

BEST PRACTICES IN TALENT MANAGEMENT AND THEIR IMPACT ON EMPLOYEE ENGAGEMENT AND EMPLOYEE RETENTION

Shraddha Awasthi¹
Dr. Sunil Kumar²

Abstract

One of the primary management tools in the 21st century human assets management is Talent Management. This paper includes the studies related to strategies and practices of talent management and their impact on employee engagement and as well as effectiveness of its execution. The paper also aims at the integrating research on talent management with employee attitudinal outcomes and organizational effectiveness. It will play a distinctive role in conceptualizing talent management activities and their impacts on employee work engagement, turnover avoidance, and value addition. The research is based on a thorough literature review focusing on concept of talent management, employee work engagement, turnover avoidance, and value addition. The literature review was conducted cautiously by studying research articles published in renowned journals. Talent management and related variables were thoroughly discussed in the research. After reading many research articles and book chapters, we accomplished the process of canvassing and synthesizing the core practices that colligates into talent management. This process led to restructuring the conceptual ideas discussed in the research. The paper also conceptualizes talent management and its effectiveness for organizations in the present competitive business environments. The study reveals that talent management has positive and significant influence on employee attitudinal outcomes and organizational effectiveness e.g. employee work engagement, turnover avoidance, and value addition. The researchers conclude that organizations, which are enthusiastic for gaining competitive advantage over their business rivals, need to manage their talent in vigilant and effective ways. This paper substantiates that the previous research on talent management helps in understanding the concept and its enhancement.

Keywords: Talent Management, Employee Retention, Employee Satisfaction, Work Engagement, Turnover Avoidance, and Value Addition

Introduction

To succeed in the most competitive and most complex global economy organizations know the best talent. The requirement to hire, develop, and retain talented people, organizations are aware that they must manage talent as a critical resource to achieve the best possible solutions.

Trends for talent management, talent wars, talent raids and talent shortage, talent retention and stress on talent strategy are given in the literature, through various countries like USA, UK, Australia, Japan, India (Yeung, 2006; Ruppe, 2006; Dunn, 2006; Chugh and Bhatnagar, 2006; Lewis and Heckman, 2006; Lewis, 2005; Branham, 2005; Bennett and Bell, 2004). Talent management is gaining top priority for organizations across the world. Talent management was firstly designed to improve the process for recruiting and rising people with the main skills and aptitude to meet current organizational needs. Competition and the shortage of

highly talented and skilled employees make finding and retaining talented employees the major priorities for companies (Fegley, 2006). To attract and absorb the best talent anywhere in the world, an organization should have a strong and positive employer (Brewster et al., 2005). The numerous aspects of talent management are recruitment, selection, mentoring, performance management, career development, leadership development, emergency planning, career planning, rewards and recognition (Romans and Lardner, 2006; Heinen and O'Neill, 2004; Scheweyer, 2004). Brand interventions in recent research indicate talent management as a key driver for this kind of strategy, and are on the plan for HR executives in 2007 and beyond. It has become the important differentiator for human capital management and for competitive advantage. Within strategic HRM (Gratton, 2000; Becker et al. 2001), the talent management looks to be one of the key functions that HRM is playing strategically in organizations (Bhatnagar, 2004). Recent research

shows that the war for talent is intense due to labour market deficiencies (Branham, 2005; Brewster et al., 2005; Lawler, 2005; Boudreau and Ramstad, 2005; Cappelli, 2000; Nybo, 2004; Sparrow, 2004), yet very little research focus has been aimed at competitive talent management strategies. Pfeffer and Sutton (2006) reflected that the typical talent mindset, which looks at performance results as a chance for an assessment of ability, leads to low performance and unhappy staff who do not fulfill their potential and thus would reflect low talent engagement. Talent engagement (Fombrun, 2006) in fact, is an area which needs a special research focus. It raises questions such as: What is the engagement score, are engagement levels increasing over time, These questions need to be addressed through research. Organization with highly engaged employees articulate their values and attributes through signature experiences such as visible, distinctive elements of the work environment that send powerful messages about the organization

¹ Assistant Professor, Amity Business School, Amity University Gurgaon

² Associate Professor, Alliance University, Bengaluru

aspirations and about the skills, stamina, and commitment employees will need in order to get succeed in these organizations (Erickson and Gratton, 2007, p. 1).

Employee engagement is an area where rigorous academic research is required (Cartwright and Holmes, 2006 Mclean, 2006, Luthans and Peterson, 2002). Employee engagement (Rothbard, 2001; Cartwright and Holmes, 2006), is a necessary outcome variable which research studies in India have not investigated. Fegley (2006) showed the trends in the Western world that the Indian HR community needs to look into. It is a key to the holding of talent (one-of-a-kind hire in 100 employees; Glen, 2006) is an area in which the lead has been taken by experts (Parsley, 2006, Baumruk et al., 2006, Woodruffe, 2005, Gallup Management Journal, 2006, Bennett and Bell, 2004, Hay Group, 2002). The relevance of the dynamic work environment post liberalization, this study becomes necessary is given in figure 1.

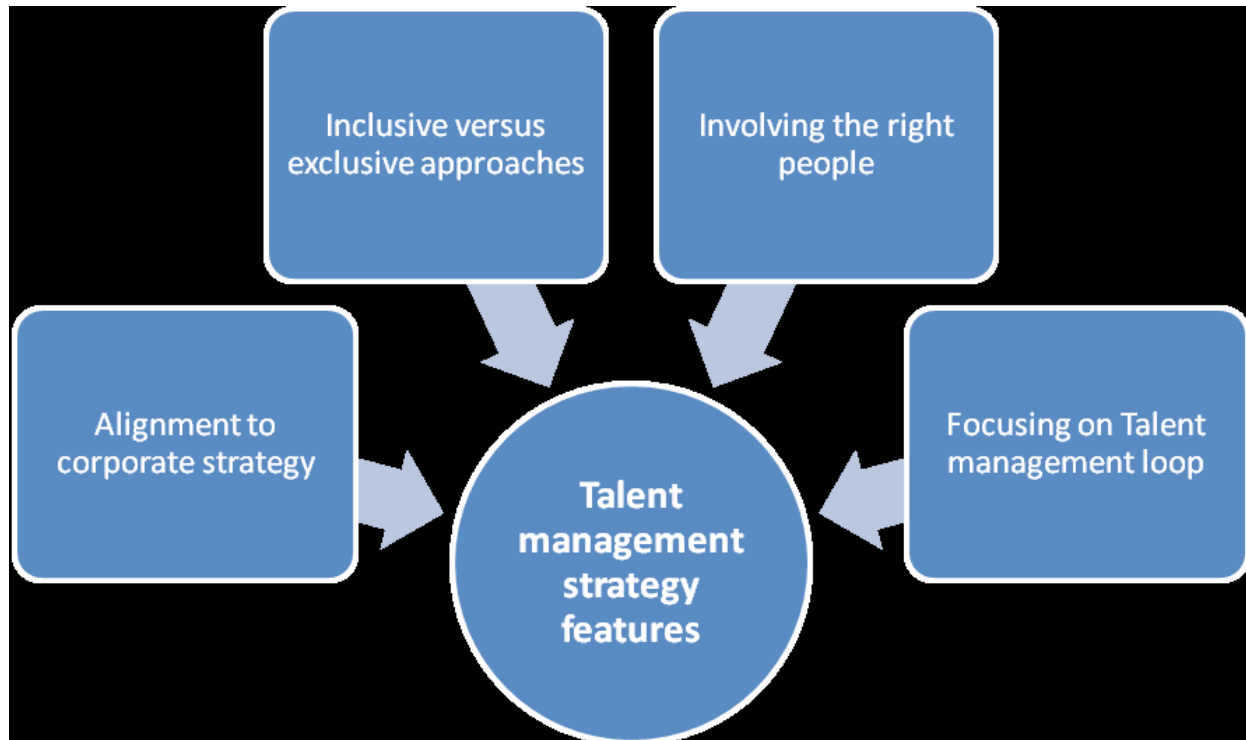


Fig.1.1 Talent Management strategy features

Review of Literature

Organization's success depends upon the talent management in today's competitive marketplace. It is about the processes, systems and strategies and their implementation of those unified strategies which are designed to increase the productivity of the workplace by developing the improved procedures for attracting, utilization, development and retention of skilled people matching with the current and upcoming business needs. It is everywhere accepted that human resources adds value to the organizations. The best suitable way to attain competitive advantage for organization is to keep human resource as a strategic business partner in a way that it enhance the business

performance. It not only considers the influencing strategy of the organization and at the same time contributes with few value additions which influences effectiveness (Lawler, 2008). It is probable by managing the talent effectively, associating it with the change management and adaptability of employees that how they respond to change.

Managers and executives consider the value of talent and its implication in organization and in this context they focus on organizational core need such as workforce development for the upcoming challenges and talent management makes it more improved while the left over individuals have liberty to choose their careers (Lawler,

2008). Talent management refers basically to the functional human resource management course of action which supports the alignment and managing of high- worth personnel or "the talented" but the rest others throws a light upon how the talent should be recognized. Organization dealing with the management of talent strategically and purposefully explained that how they attract, source, select, develop them by training and at last retain them by promotion and rotating them throughout the organization.

It is an approach and a process to view the things those entrust the talent management. Talent management not only works strategically as a part of overall business strategy but also

implements in the organizational routine processes all over the organization. It cannot be left whole on human resource department to attract and retain workforce instead of it shall be proficient at all levels of hierarchy along the organization.

Finding these star performers is not the only issue. A bigger difficulty is actually what to do with them (Cohn et al, 2008). Star performers are considered key asset of any organization and therefore, they attract special concentration. In this terminology, it is often referred to as talent positioning that shows the right talent at right time on right place with the required competencies and inspiration each levels and locations of the organization (Tarique and Schuler, 2010). According to a survey of corporations, 76% takes talent management a main concern. In addition to this 85% of human resource professionals of these organizations work and manage directly by implementing talent management strategies (Fegley, 2006).

Everyone should be aware of the organization's overall business strategic environment and plans, and also be aware of the competitive climate. The organization must maintain thoroughly to comprehend the plans for the enterprise's growth, merging, investment, new products or services and latest technologies that will immediately impact on the durable talent needs. In totaling, the company should know which specific factors that contributes in difficulties to attract and

retain talent. In fact, the firm should base their interests on the realistic and actual apprehension of its employees. Uneven estimates on the employee turnover time period shows where retention problems exist but not accurately what these are. Though, it is vital to keep an assortment of retention issues in a good poise, especially the mix of rewards and non-monetary motivators.

Another important thing is to track turnover. It is mandatory to be acquainted with its costs and where they are supreme. Also, they should be conveyed to management in order to shore up the business case for talent retention. Organization promote its brand not only to the outsiders but also to the existing employees enthusiastically as to the outside market.

Underneath the talent management group, the two most vital business strategies that are used to build up and maintain talent are leadership development and succession planning. In the talent management area succession planning focuses on how the organization plan to replace key knowledge holders and how to ensure that high potential successors have been prepared to fill these key roles (Lengnick-Hall and Andrade, 2008). It involves continually recruiting, training and promoting employees is not only necessary to avoid a brain drain of business knowledge, but is also important in identifying required competencies and communication desirable skills (Jones, 2008).

Succession planning also involves preparing for the organization's senior team developing a talent pool for internal recruitment of talent management by cross skilling employees and confirming the organization is future proofed with respect to availability of skills (Hills, 2009).

Talent management required to continue to train and develop high performers for potentially new roles, identify their knowledge gaps, and implement initiatives to enhance their competencies and ensure their retention (Cairns, 2009). Hills (2009) proposes five strategies for effective succession planning: Aligning succession planning with business strategy, evaluating leadership potential based on the 3Cs – competence, connection and culture, Involving talent in the succession planning process, Using a mix of experience, outside or executive coaching and formal learning experiences in talent development and, Drawing from a wider net of potential successors.

Many reward and recognition models are adopted by company including traditional compensation packages, executive compensation, flexible compensation, perks, and formal and informal recognition (Inskeep and Hall, 2008). For few employees, recognition of their knowledge actions that may take the form of providing career development programs that matches the individual's career aspirations (Lazarova and Tarique, 2005).

Theoretical Framework and Hypothesis Development



Fig 1.2 Theoretical Framework and Hypothesis Development

Relationship of Talent Management with Employee Work Engagement

It is quite understandable that employees remain engaged with their work in encouraging work settings because they are paid for it, but literature also hints that work engagement comes from jobs satisfaction which in most cases is derived from talent management practices. Effective talent management processes and systems explains the commitment of talent management to human resources causing lower rate of employee turnover with higher volume of employee commitment and engagement. Therefore, employee engagement has significant effect on productivity or output of employees and in retention of talent. In spite of many citations of an organizational lack of proficiency in talent management (Cappelli, 2008), a 2008 CIPD report, found that organizations are now placing greater scrutiny on their talent management processes (CIPD, 2010). A 2008 Hewitt survey showed that almost half of the companies studied planned to increase or sustain employee learning, their engagement and their development budgets during the economic slowdown (Beechler and Woodward, 2009).

H1: Talent Management is positively associated with the Employee Work Engagement.

Relationship of Talent Management with Employee Turnover Avoidance

In spite of the extensive studies on employee turnover, there are various resources which effectively bridges over the scholar confirmations that concerns with the employee retention and practices and efforts. There is a wide range of reasons of employee turnover which includes better income, leaving an obnoxious supervisor, getting fired etc. All the factors may take place when talent is not managed properly (Griffeth and Hom, 2001). Though there may be shared characteristics and results linked with every incidence of turnover there are different types of turnover, each with its own implications.

The turnover reduction of talented employees or individuals though particularly important for organizational success however improving retention beyond a certain point may present shrinking marginal returns (Boudreau & Ramstad, 2007). The highlights of the research says that dissatisfaction in job may not be the main reason of individual's turnover decision (Lee et al., 1999). Research could uncover that the turnover decisions of a particular subgroup of employees are more strongly influenced by certain issues or interventions.

H2: Talent Management is positively associated with the Employee Turnover Avoidance

Relationship of Talent Management with Employee Value Addition

Talent management is concerned mainly with identifying the core designation arrangements which have the prospective to differentially effects on the organizational competitive advantage and consecutively, fill these with A performer (Huselid et al. 2005). Employees skills and capabilities that add varying degrees of value to the organization, hence the "everybody counts mantra" (Lepak and Snell, 2002) is a simplified view of organizational talent. At last, this is where talent management differs from other human resource approaches.

Talent management practices for identifying key knowledge workers comprises initially how individuals can help the organization to achieve its vision, mission and strategic goals, and highlighting what skills and talents are required (Jones, 2008). The organization's strategic direction determines which jobs and which employees are very necessary in achieving success. To ensure that the most appropriate talent is effectively employed the human resource throughout the organization, some researchers (Collings and Mellahi, 2009) focuses on those pivotal talent positions that may impact on organizational competitive advantage.

This is related to the Exclusive Positions perspective of talent management which seeks to fill A positions with A player, fill support positions with B players, and outsource C players (Iles et al, 2010).

H3: Talent Management is positively associated with the Employee Value Addition.

Drivers for the current emphasis on Talent Management

Most of the organizations have the link between great employees and superior organizational performance for years. So the current emphasis is on managing the talent. There are several drivers working on this emphasis:

1. There should be a demonstrated relationship between better talent and better organizational performance.
2. Talent is a quickly increasing source of value creation.
3. The context in which organization do business is more complex and dynamic.
4. Boards and financial markets are expecting more.
5. Employee expectations are also keeps on changing.
6. Workforce demographics are evolving. Organizations faces a new "war for talent" these days.

Organizations around the world achieve superior business results through hiring, developing, and retaining exceptional talent. From both this experience and extensive research, we identified a number of best practices we believe must assist as the foundation for a talent management system.

Best Practice 1: Talent strategy must be tightly aligned with business strategy

Effective talent management needs that business goals and strategies drive the quality and quantity of the talent that one needs. Procter & Gamble, for example, view business decisions and talent decisions as one. Research put forth by the Aberdeen Group showed that best-in-class organizations are 34

per cent more likely to connect succession management strategies with organizational strategies.

Best Practice 2: Talent management specialists need to move.

When groups of HR professionals gather for the events, they have own talent management. They always point towards senior management. Many have a seat at the table, where they are involved in discussions about business and leadership strategies that were previously held behind closed boardroom doors. Talent managers required to own parts of the process and serve as partners, guides, and trusted advisors when it comes time to talk talent.

Best Practice 3: You must know what you're looking for.

Various studies show that companies that have better financial performance are more likely to use competencies as the basis for succession management, external hiring, and inside promotions.

Best Practice 4: The talent channel is only as strong as its weakest link.

Value creation not come from senior leadership alone. The capability of an organization to compete is depending upon the performance of all its key talent and its ability to develop and promote that talent.

Best Practice 5: Talent Management is not a democracy.

Many companies do opposite and make mistakes by trying to spread limited resources for development equally across employees. Organizations realize the best returns when promising individuals receive a differential focus when it comes to development dollars.

Best Practice 6: Potential, performance and readiness are not the one thing.

Most of the organizations understand the idea of a high-potential pool or a group of people who receive more developmental attention. Sometimes,

they fail to consider the differences between potential, performance, and readiness. A brilliant analogy to consider when examining the differences between potential and readiness is the early career of an athlete. They're ready to compete, and equipped to win. But they achieved success through ages of practice with attention from trainers and countless hours of preparation and practice.

Best Practice 7: Talent management is all about the right people in the right place.

Douglas Grey gave a statement If you have one dollar to spend on either improving the way you develop people or improving your selection and hiring process, prefer the latter. Training helps people to improve their judgment, learning agility, adaptability, all core requirements for most of the talent hired today is difficult, but not impossible. Hiring for the right skills is more efficient than developing the skills.

Best Practice 8: Talent management is more about the How's than the What's.

Organizations have several what's relative to talent management, including executive resource boards, software platforms, development plans, and training, training and more training, ninebox grid comparing potential to performance.

Best Practice 9: Software does not equal talent management.

It is a bit like a food processor will produce a five-star meal while claiming a piece of software that provide a full talent management system. These tools are important in support of a good plan. The correct tools clear the path for smoother execution and may improve the end product. But tools mean nothing without the right expertise and the right talent behind them

Conclusion

Talent management never been more of an immediate concern than it is right now. In the rush to fill a perceived talent

management gap, organizations should be careful not to panic into implementing initiatives or programs that are more about taking action than about implementing a well-crafted solution.

Extensive reviews of the literature conducted through human resource reveals that talent management helps organization to identify succession and talent gaps, planning goals, developing strategies for critical performance evaluation, average previous experience, skills, average tenure, retirements and turnovers. It is the distinguished that the key driver of organizational performance. It allows the organizations to integrate their human capital processes to talk their urgent talent challenges faced by management. Talent management gaps in a business organization open doors for fresh recruitment, talent management for appealing future employees. Preceding talent in organizational accumulation inspires the already availability of the required skills to attain the organization's short-term and long-term business goals. It is implemented on purpose as it is an orderly effort to support individual advancement and ensures flow in main positions, including management, technical, and professional specialist roles across the professional sectors of human resource. Talent Management is an important strategy that focuses on many of the organizational issues such as increasing retirement rates, advanced turnover, tight labor market, limited competitiveness, and fast-paced shifts in working styles and culture. Each organization today is interestingly concerned with selecting and retaining competent, committed people who are exclusively known as knowledge workers. Knowledge worker refers to a person who knows about the wholesome of his/her job than anyone else in the organization.

Findings discloses that talent management initiatives seek to develop the talented employees' capacity so that they might remain engaged with their works to produce maximum returns. All

the level of management should be updated with the strength of talent management strategies that specifically conduct the strategies. This supports an organization to identify and focus on new competitive circumstances (de Pablos and Lytras, 2008). The encouragement is further supported if the pay is also accompanied by social recognition or adds value to the processes of self-development such as feedback, coaching, job rotation, and provision of employee training and developing a incorporated standard (Osterloh and Frey, 2000). So, employees demand for motivation on continuous basis.

Employee turnover is a complex phenomenon that comes in many shapes and sizes. It is not constantly destructive. In several cases may even be beneficial for organizations. Creating and utilizing effective guidelines and strategies for refraining turnovers have many requirements. As, human resource managers have a linked comprehension and structure for understanding what turnover is and how it affects the organization it is important to create an omniscient understanding that describes the types of turnovers, understands the costs and benefits associated with them, and identifies the importance of turnovers to an organization. As a result, most managers hold important misconceptions about turnover. The misunderstandings among workers can be harmful to organizations and to managerial authorities since they may lead managers to enact unprofitable strategies that fail in decreasing turnover, that are not cost friendly or even those that encourage the wrong employees while removing the most productive ones. HR managers required to implement more strategic roles to set up new organizational systems (Ringo et al., 2010).

At last, all the firms should have realized the importance of managing their core talent, and have initiated new human resource practices which motivate the talent management as the main priority which respond to the change or crisis that arises due to

enhancements in knowledge based economic society. The main focus of talent management is on the attraction, deployment, retention, development and utilization of talent and implementation of support structure like information technology systems and performance management in the organization. Researchers highlighted the consequences of talent management and suggested many strategies to ensure the retention of key talent, employee engagement and value addition.

References:

1. Abel, M.H. (2008). Competencies management and learning organizational memory. *Journal of Knowledge Management*. 12, (6), 12-30.
2. Abelson, M. A. (1987). Examination of avoidable and unavoidable turnover. *Journal of Applied Psychology*, 72(3), 382-386.
3. Assimakopoulos, D. & Yan, J. (2006) Sources of knowledge acquisition for Chinese software engineers. *R&D Management*, 36, 97-106.
4. Bartlett, A.C., and S. Ghoshal. 2002. Building competitive advantage thuman resourceough people. *MIT Sloan Management Review* 43, no. 2: 34-41.
5. Batt, R. (2002). Managing customer services: Human resource practices, quit rates, and sales growth. *Academy of Management Journal*, 45, 587-597.
6. Beechler, S. and Woodward, I.C. (2009). The global "war for talent". *Journal of International Management*. 15, 273-285.
7. Boudreau, J. W., & Ramstad, P. (2007). *Beyond HUMAN RESOURCE: The new science of human capital*. Boston: Harvard Business School Press.
8. Cairns, T.D. (2009). Talent management at homeland security: a corporate model suggests a recipe for success. *Employment Relations Today*, Fall, 19-26.
9. Cappelli, P. (2008) Talent management for the twenty-first century. *Harvard Business Review*, March, 74-81.
10. CIPD (2010). The war on talent? Talent management under the human resource eat in uncertain times. Available from Internet <http://www.cipd.co.uk/>.
11. Cohn, J., Katzenbach, J. and Vlak, G. (2008). Finding and grooming break the human resource tough innovators, *Harvard Business Review*, December, 63-69.
12. Collings, D. and Mellahi, K. (2009). Strategic talent management: a review and research agenda. *Human Resource Management Review*. 19, 304-313.
13. Corporate Leadership Council. (2004). Driving performance and retention human resource through employee engagement. Retrieved, from www.executiveboard.com.
14. Cross, R., Borgatti, S.P. and Parker, A. (2002). Making invisible work visible: using social network analysis to support strategic collaboration. *California Management Review*, 44, 25-46.
15. Cross, R. & Prusak, L. (2002) The people that make organizations stop or go. *Harvard Business Review*, 80, 104-112.
16. Davenport, T.H., R.J. Thomas, and S. Cantrell. 2002. The mysterious art and science of knowledge-worker performance. *MIT Sloan Management Review* 44, no. 1: 23-30.
17. Dell, D., & Hickey, J. (2002). Sustaining the talent quest. New York: The Conference Board.
18. De Pablos, P.O. and Lytras, M.D. (2008). Competencies and human resource management: implications for organizational competitive advantage. *Journal of Knowledge Management*, 12, (6), 48-55.
19. Farndale, E., Scullion, H. and Sparrow, P. (2010). The role of the corporate HUMAN RESOURCE function in global talent management. *Journal of World Business*. 45, (2), 161-168.
20. Fegley, S. (2006). 2006 talent management survey report. Alexandria, VA: Society for Human Resource Management.

21. Frank, F.D. and Taylor, C.R. (2004). Talent Management: Trends that will shape the future. *Human Resource Planning*, 27, (1), 33-41.
22. Lawler, E.E. 2008. *Talent. Making people your competitive advantage*. San Francisco: Jossey-Bass.
23. Mitchell, T. R., Holtom, B. C., Lee, T. W., Sablinski, C. J., & Erez, M. (2001). Why people stay: Using job embeddedness to predict voluntary turnover. *Academy of Management Journal*, 44, 1102–1121.
24. Osterloh, M., and B.S. Frey. 2000. Motivation, knowledge transfer, and organizational forms. *Organization Science* 11, no. 5: 538–50.
25. Ringo, T., Schweyer, A., DeMarco, M., Jones, R. and Lesser, E. (2010). Integrated talent management – Turning talent management into a competitive advantage – an industry view. IBM Global Business Services
26. Scullion, H. & Collings, D. G. (2010) *Global talent management*. *Journal of World Business*, 45, 105-108.
27. Smith, R. C. (2009). Greed is good. *Wall Street Journal*, p. W1.