Nurturing Talent – To Create a Sustainable Advantage

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Abstract *"If you have got it, keep it", is the focus of all Employers in terms of its talented workforce. One of the most important strengths of an organization lies in the quality of the workforce it has and how well it's being managed. Apart from making a right decision in choosing the right person for the right job, the continuing presence of these capable persons in the Organization is as much necessary. Acquiring the right talent can be a tough job and retaining them can at times be tougher. It's for this purpose that the concept of Talent management has been gaining importance over the years. How the HR function has evolved over the years, what is the process of talent management, what are the challenges facing talent management and how various strategies can be put into use to overcome these challenges have been analyzed here. "People" being considered the most important resource to an organization is one of the most important factors which helps the organization have a sustainable competitive advantage over its competitors, hence the study of Talent management as a process is imperative. This paper tries to identify the need to manage talent in organizations and lists certain strategies that can create a sustainable competitive advantage by nurturing talent.*

Keywords: *Talent, Talent Management, Talent Management Process, Competitive Advantage, Succession Planning*

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1. Introduction

Like innovation and creativity, Talent too is very essential yet seldom understood or effectively nurtured in organizations. Even though organizations desire to employ talented people they often face difficulty in motivating and retaining them. Placing right people with the right skills in the right jobs, a crude definition of talent management is the basic people management challenge in organizations. Talent Management is matching of the inherent traits, skills, ability and personality of an individual with his job.

The dearth of talent along with its ever increasing demand among companies poses the major threat for effective management of talent. Better managerial and professional skills are needed to manage talent effectively and create a sustainable advantage. It is important to train the employees and place them according to their suitability, aptitude and interest. The most important question for organizations today is - Do we have the right number and quality of talent in the company? If yes, How to fully engage and develop this talent? And finally how to retain it? Talent management is one of the most vital issues facing organizations today.

"A really great talent finds its happiness in execution." - Johann Wolfgang von Goethe

1.1 Defining the indefinable - 'Talent'

Though we are always in awe of people who are talented, talent remains a fairly indefinable concept. Certain qualities that talented people have are creativity, self-confidence, intelligence, entrepreneurial skills, adaptability and the list is endless. *The Concise Oxford*

Dictionary defines *talent* as 'a special aptitude, or faculty', which though is accurate, doesn't do justice to the description we have in mind of talented people.

One of the definitions describes a talented person as 'someone who has ability above others and does not need to try hard to use it. They excel with ease and grace. A talented person has a certain aura in their ability that others wish to emulate and from which lesser mortals draw inspiration. People can be talented in many ways. Some may have an aptitude for doing something differently and can be totally skill based while others may be gifted with some art.

1.2 Talent Management and its Evolution as a Crucial HR Function

Talent management means attracting the skilled workers, blending the skills of new workers into the current system and retaining the current workers to build a workforce that can excel in this highly competitive environment. The importance of acquiring and sustaining a skilled workforce is of strategic importance for all organizations which is referred to as "War of Talent" written by McKinsey & Consultants in 2001. Talent management is also referred to as Human Capital Management (HCM).

The Human Resources department has evolved over the years in terms of the functions performed by it. With time and increasing responsibility of managing the most important resource i.e. "labor" the scope of the HR function is wider in comparison to what it was a few decades back. The figure below depicts its evolution over the years.

PERSONNEL DEPARTMENT → STRTEGIC HR → TALENT MANAGEMENT

Figure 1: Evolution of Talent Management

1. Personnel Department - During 1970s and 1980s the HR function was just limited to Hiring and Firing along with providing necessary benefits to the Employees.

2. Strategic HR - Between 1980s and 1990s the corporate HR included few more activities like Recruiting, Training, Designing job roles, Designing Organizational structures and defining total compensation packages.

3. Talent Management - This was initially thought of as a new buzzword, but evolved to integrate the HR functions with business strategies. This further included HR functions like Competency based recruiting, development of sustainable leadership models, identifying and filling competency gaps, setting up a flexible organization, identification of key performers and key roles and providing timely, relevant and convenient learning.

2. Literature Review

As (Lewis & Heckman, 2006), p.139) conclude that there is "a disturbing lack of clarity regarding the definition, scope and overall goals of talent management". Talent in the organization refers to the core employees and leaders that drive the business forward (Hansen, 2007). They are the top achievers and the ones inspiring others to superior performance. Talent is the core competency of the organization and represents a small percentage of the employees (Berger & Berger, 2004) Talent Management (TM) is not just a new fancy word for finding and developing employees (Laff, 2006). Talent management requires a systematic view that calls for dynamic interaction between many functions and processes (Cunningham, 2007). It is an ongoing, proactive activity (Schweyer, 2004). Talent Management is about attracting, identifying, recruiting, developing, motivating, promoting and retaining people that have a strong potential to succeed within an organization (Laff, 2006; Berger & Berger, 2004; Schweyer, 2004).

Berger & Berger (2004) presents three main goals with a TM Strategy;
1. To identify, select and cultivate employees that demonstrate superior performance and who inspire others to perform at the same altitude.
2. To find, develop and position highly qualified backups for key position in the organization.
3. Allocate resources i.e. compensation, training, coaching, job assignments etc. to the employees based on their actual or potential contribution to excellence.

According to Hartley (2004), Talent Management is a term that extends over a wide set of activities, such as succession planning, HR planning, employee performance management etc. Creelman (2004) defines Talent Management as the process of attracting, recruiting and retaining talented employees.
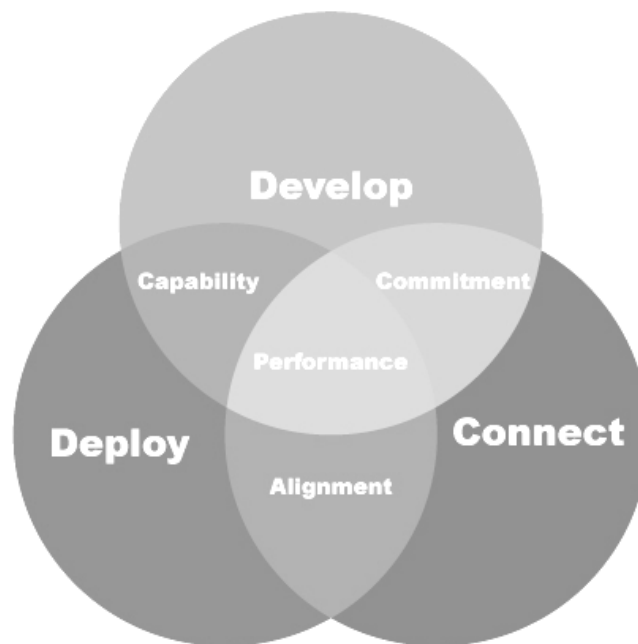

Figure 2 - The Develop-Deploy-Connect Model (Source: Deloitte Research 2004)

According to Deloitte the Develop-Deploy-Connect model should be at the core of an organizations talent strategy. By focusing on these three elements, organizations can generate capability, commitment and alignment in key workforce segments, which in turn improve business performance. When this happens, the attraction and retention of skilled talent largely takes care of itself.

3. Need for Talent Management

Talent Management is indeed very rewarding for both the organization as well as the employees. A competent workforce drives an organization towards success - by increased productivity, matching individual goals with that of the

organization, increased commitment, reduced turnover and layoffs.On the other hand employees have higher motivation and commitment, better career advancement and an everlasting job satisfaction. The need for talent management is further accentuated by these factors:

Demonstrated Relationship between Talent and business: Organizations are trying to quantify the return on the amount invested by them in acquiring and developing their workforce. The following examples show how talent has impacted business performance,

  A study by the Hackett Group reveals that firms that have a good talent management strategy in place earn 15% more than their peers.

  A study from IBM shows that Firms with better talent management techniques have higher percentages of financial out performers than groups of similar sized Firms.

  A Research study from McBassi & Co. indicates that Companies with high scores on Human capital management with respect to the leadership practices, employee engagement, accountability and learning capacity showed higher stock market returns and better safety records - the two most common business goals.

Talent is now a source of Value Creation: Talent often determines financial value of an organization. The Brookings Institution found that earlier more than 60% of an average company's value was attributed to its physical assets (equipments and facilities) and only

30% was attributed to its intangible assets (Intellectual property, goodwill and most importantly its people). This ratio is now reversed and now more than 80% is attributed to intangible assets and only 20% to tangible assets. This shows that the focus now is on its people; hence the necessity of adopting better talent management practices.

Complex and Dynamic business Environment: Increased competition in all sectors has made it difficult to sustain a competitive advantage. Constant innovation is necessary as products and Business models have shorter life cycles. As businesses now operate globally, the challenge to sustain growth across all areas of operations has doubled. Rapid economic growth and sudden downturn has all increased the need to manage our work force more effectively.

Employee Expectations: To retain talent by meeting expectations of the Employees has increased the need to employ better talent management practices. Employees present the following challenges to their Employers,

  Creation of a challenging work atmosphere

  Loyalty towards their profession and not the organization

  Employees seek a proper work-life balance

  Like to take control of their careers

  do not like to comply with traditional structures and authority

Minimizing Costs: The cost incurred to replace an employee with scarce skills is very large. The presence of qualified staff in the market may not be ample at all times and the cost incurred to employ such staff is a major expense to the Company. Apart from the recruiting and retention costs, a considerable amount is incurred in the training and development of employees also. To get the maximum returns on the money invested and to minimize the costs of fresh appointments, it is imperative that we have a proper talent management system in place in every Organization.

Managing Risks: Despite having an effective selection process in place there is always a risk of the new talent might not perform as expected. A person though competent, may not fit into the Organization culture. One option to solve this is to create a wide **talent pool** through regular training within the Organization that can be allocated as and when there is a requirement.

Overcome Incapability: Lack of people with suitable skills results in the failure of the organization, which leads to missing deadlines, drop in work quality, inability to bring in innovative techniques etc. Hence to avoid these negative outcomes it's imperative to have an effective talent Management process in place.

Reduction in Attrition Rates: Key people lead the organization to future success hence such people should be retained. The cost of replacing a key person is enormous hence such people should be retained. If wrong people take up key roles it might end in a disaster. Hence people in key positions should identify potential talent and train them for future responsibilities in a key role accordingly.

5. Challenges facing Talent Management

Talent management undoubtedly is one of the processes most sought after by business across all sectors. Yet, it has various challenges, which hinder its effective implementation. The major challenges faced by Talent Management are:

✓   Talent from your company might look elsewhere for better Opportunities.

✓   Competitors would try hard to pull away top performers.

✓   Virtual organizations might exist in the future and employees might work virtually and may increase difficulties of training and retaining.

✓   Attracting, identifying, retaining and developing talented people will remain a challenging task as always.

✓   Improper or no Succession Planning for key positions can create further difficulties.

✓   Wrong judgment of talent - Right people on wrong jobs can be very destructive.

6. Talent Management Strategies

A talent management strategy is necessary to overcome the challenges. A talent management strategy considers employee as a portfolio of assets, which are differentiated on the basis of their current and potential contribution to success. The strategies listed below can be considered individually or in combination depending on the company and availability of talented people.

Figure 3: Source: Taleo Research Article: Society of HRM Survey

a) *Recognize Talent:* Identify people who will make the highest contribution and whose absence might influence the performance of the company. These are people who inspire and guide others for achieving the goals. Hence such key people should never be lost.

b) *Succession Planning*: - The replacement of key persons in key positions can end up being very costly. Hence succession planning for every key position in the company is a crucial talent management strategy.

c) *Differential Focus*: A Company should not spread its limited resources' for development equally across all employees. The best returns are received when better performers are recognized in comparison to under performers.   If the talent in key roles is given extra development it increases the success rate in these key roles.

d) *Begin with the end in mind:* The Talent Management strategy must be aligned with the business strategy. We need to have the right talent at the right place and this is possible only when we know the goals of the organization as a whole and be proactive enough in addressing the talent needs.

e) *Talent Outsourcing*: To have a workforce excelling in all departments might be difficult, so if the current workforce does not meet the demands, steps must be taken to hire from outside. Firms should not waste resources on internal development only.

f) *Balancing Employer-Employee Relationship*: - Talent Development is a perishable commodity as employees leave the organization when they find better opportunities. To minimize this, efforts have to be made as long as possible, to keep the interests of the Employer and the Employee common by involving employees in decision making and by giving them more flexibility and autonomy, yet not compromising on accountability.

g) *Emphasis on "how" rather than on "what"*: It's not enough just formulating "what" plan is to be taken up for managing talent effectively, it's more important to focus on "how" the implementation will take place. Hence, the 'How' should be made part of the business strategy. Factors which are important in effective implementation are:

a. Communication: - It's through effective communication that vision of the
Organization is put forward to all its employees so it's necessary to have a proper link across all functionalities and across all levels of management.

b. Accountability: -The role of individual should be clearly defined. This lets the
employee know what exactly is expected from him and he can work towards that.

c. Skill: - Proper skills required for a specific job should be developed.

d. Alignment: - Personal and Organizational goals should be aligned.

e. Measurement: - It has to be measured amongst the techniques adopted for talent management which have been more effective and which have not been so effective. Hence the strategy must be constantly reviewed.

h) *Potential Performer v/s Actual Performance*: It's not just enough to recognize the potential key talent pool and impart developmental attention to them, what needs to be done is to differentiate between potential performer and actual performance. Most people achieve continued success through years of practice and hard work. If inexperienced people who initially perform well on small tasks are given responsibility of key areas without proper training and development just on the basis of their potential leadership qualities, he might fail in the current rank. The transition of a potential leader to that of taking up the responsibility of a leader should be made carefully and only when he is ready enough should he be given bigger responsibilities.

I) *Effective Organization Culture:* An organization should be ready to adapt to changes with changing times. It should try and create a culture in such a way that the existing employees do not leave the organization and new people look forward to working in the organization.

4.   A Theoretical Model of an Effective Talent Management Process:

Talent Management is that part of Human Resources which extends beyond just computing hours and legal aspects of employment. Talent Management is a process spread across multiple departments that focus on recruitment and retention, compensation and assessment and review. It comprises of the following activities:

Figure 4: Model for Talent Management Process

❖   *Needs Assessment* – Once the organization's goals have been understood, it can be assessed as to what kind of talent needs to be acquired in order to achieve these goals. This is based in the theory of Demand and Supply of talent, what is available in the organization and what needs to the acquired - Gap Analysis.

❖   *Attracting, Acquiring and Recruiting skilled work force* - The Company should be presented in such a way that right people get attracted to it and desire employment with the Organization. Develop a talent pool instead of hiring for specific positions based on skills and experience. Hiring must be highly selective focusing on values and cultural integration. A close tie up with leading business schools and universities could help in this regard.

❖   *Training and Development* - "Continuing Education" should be provided to the talent pool. The talent pool must be well integrated into the company for achieving the set goals. The recruited talent pool must be molded in a way that is most advantageous to the Organization. The zeal to take up challenging assignments must be developed through on going on the job training programs.

❖   ***retaining the skilled work force*** - After the right Talent is acquired; efforts must be made to retain them. A reward program that is competitive and carefully scrutinized based on the Industry standards must be provided. Paradoxically, companies that are the best in developing talent are more at risk of poaching. Companies have to put in more efforts to retain their top performing employees by optimizing compensation based on business goals achieved.

❖   ***Performance management*** - Once training and development programs are imparted to the employees, the impact of training must be reassessed and their performance must be rewarded accordingly. Performance based compensation must be competitive and focusing on long term wealth creation.

7. Conclusion

An effective Talent Management Process must include: Accurate estimation of the Organization's current and future demand for talent; Formulating an effective Talent Management plan that us well integrated with the business plan; Proper talent placement (right person at the right job); Aligning Personal goals with Team goals and then aligning them with the Organization's goals; Setting clear individual targets and providing accurate feedback on performance; Providing proper Training and Development programs which increases productivity and also helps the employees move to the next level; Proper focus on not just the formulation of plans but effective implementation as well; and Measurement of impact on business before and after adoption of various talent management strategies.

The success of an organization depends upon the performance of its key talent and its ability to sustain this talent. Although there are a few problems associated with talent management it still remains an important process to meet the requirements of today's competitive business. It's not just the lack of technology or capital that hinders an Organizations development; it's the lack of adequate skills to support the organizational goal that fails an organization. Worse is the situation where in spite of the existing talent, the inability of organizations to identify and tap this talent in its employees. Keeping this in mind acquisition, growth and retention of talent are important factors. The list of strategies mentioned is not exhaustive, the scope of innovation in this area is very high and developments of various strategies have been evolving over the years. It is hoped that the definition, process and strategies for talent management listed in this paper will aid in motivating future research on talent management. The future research efforts in the area of Talent Management could empirically test the model presented in the current paper. An organization can only succeed if it's most important resource – Talented People are acquired, developed and retained.

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