

# Talent Management: An Integrated Model

Radha A. and Jayavelu S.

## Abstract

*Talent management is a set of competency-based human resource management practices aimed at getting the best out of its high-value people and ensuring that right people are in place to do a particular job. A recent research by SuccessFactors and human capital expert Dr. Jac Fitz-enz has shown that smarter talent management leads to better financial performance of the company<sup>1</sup>.*

*This paper looks at the influence of several variables on Talent Management Strategy so as to fine tune it in accordance with the conditions that a firm is faced with. The macro-level variables considered are the environmental factors and the industry factors while the micro-level variables are the organizational factors. A Talent Management process model has been developed, which outlines the sequence of steps to be followed in effectively implementing the talent management strategy. In addition to these, ways of aligning the HR practices of the organization with the talent management initiatives have been looked at.*

*Thus it is seen that an Integrated Talent Management approach by the organization, with the talent management strategies and processes perfectly aligned with the various HR processes and with the overall organizational strategy, would help in getting the best out of the talent and in achieving its objectives.*

**Keywords:** Talent Management, Environmental Factors, Industry Factors

“Take my 20 best people and, virtually overnight, Microsoft becomes a mediocre company.”

–Bill Gates

Perhaps nothing more than this is needed to understand how important talent is to an organization.

Talent management deals with managing the high-caliber employees of the organization in a way so as to get the best out of them. Though there is an increased emphasis on retention measures in the talent management initiatives of the organizations, talent management aims at a proactive management of the entire employee lifecycle of the talent, by providing them with the tools, and processes to learn and grow. The components of Talent management include Recruitment, Retention, Development, Performance Management, Measurement, Feedback, and Workforce planning.

Talent management tops the list as a strategy for radically improving workforce productivity to derive higher value for the organization<sup>2</sup>, as there is an increased recognition of the link across talent management and the overall performance of the company. The *Talent Pulse Survey 2005* by consultancy Deloitte questioned almost 1,400 HR practitioners worldwide and confirmed that the most critical people management issues are attracting and retaining high-caliber workers<sup>3</sup>.

Some of the factors which high value employees look for in their career are as follows:

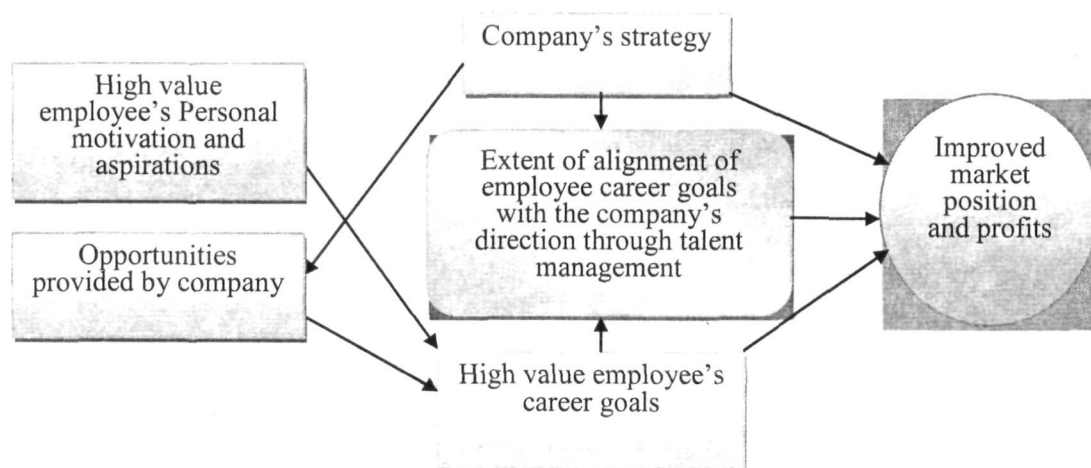
- Proper recognition for work
- Goal alignment and challenging work
- Work life balance
- Competitive benefits and base pay
- Opportunities for skill development and career advancement

- Caliber of coworkers and the nature of collaboration with them
- Work environment and relations with the immediate superior

Thus through the talent management initiatives, an organization should ensure that these are provided to the employees.

### Model depicting the importance of talent management

The model below depicts how talent management would help the organization in



**Conceptual model depicting the importance of Talent Management**

achieving its objectives. It is shown that the employee's, especially the high caliber employee's career goals are shaped by his personal motivation and aspirations and by the opportunities provided by the company. The firm strategy will shape the opportunities available in the company and the extent to which the career goals of the employees are aligned with the overall company strategy (which can be ensured through talent management initiatives), better would be the probability for the firm to improve its market position and profits.

### Barriers to Talent Management

The barriers to talent management are observed when:

- Personal goals of the employees are not aligned with organizational objectives; this would result in top talent stuck in a role which is not in alignment with his objectives, thus resulting in a poor job fit for the employee and lost value for the company.
- Line managers are not sufficiently committed to people development<sup>4</sup>, due to lack of communication and orientation from the top management stressing on the importance of talent management.

### Talent Management Strategy

Let us look at how the Talent Management strategy needs to be formulated by considering the influence of the variables operating at different levels of the organization.

### Variables Influencing Talent Management Strategy

The talent management strategy of an organization is influenced by several factors at the macro and the micro levels; at the macro level by the environmental and the industrial variables and at the micro level by the organizational variables.

## **Environmental Variables**

The environment, in which a firm operates, is a macro variable that has a significant effect on the firm strategy and processes. Let us look at how these variables can impact the talent management strategy in an organization.

### **Increased Globalization**

With increased globalization, firms are looking at a variety of new markets across the globe. To establish the organization in these locations, the firm could use the talent, as this would provide the talent with a challenging opportunity and also increase their cultural sensitivity. This would serve the twin-objective of developing global managers and also in business development for the firm. With increased globalization, there has also been an increase in outsourcing of the non-value adding tasks by the firms to other locations, where they could be done cheaply. This enables the talent to focus more on the strategy and the key value adding processes of the organization.

### **Emergence of a Uni-Polar World**

With the emergence of a uni-polar world, the American culture has gained wide acceptance and this has percolated down to the workplace. Thus there is a uniformity of policies to a large extent, though the practices might vary based on the cultural influences of the geographic location of the organization. This has resulted in a high degree of standardization, making it easy for an organization to have a talent management strategy which could be implemented across the various geographies. But it needs to be ensured that appropriate changes be made to make the initiatives suit the mindset of the employees at a specific location.

### **Ageing Population Issues**

There seems to be a shift in the workforce mix favoring elder workers in organizations owing to the ageing population<sup>5</sup>. In view of

this, most organizations are looking at changing their policies to take into account the needs of their varying workforce mix and are also looking at new ways of attracting talent in order to maintain a healthy mix. This issue has many implications for the talent management strategy of the organization. One positive effect of this is that organizations would be able to have access to the expertise of the experienced workers for a longer time, provided they can be retained in the organization by having in place a good pension plan. The firm could also get the experienced employees to share their expertise with the young talent by providing the right platform and incentives for doing so.

### **Changes in Employees' Perspective**

Nowadays, it is found that, an employee is the one who is courted by multiple organizations, resulting in his being faced with many a choice. These days it has also become a norm for employees to use the electronic job market to look for better opportunities. And when they find a better position, they actively bargain with their employers to increase their pay or work conditions; or switch jobs. Hence there seems to be a discernible shift in the mindset of workers from one of looking at life-long employment to one of concentrating on their career growth and choosing the positions that will add value to their portfolio of experiences. Considering this, it becomes crucial for an organization to constantly make the employee understand that the organization cares for his career.

Employees are also seen to be valuing their work-life balance to a great degree and the extent to which a firm can help an employee strike this balance, the greater would be the satisfaction of the employee. Measures like paid vacation once in a while, providing the option of teleworking or part-time employment for a certain period based on the

family conditions of the employee, would help in this direction.

### **Changes in Organizations' Perspective**

It is found that with the emergence of the knowledge economy, firms have begun to understand the importance of the 'people' aspect of the business. This is because, in the knowledge economy, the value of a firm is dependent on the kind of intellectual assets that it has access to and thus it is found that most of the expenses incurred by businesses are on people and not on other crucial things like capital, and R&D<sup>6</sup>. Hence employees are increasingly being looked at as assets and not as costs to the business. Thus concepts like Human Resource Accounting and calculation of ROI of Human Capital are finding increasing acceptance. These can help measure the financial aspects of human capital management, including turnover cost and changes in the economic value of people<sup>7</sup>.

### **Changes in the Perspective of the Shareholders and Customers**

A high premium is seen to be attached to the intellectual assets of the organization. This can be observed in the case of IPOs wherein the number of times an offer got oversubscribed was seen to be in correlation with the strength of the intellectual assets of the organization<sup>8</sup>.

It has also been observed that shareholders and customers are valuing highly those firms, which attach a high level of importance to CSR<sup>9</sup>. Due to this, organizations are found to be fine-tuning and publicizing their employee and environmental practices to a great extent to create the right impression in the minds of the stakeholders. Thus a firm while showcasing the right Employee Value Proposition (EVP) (which communicates why talented managers should join and stay with them)<sup>10</sup> not only stands a better chance of attracting the right talent, but also would enjoy a higher level of trust of its customers and shareholders.

## **Industry Variables**

Talent Management Strategy is also affected by industry specific variables which include nature of the industry the competitive position assumed by the firm.

### **Nature of the Industry**

Nature of the industry would impact the various aspects of the talent management strategy of a firm. Changes in the environmental conditions could make an industry unattractive due to the emergence of other industries which offer very lucrative career. An example would be the emergence of IT and ITES industries as very attractive in India in the late 1990s due to the improvements in telecommunication, which resulted in a significant movement of employees from other sectors to these. Thus an industry which might be facing such a problem vis-à-vis other industries could look at fine tuning its HR strategy to present certain advantages to its employees as compared to that in other industries.

The recruitment should be such that the fit of the employee with the firm and with the industry is thoroughly assessed. The engagement of the talent should especially be taken care of by providing them with challenging opportunities. The compensation, benefits and the work environment should be upgraded to the possible extent so as to not lose out talent on these grounds. A clear career path should be chartered for the talent and they should be apprised of this.

### **Competitive Position**

The competitive position of the firm would also play a key role in shaping its talent strategy. In case the firm is a leader, it would be at a better position to attract talent when compared to other firms. In case a firm is not a top player in the industry, it might look at developing its talent management strategy through benchmarking with the top players

or with the closest competitor. It is found that if a firm is facing stiff competition, it would face constant threat of poaching of its key talent by the competitors.

### **Organizational Variables**

The third set of variables are unique to the organization. Let us see how these variables impact the strategy of talent management.

#### **Size & Scope**

The size of the firm would play a critical role in its talent management strategy. A larger firm would be more inclined to have a full fledged talent management program in place whereas a smaller firm would look at incorporating talent management into its day-to-day functioning. While a large firm would look at talent attraction through its branding efforts, a smaller firm would attract talent by showcasing the kind of opportunities and challenges available to its employees. In terms of compensation, while a large firm would be able to offer a range of benefits, a smaller firm would look at attracting talent through a higher base pay.

#### **Age**

While a new-economy firm would be used to the idea of talent management for specially taking care of its key talent, a firm rooted in old ideals might find it tough to adapt itself from one of being an equal opportunity provider to one rewarding performance. Hence such a firm might have to communicate clearly to its employees the need for rewarding talent and also that those who do not qualify as talent would not have to forego any of their current perks and that their development would also be taken care of.

#### **Influence of the Leadership**

The influence of the leadership, right from the cultural legacy which would have been left behind by the founder to that of the current

leadership, would play a significant role in the direction of the firm. The characteristics of the founder/leadership like their background, interests, previous experience, nationalism etc would define the identity of the firm which in turn would have an impact on the policies and practices in the organization; which in turn would impact the talent management strategy to a great extent.

#### **Extent of Usage of IT**

The method and effectiveness of the knowledge management program is an important determinant of the success of the organization. The intranet could also be used as a one stop for the entire web based training, which would address most of the training needs. Further, if there is a presence of virtual teams, the behavior of the employee and the extent to which he uses the virtual workplace to meet the objectives could be a good determinant of his caliber. One more thing which IT has enabled firms to do is to provide teleworking options to women employees and others who wish to work from home. This might result in retaining those employees as regular or part time workers; who might possibly have quit had this option not been provided to them.

#### **Extent of Diversification**

A firm operating in a single industry might be at a slight disadvantage when compared to a conglomerate which operates in multiple businesses, with respect to talent management. A conglomerate would in general have a better brand name and a better EVP and can attract the right talent. It could also rotate through its businesses, the talent exhibiting high potential but not suited for an industry, into another. This ensures that the talent stays in the organization.

It is interesting to note that conglomerates like TATA have been indulging in talent management since a very long time; much

before McKinsey coined the term 'war for talent'. TATA organizations identified their high potentials in non-managerial areas, across divisions and sent them for MDP programs to reputed business schools to see to it that the right skills were imparted in them so as to make them fit to be absorbed at a managerial level.

### Use of Teams

An organization might be oriented more towards teams, but in its zest to promote working in teams, it should not give up on the development of the individual. Adequate opportunities should be made available for an individual to improve and to showcase his skills. If this is not provided, talent management, especially the engagement and retention might grow to be problematic. Also the performance management systems should be tailored in a way so that an individual employee gets rewarded for his performance.

### Level of Empowerment

This would dictate things like the level of bureaucracy and the span of control in the organization and is generally dictated by the structure of the organization and the nature of the industry. It is found that in the case of firms with a highly dynamic environment and operating as business units, the degree of decentralization is much higher when compared to a firm operating in a traditional setup like manufacturing. In such cases, the firm should empower the talent through decentralization to some extent and also by passing on some of the decision making to the talent. But it is important to not hold the talent responsible for any decision that might not have worked in favor of the company.

### Professionalism

Certain employees would prefer working in informal conditions which would throw up

many challenges and gives them a leeway to take their decisions. Some other employees might prefer working in an environment where everything is highly formal and professional. The industry and specifically, the culture of the company would play a critical role in determining the degree of professionalism.

In case, the talent has a problem with the degree of professionalism in the firm, the management might look at educating the employee and easing out his adaptation to the system. If that does not work, a firm might look at transferring him to a division in the firm which operates in the way the employee wants. If not, the firm, in case it's a conglomerate might look at transferring the employee to another firm in its wing which offers the desirable conditions.

### Culture

The mission, vision, core values and goals shapes and gets shaped by the culture of the organization. Firms will attract those who are a reflection of their corporate values. Companies that offer a corporate culture of respect, along with interesting work, will have a greater ability to attract talent.

The four generic culture types according to Deshpande et al are market culture, adhocracy culture, clan culture and hierarchical culture<sup>11</sup>. Let us look at how certain talent management strategy would differ across different cultures:

Firms with **market culture** would be highly competitive and they might look at external benchmarking for framing their talent management strategy. They might also look at attracting talent from their competitors. But if they look at talent management as a short-term measure for countering competition and do not continue to focus on developing their employees, it might not work to their benefit.

Firms with **adhocracy culture** are mostly entrepreneurial with a great deal of freedom for the employees. These firms are likely to be those which would provide the talent with the right opportunities and with more on-the-job learning and hence they would be able to practice talent management effectively as compared to other cultures.

Firms with **Clan cultures** are highly internally cohesive and thus these firms might not take to talent management easily as it looks at differentiating employees based on their performance. In such a scenario, the communication from the top management enforcing the importance of talent management should be very clear about how it will be for the overall benefit for the organization.

Firms with **hierarchical culture** would be bound by many rules and it would have to be ensured that adequate challenging responsibilities involving decision-making be provided to the talent. The firms might experience some difficulty in modifying their policies like recruitment strategy and compensation structure for talent management.

### **Talent Management Process**

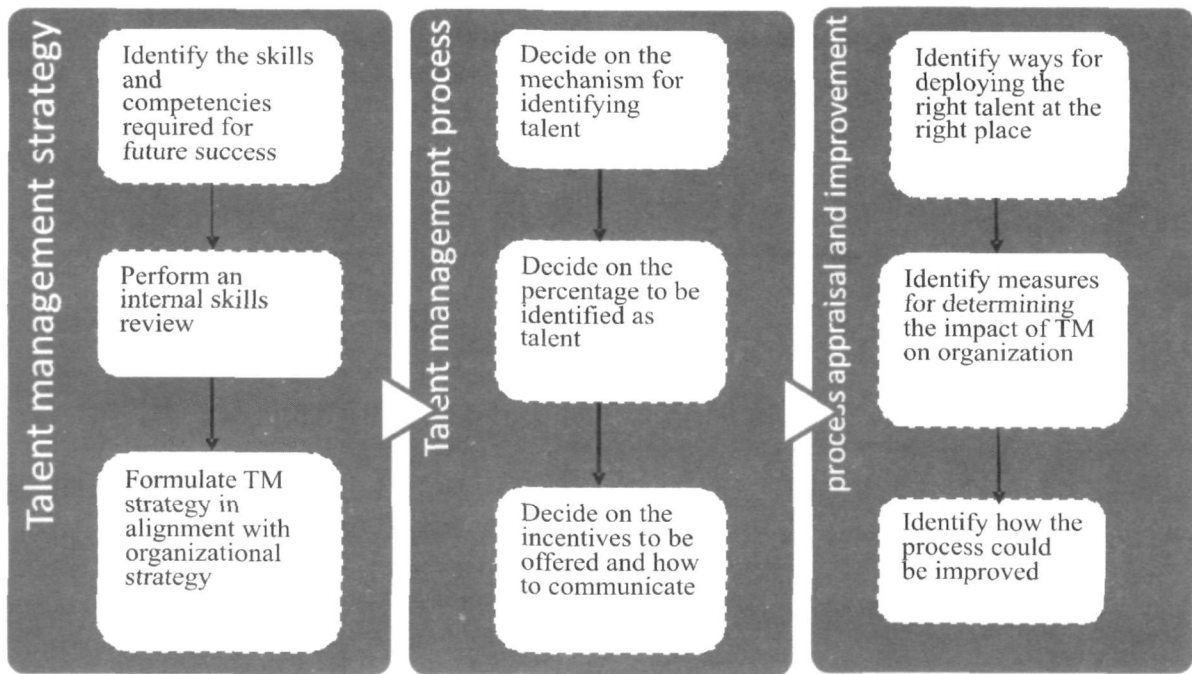
The Talent Management strategy in an organization could be formulated in the following way. A workshop or a brainstorming session could be conducted with a set of young high potentials, to get their viewpoints on how processes could be improved in the organization. These future leaders would help the firm in seeing the challenges and opportunities from two perspectives, that of a young employee and that of a leader. The firm could go in for benchmarking against other reputed companies in the same industry or across industries, to identify the best practices and current trends in various processes; especially in talent management.

In addition to these, Workforce planning could be used for forecasting the talent requirements<sup>12</sup> and for identifying the skills and competencies that the organization would require to succeed in the future. Then a review of the existing talent in the organization would be carried out to check if adequate talent with the required skills is available. Based on this, the loopholes would be identified and a talent management strategy that is in alignment with the overall organizational strategy and with the HR strategy would be formulated. The time frame for implementing various steps would also be fixed.

Various parameters need to be decided upon like the mechanism to be used for and the percentage of people to be identified as talent. And also if the percentage is to be uniform or different across departments and functions. Then the way in which the talent management program is to be communicated to the organization and to the talent needs to be identified. It should be reflective of the importance that the organization attaches to the program.

Ways for driving talent management throughout the organization need to be identified such that the right talent are developed and deployed at the right place. Things like the nature of incentives that could be provided for talent at different levels needs to be fixed. It could be a combination of recognition, faster growth, international opportunities, high compensation, benefits, mentor, better training programs, stock options etc.

The frequency of evaluation needs to be fixed based on the requirements of the organization. Complacency should not be allowed to set in those employees identified as talent; it needs to be communicated very clearly that unless the talent meet the requirements and perform to the degree, they



### Conceptual model of the Talent Management Process

cannot continue to be on the ranks of the talent. The impact of the talent management program on the organization needs to be assessed; for which suitable measures need to be formulated. Measures such as offer-to-hire ratios, average tenures of new hires, performance ranking<sup>13</sup>, could be used for measuring the effectiveness of talent management initiatives. Based on the measures and the feedback from employees, the improvements need to be identified to be incorporated in the next cycle.

### Talent Management and HR Processes

Talent management cannot be looked at in isolation and the support functions and the HR strategy should reflect it. It needs to be checked if talent management can be carried out with the current processes; if not those processes that would have to be modified need to be identified. The HR processes which would have to be tailored in accordance with the talent management are attracting the right talent, engaging them while focusing on development and retaining them.

### Attracting

Attracting the right people into the organization is the first and foremost step in talent management. Hence, the firm should first go in for workforce planning in order to identify its current and future human capital needs across divisions. This would enable it to attract the right talent.

The process comprises two parts: attracting the right talent through various measures prior to and during the recruitment.

### Pre-recruitment

During the pre-recruitment stage, the organization should go in for branding and advertising to project the right Employee Value Proposition (EVP) to the potential candidates. It should have effective screening methods and tools. It could look at tie-ups with top notch educational institutions to get attract fresh talent<sup>14</sup>.

### Recruitment

The recruitment should screen the candidates for fit into the organization's culture. The



candidates should also be selected based on the potential and their suitability considering the future direction of the company. One of the better ways of recruiting would be by having an internal recruiting system through which the employees could apply to different positions in the same company or different companies in a conglomerate.

### **Engaging**

The top management should ensure that the administrative work of HR managers is reduced so that this crucial aspect is taken adequate care of. The talent needs to be engaged both on-the-job and outside it. For engaging the talent on-the-job, their interests need to be identified and job structuring could be done to reduce the non-challenging and routine jobs and to assign the tasks and targets accordingly. The job should include action learning enabling development of strategies to address real problems.

Training programs need to be conducted for equipping the talent with the required skills. Suitable development measures need to be taken to equip them with leadership skills, communication skills etc. In "Pygmalion in Management", a classic HBR article, J. Sterling Livingston explained the vital role that managers play in developing their subordinates<sup>15</sup>. Thus a mentoring program would be a very crucial step for developing upcoming leadership talent by providing for close interactions with the existing leaders. There should also be a single integrated performance management system across the organization.

### **Retaining**

The retention measures could be of two types: the monetary and the non-monetary measures.

#### **Monetary Measures**

These measures involve the structuring the pay such that there is a variable performance

compensation plan in place for rewarding true effort. Firm should use market pricing for fixing the pay and should couple it with merit increases and benefits and perks. Stock options could also be provided to key executives to link their compensation to the performance of the business unit. There should be an array of benefits like good medical plans and even some 'prestige benefits' like company car for key talent. Financial benefits could be tied to the length of the tenure to use them as golden handcuffs<sup>16</sup> for retaining executives. Further, the company should also offer a good pension plan to motivate the senior executives to stay till their retirement. The firm should be proactive in understanding the needs of its talent and even customize their retention packages before they feel compelled to leave.

#### **Non-Monetary Measures**

Ongoing opportunities such as employee suggestion programs should be created for employees to contribute their views on various issues and for process improvements. It would also be prudent to redeploy employees by offering them suitable alternative positions wherever possible, as both time and money would have been invested in training that employee. Providing challenging opportunities like managing a business unit or a function, running a business in the absence of a superior, fixing up a business not performing to the mark, growing a business, or overseeing a merger or acquisition etc would help in retaining the talent<sup>17</sup>. It is also important to help them in maintaining the right work-life balance by being considerate when they are faced with any personal crisis, by giving them a break if absolutely necessary, enabling them to work as part-timers for sometime from home or by providing them with a paid vacation etc.

### **Conclusion**

Talent management is generally looked upon as managing the recruitment and mainly, the

retention of talent. But it can be seen that it extends to much more than that, covering a range of strategies, processes and initiatives; right from developing the right employee value proposition (EVP) to engaging the talent in the best possible way such that they are developed into being the future leaders of the organization, to structuring the pay to reward performance to getting the feedback of the talent and appraising the process itself.

It is observed in the model depicting the significance of talent management that by managing the talent appropriately, we ensure that the key talent of the organization put in their best effort to make the organization realize its objectives. An integrated approach to talent management which looks at aligning the talent management strategies and processes to the various HR processes and to the overall organizational strategy would be the best way to achieve this.

## References

Success Factors, 2007, 'The 2007 Performance and Talent Management Trend Survey; IDC Survey of 107 Business Executives'.

Knowledge Infusion, July 2006, 'Trends in Human Capital Management: The Emerging Talent Management Imperative'

[http://www.sap.com/industries/banking/pdf/BWP\\_Trends\\_in\\_Human\\_Capital\\_Management.pdf](http://www.sap.com/industries/banking/pdf/BWP_Trends_in_Human_Capital_Management.pdf), pg 3.

Deloitte Website, [http://www.deloitte.com/dtt/cda/doc/content/UK\\_Consulting\\_Talent\\_pulse\\_survey\\_results.pdf](http://www.deloitte.com/dtt/cda/doc/content/UK_Consulting_Talent_pulse_survey_results.pdf), pg 3.

Lesser, and Rivera, 2005, 'Closing the Generational Gap: shifting workforce demographics and the learning function', IBM Institute for Business Value.

Guthridge, Matthew, Komm, Asmus B., Lawson, Emily, 2006, 'The people problem in talent management', *McKinsey Quarterly*, Issue 2.

Jac Fitz-enz, 2000, 'The ROI of human capital: Measuring the Economic Value of Employee Performance', AMACOM.

Mike R. Losey, 2005, 'The future of human resource management-64 thought leaders explore the critical HR issues of today and tomorrow', 'Tools for Talent Management', Wiley publication.

Jac Fitz-enz, 2000, 'The ROI of human capital: Measuring the Economic Value of Employee Performance', AMACOM.

Becchetti Leonardo, Ciciretti Rocco, and Hasan Iftekhhar, April 2007, Working Paper 2007-6, 'Corporate Social Responsibility and Shareholder's Value: An Event Study Analysis', pg 5.

Michaels Ed, Handfield-Jones, Helen, Axelrod Beth, 2001, 'The War for Talent', Chapter 1, Harvard Business School Press.

Deshpande, R., Farley, J.U., Webster, F.E., 1993, 'Corporate culture, customer orientation and innovativeness in Japanese firms: a quadrad analysis', *Journal of Marketing*, Vol. 57, pp.23-7.

*Anonymous*, Oct 2004, 'How a Talent Management Plan Can Anchor Your Company's Future', *HR focus*. New York, Vol.81, Issue 10.

Barber, Felix, Strack, Rainer, Jun2005, 'The Surprising Economics of a "People Business"', *Harvard Business Review*, Vol. 83 Issue 6, p80-90.

Michaels Ed, Handfield-Jones, Helen, Axelrod Beth, 2001, 'The War for Talent', Chapter 5, Harvard Business School Press.

Wellner Alison Stein, Oct 2000, 'Golden Handcuffs', *HR magazine*.

Handfield-Jones, Helen, Jul/Aug2000, 'How Executives Grow', *Electric Perspectives*, Vol. 25 Issue 4

## About the authors:

**Radha A.** is a Research Scholar at IIM, Kozhikode. She can be reached at [radha10@iimk.ac.in](mailto:radha10@iimk.ac.in)

**Jeyavelu S.** is a Professor at IIM, Kozhikode. He can be reached at [velu@iimk.ac.in](mailto:velu@iimk.ac.in).