

# TALENT MANAGEMENT: A STRATEGIC PERSPECTIVE

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## ABSTRACT

*Managing globalization means managing change and handling a variety of human resource issues. In current times, leveraging Intellectual assets of an organization has proved to be one of the most daunting tasks of the human resource management. The globalised market calls for organizations to hone their talent management skills in order to face the current economic challenges. This paper focuses on Talent Management as a strategic force to bring about organizational excellence in the era of globalization. It also throws light on various strategies to source, attract and retain the top talent in the company. It elucidates the top retention techniques by degree of their effectiveness.*

*“A company that loses all its equipment but retains the skills and know – how of its workforce could be back in business relatively quickly, but one that loses its workforce, while keeping its equipment, will find it much more difficult to recover” (Becker, Huselid and Ulrich, 2001)*

**Keywords:** Talent management, talent retention, strategies, talent acquisition

## INTRODUCTION

In today's talent shortage scenario, there is a heavy demand on today's HR professionals in terms of employee acquisition, utilization, development and retention. To make employees stick to the organization is enormously difficult. The present scenario with abundant opportunities has generated a wave of employees, continually “on the move”, seeking better opportunities whenever, wherever and however they can. Thus, today one of the critical functions of HR is a sound human resource planning through which they are able to forecast the demand for human resource and thereafter formulate strategies to acquire and retain them.

The solution is not just about finding the correct retention mechanisms by devising ways to acquire the right people for the right jobs. Today's hiring mistakes can be tomorrow's attrition. A recent poll of international senior HR managers conducted by Corporate Executive Board, Washington D.C. showed that three quarters of managers interviewed mentioned attracting and retaining talent as number one priority. Another recent study by McKinsey & Company and the Supply Management Institute found that high performing firms have high performing purchasing departments, that what matters most is the people in the purchasing department, and that purchasing departments staffed with talented, motivated, and

interactional personnel achieve, on average, savings that is two-and-a-half times higher than their peers who haven't yet figured out that when it comes to supply chain, people matter most.. The cost of replacing a high level employee may be as much as 150 percent of the departing employee. As noted by Ian creamer, HR Director for EMEA, Informatica: "When people leave, their knowledge can be lost to the company forever"

Thus, Talent management is the most critical aspect of any organization's supply chain, and any organization that fails to recognize this, and manage its talent, is in danger of becoming a victim of the talent crunch and a loser in the talent war.

## OBJECTIVE

In the knowledge era, the biggest challenge confronted by HR professionals is to manage and retain the star performers in their organization. In all organizations, almost same technology is used, same channels of marketing, infrastructure, production and finance practices are followed; the only differentiating factor is people and that is where the only sustainable competitive edge for their company is derived. And this is where, the concept of Talent Management seeps in, in fact in today's environment, it is moving to the top of the list of core functions for managing human resources. Thus, this study has been undertaken with the following objectives:

- ❑ To understand the concept of Talent management in the present scenario
- ❑ To analyze the triggers for talent management in the present scenario
- ❑ To study and review talent management as a strategic activity
- ❑ To review and suggest strategies for talent acquisition, engagement and retention

## RESEARCH METHODOLOGY

Since, this is a conceptual paper the data is mainly collected from the secondary sources which include articles published in HRM journals, research papers, published interviews of professionals in newspapers, magazines and websites of different companies.

## TALENT MANAGEMENT – AN INTRODUCTION

In the midst of economic recovery, talent scarcity and open job markets, one of the biggest challenges for organization today is to retain its workforce. It is well known to the companies that if an employee resigns then the company experience the loss incurred by the resignation, and has to bear the cost of hiring new employees. In addition, there is always a risk of finding the 'right peg for the round hole'. Hence a serious concern of every HR manager in order to survive this 'War for Talent', is to fight against a limited and diminishing pool of qualified candidates and to attract, motivate and retain the best employees in an organisation. According to Leigh Branham, vice president consulting service at Right Management Consultants, "a talent is not rare and precious. Everyone has talent – too many to possibly name all. Talent is behavior; things we do more easily than the next person. We speak of "natural born talent" but those with a gift, knack, ability or flair for something can refine and develop that talent through experience. Talent, however, cannot be taught." As someone once said, "you can teach a turkey to climb a tree, but it is easier to hire a squirrel".

Vice President, HR of Seagram, Mr. Gopi Nambiar, says, "Talent can be best described as a combination of abilities and attitudes. The real trick is to match the right motivated talents to the right role, individually and collectively,

harnessing and harmonizing this crucial attribute to achieve the objectives of your company.”

The term ‘talent management’ was coined by David Watkins in 1988. In 1997, a study was conducted by McKinsey’s on 77 large U.S. companies in various industries. The firm focused on the human resources department within each company and what their talent-building philosophies, practices, and challenges were. The team also surveyed nearly 400 corporate offices and 6,000 executives from the top ranks of these companies. In addition, the group conducted case studies of 20 companies that were perceived to have considerable talent. The study concluded that companies are about to be engaged in a war for senior executive talent. And it will remain a defining characteristic of their competitive environment for decades to come. The report’s even more troubling conclusion was that, “most companies are not prepared, and even the best are vulnerable.” These findings have compelled companies to

search for innovative ways to develop talent. And have started making long term investment for improving the quality of human capital in dealing with the competitiveness.

Talent management refers to the process of developing and integrating new employees, developing and retaining current employees and attracting highly skilled employees to work for a company. It is a process that continues to be adopted by most of the organizations. The HR department of most the companies have confessed that managing a global talent pool is becoming one of their greatest challenges. The executive perceptions relating to the scarcity of talent is not limited to developed markets but even the companies in emerging markets such as India, China , Mexico, Brazil are facing difficulty in finding and retaining talent. More and more companies have realized that that they put tremendous effort into attracting employees into their companies but spend little time into retaining and developing talent. Thus, talent management has become the need of the hour;

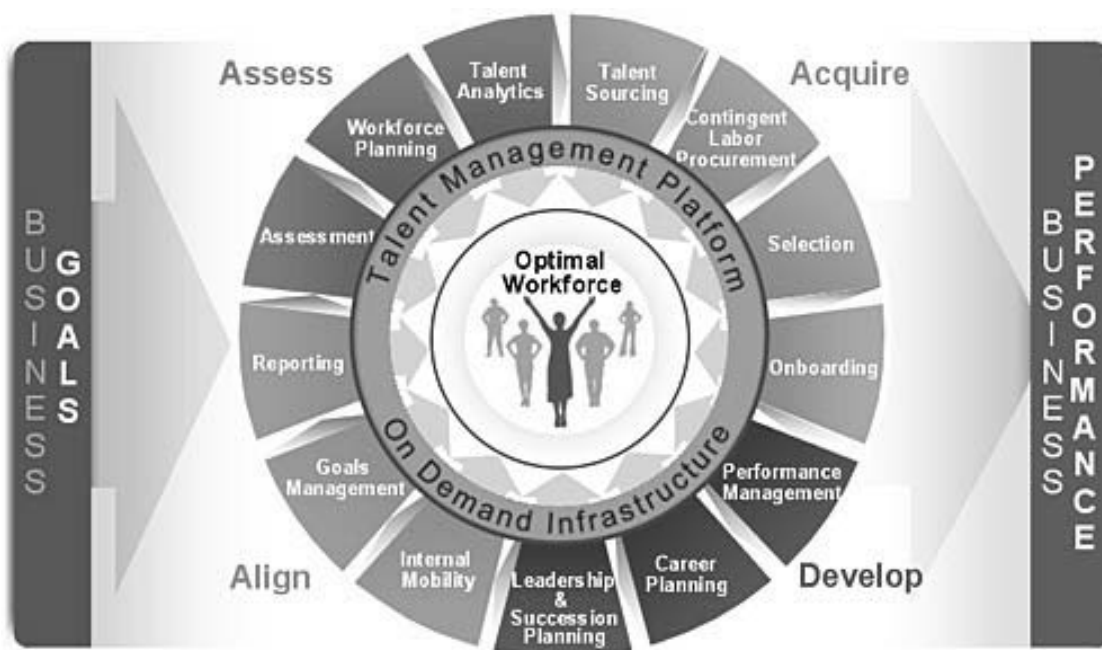


Figure 1: Talent management as a circular set of activities (Source: www.taleo.com)

a system that must be worked into the business strategy and implemented in daily processes throughout the company as a whole.

Taleo's graphical (Figure, 1) representation emphasizes the mandate of talent management to respond to business goals and consequently be the driver of business performance. Talent management is depicted as a circular not a linear set of activities. It depicts that business goals should be aligned and assessed in line with talent acquisition and development which in turn leads to optimal business performance. Today, organizations struggling with integration of loads of HR processes and technologies have realized that talent is what ultimately impels business success and creates value. Many organizations have started to rely on Talent management to assess, acquire, develop, and align talent with business objectives while significantly reducing process costs, improving quality of hire, reducing risk, and achieving higher levels of performance

### **TRIGGERS FOR TALENT MANAGEMENT**

Today, HR is confronted with many workforce issues; let's first analyze some of the drivers that fuel the current need for talent management:

#### ***Organizations are Facing Talent Paucity***

In a changing work environment where international mobility has become the order of the day, executives are facing talent crunch. Companies world over are experiencing a scarcity for the 'essential employees'- that talented, technically savvy individual who can collaborate, innovate and manage change. At least this a PWC report, '*Technology Executive Connections: "Successful Strategies for Talent Management"*' has revealed. According to the report, industry executives are expecting a

severe shortage in technology talent with 45% saying it is very scarce. Moreover, the number of respondents anticipating severe scarcity has risen from 4% to 15% in three years' time.

#### ***Changing Workforce Demographics***

The war of talent has been rightly predicted; as demographic changes are being faced by many western countries. The US Bureau of labor statistics predicts that the US will experience a labor shortfall of ten million workers by 2010, with the 500 largest companies losing 50 percent of senior management in the next five years.

Talent management is an imminent issue which is being driven by:

- ❑ Heightened competition for skilled workers.
- ❑ Approaching retirement of the baby boomers.
- ❑ Low levels of employee engagement.
- ❑ Acknowledgement of the high cost of turnover.
- ❑ Strenuous demands of managing global workforces.
- ❑ Recent trend in Off shoring and outsourcing
- ❑ Dynamic and volatile business environment

These factors together with the need to align people directly with corporate goals are forcing HR to evolve from a traditional role to developing a new talent mindset in the organization. Companies that have put into practice talent management have not only solved employee retention problem but have also been able to develop and maintain a talent pool. A talent management system cannot be left solely to the human resources department to attract and retain employees, but rather must be practiced at all levels of the organization. A talent management strategy will help organisations understand that it's the skills, experience and capabilities of people that drive strategic objectives and business plans.

## BENEFITS OF TALENT MANAGEMENT

### *From an Employer's Perspective*

Talent management can bring significant business benefits:

- ❑ Ensure work force diversity
- ❑ Build a high performance workplace
- ❑ Encourage a culture of learning and development
- ❑ Ensures values for money
- ❑ Employee engagement
- ❑ Retain talented people and
- ❑ Enhance company image and position in the employment market

### *From an Employee's Perspective*

When organization invest in talented people they are more likely to:

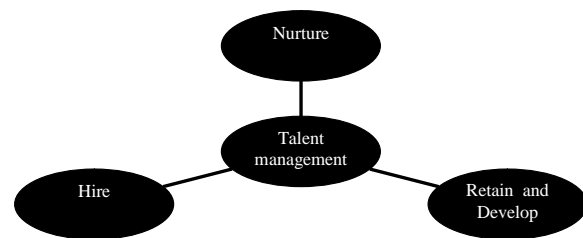
- ❑ Engage with their work and be more effective
- ❑ Leads to job satisfaction
- ❑ Increases employee referral
- ❑ Have a good opinion of their managers
- ❑ Leads to high morale
- ❑ Accomplishment of personal and professional growth

## STRATEGIES FOR TALENT MANAGEMENT

Talent management is a continuous process. The major aspects of talent management (Refer figure 2) practiced within an organization must consistently include hiring, nurturing and retaining and developing of the talent.

The challenge in today's shifting marketplace is retaining talent. With scarcity of talent looming, many companies have adopted talent management as a strategic business tool to fully utilize the performance of each employee

and the organization. But before we discuss the talent management strategies it is necessary to distinguish different types of talent. Jack Welch, former chairman GE strongly recommends that organisation should group their talent into 20-70-20. The first group of 20 percent would be the stars of the company. Then 70 percent form an important group that would provide crucial operational support. The bottom 10 percent needs to be weeded out.



**Figure 2: Talent Management Strategies**

A recent survey found out that the top retention techniques by degree of effectiveness are:

- ❑ Assigning Challenging Tasks
- ❑ Conducive work environment
- ❑ Adopting Flexi-time
- ❑ Providing Career breaks /sabbaticals
- ❑ Support for career/family Friendly policies
- ❑ High quality supervision and visionary leadership
- ❑ Cross functional assignment, tuition and training reimbursement
- ❑ R.E.S. P.E.C.T.; Relate to your employees; Engage and communicate; support personal needs; personalize their development; encourage them; Compensate fairly; Trust them more.

Some the strategies that the companies can adopt to acquire and retain talent are:

### ***Competitive Pay Packages & Other Benefits***

A fair compensation n does not guarantee employee loyalty. The organizations should



offer competitive salaries. Apart from salaries, non monetary benefits will keep the employees motivated. For example, Employee Stock Option (ESOP), medical insurance, subsidised food and transportation, recreation, cafeteria, educational loans, performance based incentives,, get together on company annual day, flexi time, providing credit cards, ATM cards, mobile phones and laptops are some of the techniques that keep the employees hooked to a company.

### ***Challenging Assignments***

Identifying employees talent and encourage them to stretch their abilities into new areas. Regular training and developmental opportunities, a good mentoring practice, counseling and coaching is inevitable for increasing intellectual capital of the organization,

### ***Design Career Paths and Encourage Professional Development***

Provide opportunity to the employees and give them the canvas and let them paint their career themselves. A career ladder must ensure that the employees know what they must do to go in for progression. The companies should provide opportunities for higher education linked with incentives and promotion. For instance, FedEx has personality development programme worth \$3000 and an online library with 600 courses.

### ***Better Work- Life Balance Policies***

A balance between work and personal goals and wants of an employee can be attained with flexi- time, compressed work week, flexible leave practices and work from home. At times, workshops on change management, philosophy, personality, psychology, food and nutrition and health awareness can also be organized.

### ***Offering Joining/ Loyalty Bonuses***

In HR parlance, these offers are known as “Golden Handcuff”. They do not compel the employee to stay with the organization, but give an alluring alternative to remain with the organization. Organizations can loyalty bonus to employees who stay with an organization for a period of one year, as the standard stay period accounted for loyalty is declining radically. Mostly, loyalty or joining bonuses are usually equivalent to one year’s salary.

### ***Talent Review Meeting***

Organizations should conduct regular talent review meetings to develop a clear talent management strategy and to increase awareness of available talent and successors, and be prepared for a variety of business changes and talent needs. They are designed to review the current talent status and future successor needs in the organization. The Talent Review meeting is designed to review the performance and career potential of employees, to discuss possible vacancy risks of current employees, to identify successors and top talent in the organization, and to create development action plans to prepare employees for future roles in the organization.

### ***Promoting Talent Marketplace***

A talent marketplace is an employee training and development strategy that is set in place within an organization. It is found to be most beneficial for companies where the most productive employees can pick and choose the projects and assignments that are most ideal for the specific employee. An ideal setting is where productivity is employee centric and tasks are described as “judgment-based work,” for example, in systems integration firm. The point of activating a talent marketplace within a department is to harness and link individuals’ particular skills (project management or

extensive knowledge in a particular field) with the task at hand. American Express and IBM are examples of companies that implement the talent marketplace strategy to retain the talent.

### ***Boomerang Technique***

The word 'boomerang' has recently been used to describe employees who return to an organization after having a taste of greener pastures. Boomerang employees are usually very committed to their position therefore can become the recruiters for new talent and mentors for existing employees. The time they have spent away from the organization has given them the additional knowledge of the market, and added to their experience.

### ***Offer Total and Tenure Rewards***

Total rewards system includes monetary and non- monetary benefits. It includes career opportunities, learning investments and quality of managers. Total rewards help the employees get a holistic perspective about what he/ she gets from the company in totality, not in isolation of just compensation. It has a very strong impact on accepting job offers and choosing to stay longer. To retain talent companies can also celebrate major employee milestones by honouring them with service awards. These awards increase employee engagement and confidence level and also elevates their satisfaction.

### **CONCLUSION**

As organizations get more complex and business environment/landscape changes with more globalization, technology changes, emergence of new economy, worker demography changes, it becomes imperative for them to create a process and system to ensure that the right talent is available at the right place. And for this, an effective talent

management life cycle (talent identification, talent acquisition, talent development, talent leveraging) needs to be created by the above suggested strategies. In a nutshell, every employee today is a free agent in every sense and behaves like a mobile investor of his/ her human capital. And thus calls for a strategic talent management approach to be adopted by the organization.

*“Winning or losing a good recruit is like winning or losing a customer, you have got to succeed”*

Steve Ballmer, CEO, Microsoft

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