quite needful. Many other studies are there which magnified multiple dimensions where talent management can be evaluated and the need of research is required.

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