

Effect of Proactive Strategies on Talent Management in Organizations

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ABSTRACT

This paper investigates the effects of different types of talent management strategies on organisational performance. Talent management focusing on retaining and developing talents has a statistically significant positive impact on human resource outcomes such as job satisfaction, motivation, commitment and trust in leaders. Moreover, talent management practices with a strong focus on corporate strategy have a statistically higher significant impact on organisational outcomes such as company attractiveness, the achievement of business goals, customer satisfaction and, above all, corporate profit, more so than any other areas that talent management focuses upon.

1. Introduction

Since McKinsey's proclamation of the War for Talent in 1998, the specific management of talents has been widely seen as a solution for the HR challenges that arise in today's labour market. Although a review of the literature shows that talent management is a growing field, the effectiveness of talent management and its added value have still not been accurately stated. Moreover, research dealing with talent management strategies and organisational performance is somewhat lacking; the question has not yet been answered as to whether deciding upon the right strategy would achieve the desired impact on organisational performance. As a result, there is evidently a great need for empirical research to investigate the dynamics and impact of talent management strategies. It also has to be acknowledged that the research that exists is mostly confined to the USA, raising the question as to the extent to which talent management influences organisational performance in other labour market structures or cultures. The main objective of this study, therefore, is to address these research gaps by identifying the effectiveness and impact of talent management strategies on organisational performance. A second objective is to describe the extent to which organisational performance is associated with talent management strategies. In addition to the fact that there exist various definitions of the terms talent and talent management, the challenge is also to quantify and qualify the impact of talent management practices. As a result, most companies continue with subjective estimates when assessing the effectiveness of their HR practices. Consequently, this paper details how the heads of HR, executives and supervisors perceive the effectiveness of talent management and what changes they have observed in their companies since the implementation of talent management strategies.

2. Organisational Performance

Although the subject of talent management is frequently discussed, there are to date only a few empirical studies which analyse the impact of talent management on organisational performance. Nonetheless, a number of studies linking talent management to organisational performance have been

published. These studies are mostly cross industrial, but others concentrate on particular sectors or specific sample groups or focus on case studies. Notably, most studies are predicated on web-based surveys. As a result, previous research has consistently found a positive relationship between talent management and organisational performance. Nevertheless, challenges arise in the evaluation of the effect of talent management strategies on organisational performance because organisational performance is defined in a range of ways. This is, for example, because performance is connected to various measures and goals depending on corporate strategy and size or due to stakeholders' different concepts of "good" performance". In our analysis, we understand organisational performance as a multidimensional construct referring to three types of measurement for organisational performance as suggested by Dyer and Reeves (1994). As such, organisational performance is a conglomerate of (a) financial outcomes (e.g. company profit or market value), (b) organisational outcomes (e.g. productivity or customer satisfaction) and (c) human resource outcomes (e.g. job satisfaction or commitment).

1 Impact on financial outcomes

Looking at the situation from a financial perspective, researchers assess the relationship between competence in talent management and financial organisational performance and demonstrate why talent management is a worthwhile investment. Organisations with a deliberate talent management strategy demonstrate significantly higher financial performance compared with their industry peers, for example, regarding operating profit, sales revenue and productivity, net profit margin, return on assets and return on equity or return on shareholders' value and market value.

2 Impact on organisational outcomes

On the corporate level, a sustainable and strong corporate culture a significant increase in operational excellence and better market access are the reported results of strong talent management competences. Moreover, a study by Towers Perrin (2005) suggests that talent management improves an

employer's image and attractiveness, but only if that strategy is transparent and clearly communicated both within and outside the company.

3 Impact on human resource outcomes

Studies point out the positive impact on employee engagement. Additionally, companies with established talent management capabilities achieve improved quality and skills (higher innovative ability, higher job satisfaction amongst employees if they are given career and development opportunities and, above all, a higher retention rate overall and of talent in particular. Finally, it remains open for debate as to which specific talent management practices distinguish outperformers from other companies. Joyce et al. (2007) reveal critical practices within the talent management process as a whole. Some researchers emphasise the significance and relevance of a transparent, clearly communicated, corporate specific skill set for identifying talent at the beginning of staffing procedures. Other studies highlight practices such as a company being understanding towards their employees and acting upon their attitudes; they emphasise the positive effect on organisational performance when they focus strongly on employees' needs. Overall, there is a tendency for studies not to report fully enough the degree to which other parameters influence the results or which variables were taken into account and how these were omitted.

3. Talent management to support the corporate strategy

In this case, talent management is understood as a sum of activities to support the corporate strategy explicitly (e.g. to successfully expand business activities). There is some support for the concept that those organisations with a strong link between talent management practices and corporate strategy report higher (financial) performance outcomes. Additionally, if companies emphasise one strategic goal over other goals, priorities can be settled on a corporate level and are no longer decided by workers on the front line. Therefore, the sum of activities is purposively focused on one superior corporate goal, and the impact on financial and organisational outcomes is higher. Furthermore, if talent management is recognised and realised as part of a corporate strategy, a companywide talent mindset can be implemented; also, talents feel appreciated and have higher motivation and stronger commitment.

Talent management to enable succession planning

The use of talent management diminishes the time spent hiring replacements for leaders and specialists. In focus is meeting the demand for the right people with the right competencies at that exact point in time when they are needed, either with internal successors or with candidates from outside the company. According to previous studies, a proactive internal succession planning reduces transaction costs and, subsequently, raises corporate profit. Furthermore, a seamless succession may reduce the loss of knowledge and enhance work quality, for example, because information and practices can be transferred personally. Also, since customer satisfaction is driven, amongst other things, by work quality, this strategy leads to an increase in customer satisfaction. Furthermore, if leaders inform talents about their future and the promising pathways open to them, talents trust in leaders as long as they

fulfill their promises when talents satisfy their requirements; this integrity is a distinct factor in establishing trustworthiness. Subsequently, according to the expectancy theory of Vroom (1964), this strategy convinces the talent to show far greater levels of performance motivation of talent, provided that the promised succession is a result of individual desires (valences), that the talent is confident in what he is capable of doing (expectancy) and that he considers that he will get what has been promised (instrumentality).

Talent management to attract and retain talent

Talent management practices ensure that the right people want to join the company and effectively bring new, talented workers into the company. Moreover, talented workers are identified and valued, and incentives exist to retain them. To attract and retain talent, the company needs to know what talents want and, consequently, have to set the incentive system in line with their needs. Subsequently, their esteem needs are fulfilled and, as a result, talents demonstrate higher job satisfaction and motivation. Furthermore, talents are valued and retained by specialised programmes existing within the company; they get meaningful work combined with special rewards. According to previous studies, this appreciation and recognition leads to higher commitment and job satisfaction. Furthermore, the quality of work ought to be enhanced through the use of this strategy in view of the fact that experience is an essential source of learning. The longer the talents stay in a company, the higher the level of company-specific knowledge and qualification remains. Furthermore, customer satisfaction is driven by work quality and employee commitment, which is why this strategy causes higher levels of customer satisfaction. Finally, since employee commitment and customer satisfaction are essential value profit chain elements, this strategy enhances corporate profit.

Talent management to develop talent

The development needs of talents are identified and met in an effective way while career options and paths are offered. Therefore, talents have the intention of developing their company-specific relevant skills. According to the agency theory (Pratt et al., 1991), talent management is a process which can be used to direct employees' behaviour in a direction that fits business needs. Furthermore, the development of talents is an incentive to meet individual needs, and, subsequently, talents (agents) follow the company's (principal's) direction. This systematic investment in human capital not only causes employees to be more highly qualified and, subsequently, produce work of a higher quality, but also enhances intellectual capital. Since this is part of a company's capital, the market value of a company also increases. Furthermore, given that more qualified employees are more productive; this strategy leads to higher company profit. According to previous studies, career options and progress are crucial for the motivation of talent, job satisfaction and commitment. This arises because talents prefer non-material compensations, such as career perspectives, challenging job content and scope of action, over monetary compensation and are apparently looking out for developmental perspectives. Therefore, companies who have this focus enhance their attractiveness as a preferred employer very easily by communicating this talent management strategy.

4. Proactive Talent Management

Proactive Talent Management consists of three basic steps:

- Personal requirements of an organization over the next coming years
- Identification of the talent which is already present within the organization
- Recognition of the skills which are required to be developed among employees through training and other avenues.

With these insights, organization can proactively plan for performance and recruitment management and for further succession planning.

Taking a further closer look to the above three steps, a strong sense about the true talent assets and needs can be figured out which is as under.

- Analyzing organization need with regard to people

At the time of the job opening, the recruitment and the Talent Management puts in more efforts for the selection of the appropriate employee to perform and achieve the business goals of the organization. The Proactive Talent Management identifies the deficiency and attain the reason behind leaving of an employee and the recruitment of a talented employee as per the requirement. The Proactive Talent Management anticipates the upcoming openings and the workforce changes so as to fill the spaces based upon the forecasting drawn upon the data of the organization's performance, its goals and market trends and workforce demographics. For example, the eligibility of an employee to retire after a particular period can uncover future needs and thereby a proper communication about the intention of these employees can be made.

- Understanding one's own workforce

The organizations have existing staff members who can be provided with a different role which might include a promotion or a transfer to a different function or an extra training for a transfer to a different position. The Proactive Talent Management considers the employee's professional goals, performance potential and interest in developing new skills making it easier and more streamlined for the talent managers for assessing their talent and recognizing the opportunities for their professional development.

- Identification of existing skills

The Proactive Talent Management knows about the strong candidates to fulfill a particular opening within an enterprise but it also has knowledge about the employees which already have the expertise and high potential and they can easily develop a specific knowledge by taking classes in comparison to the new employees which are hard-to-recruit skill set.

The benefits of Proactive Talent Management is not merely to develop a search strategy for new talented employees rather it internally hires employees depending upon their talent for the benefit of the organization and other employees. For a start-up company, it would be difficult and expensive also to promote an employee from within the organization, thereby, making the talented employees to move to a different organization which lowers down their performance level as they are more likely to jump into different organizations too frequently. It has been found that lack of professional development drives young managers to change to different

companies without indentifying training, which is most important aspect of the job. Further, it is easy to train and employ within an organization to move to a different role rather than on-boarding a new employee who is not familiar with the organization processes offerings, relationship with the others and who are not able to cope up with the organization's culture in comparison to the employee who is already working with the organization. Also the Proactive Talent Management identifies a successor to replace a departing employee and providing proper training from the departing employee who can train the replacement and can pass the key information easily and more effectively.

Thus Proactive Talent Management can easily assess the current talent assets and potential, also the upcoming needs, and empowers the organization to make the most of the available workforce. Also Proactive Talent Management increases performance approach by easing the burden of departing workers and maintaining good relations among the employees so as to retain them within the organization. Nowadays, Proactivity is required at a more prominent pace by any organization to recruit the culturally and demographically more diverse talented workers. It includes activities such as Proactivity to appeal to a diverse customer base, retain valuable employees and then to intervene to prevent the turnover. For example, an employee stays in the same position for more than three years, it would provoke his turnover intentions. Thereby, making the employee more quiet than usual which is found to be a major clue of attrition risk.

Proactive Talent Management looks after the employee benefit programs such as flexible working hours, proper work atmosphere, opportunity for succession planning to every employee, charismatic leadership of the managers and proper communication among the employees for their growth. Proactive Talent Management also provides opportunities for the employees to express their views and use their skills and vision which are beneficial for the organization. For example, in 1992, a man named Jeff Bezos, Senior Vice-president for the hedge fund D.E. Shaw made a vision about a company that could sell books on the internet but it was not supported within the organization as of which Jeff Bezos resigned from the job and started his own business and founded Amazon.com. Similarly in 1981, engineer Narayana Murthy has a vision of India competing with other countries in the Industrial World in the Software Development work which was exclusively done by the countries of the west. Being one of the six co-founders of Infosys, and it's CEO for 21 years, Murthy helped India in bringing wealth by igniting the revolution of outsourcing and thereby establishing India as a key player in the field of outsourcing internationally. There has been a positive relationship between transformational leadership and proactive behavior, it has been found, that employees who are more proactive has been found to be more active in situations of high autonomy and transformational leadership, thereby, broadening the effectiveness. Moreover if a worker has a feeling of job autonomy, he has more chances of risk taking and actively participating in leadership activities and prove his talent to the epitome of his capabilities. With the increase in the challenges for growth and efficiency of an organization in a highly competitive business environment, more emphasis has been laid upon Talent Management so as to identify the best talent and create a competitive advantage. Due to recession,

companies have been forced to downsize thereby making the employees to overwork and also create a feeling of under-appreciated and often forgoing bonuses and salary increases so as to cut the cost in order to show higher profit margins. Thereby, attrition rate has also reduced either due to employ quitting by himself or herself or getting fired for not able to deliver the required organizational performance in accordance to the organization thereby adding mayhem to the already fast-paced, think working environment. Thus making the recruitment process to be more strategic and future oriented. Attracting best employees for the organizations requires intentional strategies and flawless along with smart tactical executions. It involves, 'numbers game' i.e. initiating multiple strategies simultaneously for both active and passive job seekers. These tactics includes advertising, and outsourcing. Advertising aids to the strength of the organization along with the position of the industry for the long term goals but it would more actively pull the job seekers who are presently active in the market whereby, it has been found that passive candidates who are happy in doing their jobs and doing great work are the best candidates but they can be found only upon following the process of "go out and get 'em." Done either by the talent manager of the organization or with the help of the external recruiter, which comes under outsourcing.

Proactive Talent Management Strategy requires investment and dedication, thereby, forcing the companies to opt to higher an external recruiter as a dedicated resource to drive the Proactive Recruitment in a much cost effective strategy. HR Managers/ HRDirectors also, can be useful in fulfilling the role of searching the best talent but due to the possession of the multiple accomplishments such as administration support, office management, personal issues management, personal evaluation, risk management, staff on/off boarding and staff training/development, they often lack the time or bandwidth in the planning and execution of Proactive Recruitment Strategies. For smaller startups, a dedicated in house resource could be challenging to invest in where revenue is tight and affordable strategy is to have a contract with an external recruiter. And thereby, deploying the recruiter to do the searches an external recruiter serves as a bridge strategy until the startup generates enough revenue to dedicate its own talent acquisition resources.

5. Proactive Talent Management Strategy

The requirement of proactive Talent Management has increased with the increase in competition for the skilled, innovative, aligned and achieving employees to achieve organizational goals and to compete with the different competencies of the organizations. With change in the present world regarding the retention of an employee in an organization, it has become a major challenge for the organization to manage their attrition rates. Proactive Talent Management specifically concerns employee retention which has been seen as a major concern for senior leaders in an organization. Due to the shrinking of the talent pool, an increasing competition of high achievers, there has been an emergence of talent crunch. Economic uncertainty is another reason for the shift of the employer/employee value proposition, thereby making it clear for the organizations to look upon the motivating employees and to use these learnings for employee retention.

The following are the critical elements for having an effective organization possessing highly skilled talent for responding quickly to opportunities and fluctuating market conditions in order to grow and achieve business goals:

1. **Career Development:** Career Development for an employee is to perform effectively in his or her desired role and prepare for the possible future goals which involve growth and learning on the job index and exposure to various training or education and also to role models among the organization itself. The major impact in the Career Development of an employee can be found through his or her on-the-job experiences which include coping with obstacles, implementing changes, influence of senior leadership, and teaching others. But at the same time, education and exposure also play a significant role in the Career Development of an employee which includes workshops, conferences, coaching from seniors etc.
2. **Effective Leadership:** It involves that the leaders must be able to plunge the visions and the values of the organization throughout, in order to, maintain and establish credibility from the employees. The leaders need to interact with the employees at all the levels more frequently to find various perspectives of the employees to understand the requirements and thereby acting in accordance with their expectations. This includes treating employees sympathetically and attaining their confidence and thereby aligning them with their goals and responsibilities so as to attain the organization's strategy and jointly achieve overall business goals.
3. **Authentic Communication:** Employee's relationship with his or her senior has played a critical role in employee retention. The seniors need to provide a proper workplace environment with open and positive communication so that a manager can provide regular feedback to the employees. The managers should not give constructive feedback but must provide a feedback when an employee makes a mistake so that the feedback could work in a more constructive manner and useful for the success of the employee and thereby mutually problem solving situation can be arrived. The manager must coach the employees through a proper channel of communication.
4. **Creating the Right Culture:** Right culture in an organization contributes to the core essence of the employment brand as it makes the employees feel that they can communicate and have a place in any business of an organization. This means that the employees must be encouraged to give their inputs, feedbacks and suggestions, making the employee feel that they have a voice in the business. A proper workplace environment must be created in an organization whereby the employees can freely express their views and making sure that the constructive ideas of the employee's are implemented whenever its possible and practical.

The employees should never feel that their suggestions are impractical to the organization and there is no specific reason to explain the decision of non-implementation of the

suggestions given by any employee. By creating an environment of open culture, the employees feel more inclined towards displaying their creative personalities at work and also to attract new talent as well as to retain the current talent.

6. Conclusion

In this paper, we sought to characterise talent management strategies and their impact on organisational performance by evaluating perceived effectiveness. We disclose why talent management is a worthwhile investment, highlighting the impact of pursuing a talent management strategy on financial, organisational and human resource outcomes. We revealed that talent management practices with a strong focus on corporate strategy have a statistically significant, positive impact on corporate profit; an impact that exceeds any other focuses of talent management. Talent management strategy, which aims to support the succession planning, has the weakest impact on organisational performance, particularly on non-financial outcomes at both the

organisational level and the human resource level. It seems that this component is what traditional human resource management always consisted of, managing human resources, but doing so in a more effective way. We found the pursuit of a strategy focusing on the attracting and retaining of talents to have the greatest effect on human resource outcomes, underlining its value for improvement in work quality and levels of qualification. The focus on developing talents has a statistically significant, positive effect on almost all the performance indicators reviewed. This reveals the significance of focusing on employees' needs and meeting their expectations. Overall, all strategies have a direct effect on talent motivation: being part of a privileged group and getting attention and appreciation must undoubtedly have a distinct impact on talents' performance motivation, either because talents want to remain in an elected group of employees or because they want to turn to account the investment and trust provided by the company.

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