The Effect of Talent Management on Organizational Success

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Abstract: Today, organizations have well realized that in order to succeed in a global complex economy and to remain in a competitive business environment, they require the best talent. The organization’s efforts to recruit, develop and maintain talent, directly linked to their success in the business environment. Research evidence, especially researches on global and international companies confirms the subject. Studies have shown that when organizations invest on talents the revenues will be significant increased. Financial value of the organization depends on the quality of their talents, and talents quickly increase the financial value of the organization. As a result, talents can have a positive impact on the performance and success of the organization.

Keywords: Talent Management; Organization; development

Introduction
Talent management (TM) is a process that has been discussed in the literature since the 1990s (Shaemi, Allemah, & Bajgerani, 2011). It started at the time when the phrase “the war for talent” was introduced in the industry and in research studies. Globalization made this competition for talents expand worldwide. Companies were fighting for the exceptional talents that would benefit their organizations. Not only companies, but also countries started to compete for good talents. The rise of globalization marked a fierce competition between international companies for skilled labor force. Therefore, at the time companies used “outside hiring” when it came to recruiting, and it worked very well in the early 1990s. Outside hiring means that they would hire people from outside the company without even looking at the option of internal recruiting in order to fill a certain need/gap. This policy made the internal employees feel they were not valued enough. In addition, they were taking the talents away from the competitors, which caused many problems. Thus, their main objective was to have head-hunters to steel good talents form their competitors. Companies focused on recruiting outside talent from competitors (Cappelli, 2008). Companies then realized that this process became very expensive; the companies had to incur high costs for recruiting, and the companies which were losing their best staff members were suffering financial losses because of this. Therefore, attempts started to be made focusing on retaining their best talent. Retaining the best talent and managing human capital became top priorities in international companies.

Talent Management from a Global Perspective
Managing talent is a challenge to all organizations in the context of globalization irrespective of the country (Gardner, 2002). Moreover, the concern about the scarcity of talent is almost universal. Organizations around the world are competing for the same pool of talents. This is seen as a global labor market for talents. Trend of global integration shows organizations’ standardizations in talent recruitment, development and management, to ensure their competitive position and consistency. Therefore organizations have to adapt global best practices of Talent management and at the same time adapt the local requirements and local labor market (Stahl et al, 2007). The organizations that are very successful worldwide tend to maintain local recruitment strategies, but they combine this local strategy with a more global transfer of information and best practices (Brewster et al, 2007).

Literature Review
In today’s business environment characterized with competition, every organization has no option but to grow for thriving. 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. The talent management is defined as the process of ensuring that the organization attracts, retains, motivates, and develops the talented people (Cappelli, 2008). It is a set of designed processes that ensure that employees are properly rotated at the jobs available in the organization and that the right person is in the right job at the right time (Cheloha & Swain, 2005; Kesler, 2002; as cited in Shaemi et al., 2011). Talent can be divided into natural talent and acquired talent (Shaemi et al., 2011). In organizations both of them should be combined. It should not stop at job rotation and succession planning, but it is also about learning and development.
As Coetzee (2004) says, the supreme importance to the success of an organization's objectives is to recruit and develop the talented staff, talent is always create value and success for an organization. Talent management is the additional management processes and opportunities that are made available to people in the organization who are considered to be 'talent' (Ashridge consulting, 2007; Likierman, 2007).

Talent-management practices can create the most permanent competitive advantages, new technologies and innovations can be easily be replicated by competitors and generate only temporary competitive advantages. Sustained competitive advantage comes from talent management practices in other words, how the organization attracts, develops, retains, motivates, manages, and rewards its talent. (Heimen et al, 2004) Like a machine, a business will fail to operate successfully if key elements such as processes, systems, and structure are misaligned or hindered by friction between those element and like a machine, a business must be designed, operated, and maintained. These functions are performed by the talent – the human capital employed by the enterprise. Indeed, talent (i.e., an organization’s employees), typically is the single biggest lever for driving improvements in business performance. The collective skills of the talent employed in an organization largely comprise the organization’s core capabilities. An organization’s talent injects capabilities that are very difficult for competitors to benchmark and replicate. More than any other asset, talent provides the potential for long-term competitive advantage (Lawler, 2008).

**Drivers for Talent Management**

To gain competitive advantage, the demand for human capital drives talent management.

Talent management strategies focus on five primary areas: attraction, recruitment and selection, engaging, developing and retaining employees. Although pay and benefits initially attract employees, top-tier leadership organizations focus on retaining and developing talent.

**Talent Attraction**

The components of talent attraction are recruitment and selection, employer branding, employee value proposition and employer of choice (Armstrong, 2006). Recruitment and selection requires that organizations use various methods or techniques of selecting the right talent that reflects the culture and value of that particular organization (Armstrong, 2006). The recruitment of members of talent pool is the first task of talent management strategy. The talent pool is a group of employees with special traits and are source of future senior executives (Ballesteros et al., 2010).

The sources of talented employees can be internal or external. The best way to create a talent pool is the internal sources since the employees have already the knowledge of how business processes work and can be incorporated directly into the new position and the morale of workforce uplifted (David et al. 2007). Employer branding includes development of an organization’s image, good enough to attract employees. In order to attract the best, organizational branding is a useful strategy, the organizations that manages its corporate brands effectively, gains advantage in the highly competitive global market place. Without the good brand image, it is difficult to attract the right talents (Ana, 2009).

**Talent Recruitment And Selection**

Forms the foundation of the core activities and processes underlying human resource management and such activities include the acquisition, training and development, and rewarding performance of workers (Gilmore, and Williams, 2009). The success and sustainability of most organizations is directly proportional to skills and competencies of the employees. Equally, the entry point into any organization is dependent on the effectiveness of the recruitment and selection practices of the hiring team within the organization. According to Mohamed Branine, (2008, p. 497), graduate recruitment is one of the leading and toughest challenges facing the majority of potential employers.

**Talent Engagement**

Engaged employees are strong organizational assets for sustained competitive advantage and a strategic asset. Employee engagement is the energy and passion that employees have for their organizations. Engaged employees take action to improve business results for their organizations (Hewitt and Associates; 2004). Engaged employee say positive things about their workplace, strive to go above and deliver beyond the extraordinary work. There are three levels of employee engagement in an organization; emotional, cognitive and physical engagement. According to Gallup survey (2010) conducted on 67,000 employee over 120 countries indicate that only 11% of employee feel engaged and this is very alarming statistic for organizations.

Better talent management policies have resulted in lower turnover and higher engaged employees in an organization as compared to those who do not focus on their talent management policies. Employee Engagement and Talent Management combined can make or break the bottom line (Lockwood, 2006). According to Morton (2005) in order to effectively recruit and retain scarce labor, organizations need to create and perpetually refine an employee value proposition. Organization internal environment and culture also plays an important role in engaging employees. (Dell and Hickey, 2002) Positive employer
brands have been found to help employees internalize the organization’s mission, vision and values. Morton (2005) Talent management is integral to engaging employees in the organization. A focused talent management practices not only increase employee engagement but also increase employee satisfaction. According to 2012 Human Resource Management’s Employee Job Satisfaction and Engagement Survey; “focusing talent management efforts in these areas may yield significant return on investment.” Effective Talent Management requires strong participatory Leadership, Organizational buy-in and Employee Engagement (Lockwood, 2006). Organization needs to put efforts in talent management framework in which employees and managers works together and establish measurable goals, competencies and their career development activities must be align with their corporate objectives.

Learning and Development

Talent development is the process of changing an organization, its employees, its stakeholders, and groups of people within it, using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization (Davis et al, 2007). Learning and development (L&D) strategy is an organisational strategy that articulates the workforce capabilities, skills or competencies required to ensure a sustainable, successful organisation and that sets out the means of developing these capabilities to underpin organisational effectiveness.

Organizations which practice effective learning and development begin with their employees that implies they identify the employees who need learning and development, the level of learning and development they need and the duration during which learning takes place (Harburg, 2003). Organizations with first class learning and development initiatives are excellent in listening on employee improvement needs and are able to express those needs back to the employee in clear and enlightening terms.

Learning and development is an approach of an organization ensuring that people with the right qualifications and experience are available when needed (Zheng et al, 2001).

Talent Retention

Talent retention aims to take measures to encourage employees to remain in the organization for the maximum period of time. One of the primary concerns of many organizations today is employee retention. Retention is viewed as a strategic opportunity for many organizations to maintain a competitive workforce (De Long & Davenport, 2003; Schramm, 2006). Attracting and retaining a talented workforce keeps many vice presidents of HR thinking of possibilities and opportunities (Kaliprasad, 2006). Retention is improved when employees are offered compensation and benefits, have a supportive work culture, can develop and advance balance work and life activities (Messmer, 2006).

“The war for talent” has almost become a cliché. The consulting industry has responded with countless articles, seminars and research studies. In the past few years, several major studies on employee retention have been completed, each purporting to identify the “top five reasons why employees leave” (Frank et al., 2004). While the studies vary in their details, they all tell the same story. Employees depart because their current employment proposition--some mixture of tangibles (pay and benefits), and intangibles (supervisor relationship, work/life balance, work content, career path, trust in senior management)--is unsatisfactory, and they have the opportunity to join another organization where, presumably, that employment proposition is better (Kaliprasad).

When talent acquisition and retention are a problem, the senior team member consults HR for answers (Patel, 2002). For HR professionals, this provides a daunting challenge. Traditionally, the HR profession has been built around silos of expertise. Compensation experts focus on market equity, incentive pay, retention bonuses and stock options to solve retention problems. Similarly, a benefits expert will focus on the importance of flexible benefits plans communicated brilliantly and delivered seamlessly. The organizational design specialists address work/life balance, supervisor training, and career development” (Kates, 2006).

The best practice organizations treat employee retention as a strategic problem (Farley, 2005). These organizations have well-defined plans that prioritize the skills they wish to retain, and the employment proposition best suited to the purpose (Farley). The resources of the firm, ranging from the executive team, HR, employee communications, PR and line management are teamed together to tackle the issue cooperatively (Patel, 2002).

Direct connection between talent and superior performance of the organization

Adding value talent

Corporate tax value depends on the quality of their talents and abilities and talents can quickly increase the organization’s value.

Business in More complex and dynamic environment

Intense competition, has made it very difficult to maintain long-term competitive advantage. new products and new business models have shorter life cycles so they need permanent innovation.
The Change of the employees expectations

The expectation of employees is changing, on the other hand organizations have more emphasis on strategies and talent management.

Today’s staff
Increasingly interested in doing meaningful and challenging work. They are loyal to their profession greater and more than the organizations. They are less adaptable to structure and traditional power sources. Want to change the path of their career development.

Meet these challenges make it difficult to capture the hearts and minds of today’s employees. In addition cultural organization is crucial to attract and retain key talents. (Sayady, Saeed mohamadi, Marzieh Nikpour, Amin, 1390)

Creating financial value for organizations

Financial value of the organization depends on the quality of their talents, and they can quickly increase the financial value of the organizations. Skill and experience of staffs are considered as intangible assets of organization.

Studies by the Brookings consultative committee on world’s top companies show that in 1980 the ratio of tangible assets (physical and material, including equipment and buildings) to intangible assets (including patent, intellectual property, trademarks, and most importantly, employees) in these companies was on average, 62% to 38%, while in 1990 this ratio has reversed. Therefore, in 2000, the ratio was 27% to 73% and in 2010 this ratio got 85% to 15% (Ilsan, 99: 2007). This trend is shown in the table below.

The ratio of tangible assets to intangible assets (Ilsan, 99: 2007)

<table>
<thead>
<tr>
<th>Percent of intangible asset</th>
<th>Percent of tangible asset</th>
<th>Year</th>
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<tbody>
<tr>
<td>38</td>
<td>62</td>
<td>1980</td>
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<tr>
<td>62</td>
<td>38</td>
<td>1990</td>
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<td>73</td>
<td>27</td>
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<td>85</td>
<td>15</td>
<td>2010</td>
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Investing on talents

If the organization does not invest talent, it will face depression and lethargy. They are some organizations that have invested on technology, machines and people. But in the twenty-first century, investing on people is valuable and the most important of all. However, the management must carefully choose and invest on people whose capabilities match the needs of the organization. Investing in talent leads to return the capital formation and this is the main reason for organizational success in the twenty-first century.

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