

## **Talent Management: As A Strategy for Improved Organizational Performance**

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### **Abstract**

The purpose of this paper is to examine the importance of Talent Management as a strategy that influence Employee Engagement and in turn what is the improvement in Organizational Performance. This is a conceptual paper based on a review of the academic and popular literatures on Talent Management and Employee Engagement. The study finds there is a widely shared belief that human resources are the Organization's primary source of Competitive Advantage; an essential asset that is becoming increasingly short supply. An effectively implemented Talent Management strategy enhances Employee Engagement which in turn is associated with improved Organizational performance. When an employee is highly engaged, the more likely he or she will be to say positive things about the Organization, thereby potentially influencing such variables as service quality, customer satisfaction, productivity, sales, profitability, etc.

**Keywords:** *Talent Management, Employee Engagement, Organizational Performance.*

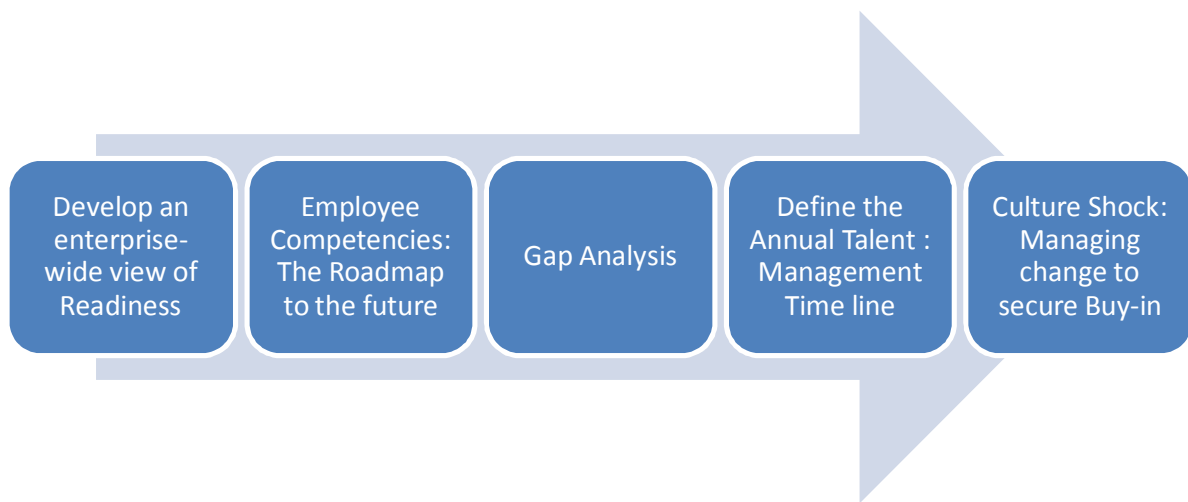
### **Introduction**

Talent management tops the list as a strategy for radically improving workforce productivity to drive higher value for the organization. Today, most organizations are struggling to understand the characteristics, enabling technologies and definition of talent management. While they know how to administratively recruit, retain and replace, they struggle with the strategic elements of managing talent. The process of managing the supply and demand of talent to achieve business goals represents one of the greatest opportunities for organizations to not only overcome these critical issues, but most importantly, survive and thrive for years to come.

Talent management is one of the primary management tools for human assets management (Cappelli, 2008) because the significant resource for firms competing in this century is no longer land, capital, and other tangible assets but the human capital necessary to adapt organizations to global competition and maximize the benefits associated with the current technological boom (Ingham, 2006; Ashton and Morton, 2005; McGee, 2006; McCauley and Wakefield, 2006; Heinien and O'Neill, 2004). Employee Engagement is a heightened

emotional and intellectual connection that an employee has for his/her job, Organization, manager, or co-workers that in turn influences him/her to apply additional discretionary effort to his/her work. Employee Engagement has been associated with a number of important organizational outcomes, many of which are directly related to Talent Management such as ease of recruitment, retention and employee turnover. Other important Organizational outcomes associated with increased levels of employee engagement include higher employee productivity and customer engagement levels, as well as revenue growth and higher operating and profit margins.

### Steps of Talent Management Strategy



Source: (Bergeron. C. (2004) Build a talent strategy to achieve your desired business results.

Handbook of Business Strategy, 133-139)

### Talent Management – Review of Literature

Talent management is one of the primary management tools for human assets management (Cappelli, 2008) because the significant resource for firms competing is no longer land, capital, and other tangible assets but the human capital necessary to adapt organizations to global competition and maximize the benefits associated with the current technological boom (Ingham, 2006; Ashton and Morton, 2005; McGee, 2006; McCauley and Wakefield, 2006; Heinien and O’Neill, 2004). Goffee and Jones (2007) define talent as handful of employee whose ideas, knowledge and skills give them the potential to produce the disproportionate vale from the resource they have available from them. Tansley et al. (2006) point out that talent can be considered as a complex amalgam of employees’ skills, knowledge, cognitive ability and potential. Employees’ values and work preferences are also of major importance.

As Lawler, (2005) mentioned the main purpose of integrating HRM and strategy is to make human capital to be a strategic differentiator. According to Laff's (2006) study for different CEOs, Talent Management is the best way to secure a competitive advantage. Ingham (2006) considers people who are in the key position, the leader team, the individual who has the scarce capability or make particular contribution to the organization is talent. Talent Management is a collection of typical HR Department practices, functions, activities or specialist areas such as recruiting, selection, development and career and succession building (Byham,2001; Heinen& O'Neill, 2004;Olsen,2000). A second stream defines Talent Management in terms of talent pools. This track is closely related to succession planning or HR planning as it focuses on internal talent rather than external (Choleha& Swain, 2005)

### **Employee Engagement – Review of Literature**

Employee engagement as a key to the retention of talent (one-of-a-kind hire in 100 employees; Glen, 2006) is an area in which the lead has been taken by practitioners (Parsley, 2006; Baumruk et al., 2006; Woodruffe, 2005; Gallup Management Journal, 2006; Bennett and Bell, 2004; Hay Group, 2002). Employee engagement has a substantial impact on employee productivity and talent retention. Employee engagement, in fact, can make or break the bottom line (Lockwood, 2006). Martel (2003, pp. 30, 42) is of the opinion that, "in order to obtain high performance in post-industrial, intangible work that demands innovation, flexibility, and speed, employers need to engage their employees. In order to maintain an employer brand, we see an emergence of a series of studies on employer of choice, which also measure engagement index and financial performance (Coleman, 2005). When done well, practices that support talent management also support employee engagement (e.g. work-life balance programs – flexitime, telecommuting, compressed workweeks, reward programs, performance management systems) according to the Corporate Leadership Council (2004) and Martel (2003). Schaufeli et al. (2002, p. 74) define engagement "as a positive, fulfilling, work-related state of mind that is characterized by vigour, dedication, and absorption". Engagement is different from satisfaction as Gubman (2004, p. 43) states that engagement means "a heightened emotional connection to a job and organization that goes beyond satisfaction" that enables people to perform well, and makes want to stay with their employers and say good things about them.

### **Importance of Employee Engagement**

Engaged employees within an organization provide a competitive advantage to organizations, as explained by the resource-based view (RBV) of the firm (Joo and Mclean, 2006), and

hence there is a need to continuously engage employees. Joonand Mclean (2006) state that engaged employees are strong organizational assets for sustained competitive advantage and a strategic asset. According to Kahn (1990) employee engagement is different from other role constructs such as job involvement (Lawler and Hall, 1970; Lodahl and Kejner, 1965), commitment to organizations (Mowday et al., 1982) or intrinsic motivation (Deci, 1975). Employee engagement is a multidimensional construct. Employees can be emotionally, cognitively or physically engaged. Luthans and Peterson (2002) proposed Kahn's (1990, 1992) work on personal engagement, which provides a convergent theory for Gallup's empirically derived employee engagement. To be emotionally engaged is to form meaningful connections to others (peers, co-workers) and to experience empathy and concern for others' feelings. In contrast, being cognitively engaged refers to those who are acutely aware of their mission and role in their work environment.

### **Talent Management and its relationship to Employee Engagement**

Talent Management practices and policies that demonstrate commitment to human resources result in more engaged employees and lower turnover. Consequently, Employee Engagement has a substantial influence on employee productivity and talent retention. Employee Engagement and Talent Management combined can make or break the bottom line (Lockwood, 2006).

According to a study completed by the Corporate Leadership Council (Driving Performance and Retention through Employee Engagement, 2004), employees who are committed perform 20% better and are 87% less likely to resign.

The process of building Employee Engagement is on-going. Effective Employee Engagement fosters an environment of stimulation, development and learning, support, contribution and recognition (Lockwood)

Lockwood (2006) concludes that it is the work experience and ultimately, the Organizational culture that determine Employee Engagement and retention of talent. Effective Talent Management requires strong participatory Leadership, Organizational buy-in and Employee Engagement (Lockwood, 2006)

Attracting and selecting the talent are only the start and can appear to be the simplest of the phases. Although pay and benefits may initially attract employees, top-tier Organizations have now realized the importance of Employee Engagement. Engagement is much more than satisfaction. A satisfied employee is happy with current pay, benefits and atmosphere. This

contentment may cause hesitation to show any extra initiative or achievement; thus, it creates a worker who is comfortable with the status-quo. Alternatively, engaged employees demonstrate virtuous qualities like:

1. Innovation & creativity
2. Taking personal responsibility to make things happen
3. Authentic desire to make the company successful as well as the team
4. Having an emotional bond to the Organization and its mission and vision.

### **Engagement and its Impact on Talent Management Processes**

Employee engagement has an impact on the efficacy of the four key talent management processes of Development, Performance Management, Recruitment/Selection and Succession/Progression.

### **Performance Management and Engagement**

According to the Institute of Employment Studies (IES), there is a clear positive correlation between those who have participated in an appraisal and those that exhibit higher levels of engagement. This appraisal process signals to the employee that their training needs and their development are being taken seriously by the organisation. The underpinnings of an effective performance appraisal are a clear set of role-specific characteristic measurements. This, in conjunction with a comparison with benchmarks, will show without ambiguity, where an individual needs to develop, the behaviours they need to adopt (or not) and how they compare against their peers.

### **Recruitment & Selection and Engagement**

The IES study demonstrated that where a realistic job preview is provided to candidates, those who subsequently joined the organisation had higher engagement levels. In terms of your own recruitment processes, to what degree do you use assessment centres or other job preview mechanisms to set clear expectations as to the nature and requirements of the role – surely not just a job description?

### **Progression & Succession and Engagement**

Both succession planning and talent management are dynamic processes occurring in changing times. Succession planning needs to be aligned with HR initiatives including talent management. Lack of alignment can cause problems, such as having a transparent talent management process and a secretive succession planning. Practical career planning support,

put into the hands of the employee, with easy to use tools that they can experiment with and develop their own thinking, enables an informed and purposeful career planning activity.

### **Organizational Performance**

There is an increasing body of compelling research that has linked various talent management and employee engagement practices with bottom line results. Hunter et al. (1990) stated that leadership quality has been found to account for as much as 45 percent of an Organization's performance. Also, there is a strong correlation between high – performance HRM systems and practices and a number of Organizational variables including turnover, sales per employee and market value.

Employee Engagement has been associated with a number of important Organizational outcomes, many of which are directly related to talent Management such as ease of recruitment, retention and employee turnover. Other important Organizational outcomes associated with increased levels of employee engagement include higher employee productivity and customer engagement levels, as well as revenue growth.

### **Conclusion**

Employees can be engaged emotionally and cognitively. The former by forming meaningful connections to others (for ex, peers & co-workers) and latter becoming acutely aware of their mission and role in their work environment. According to Kahn, employees can be engaged on one dimension and not the other. However, the more engaged the employee is on each dimension, the higher his or her overall personal engagement.

From an academic and theoretical point of view, the following are the main findings. Firstly, Drafle and Kossen (2002) found that employees rate having opportunities to learn and grow at work as one of the most important factors for employee satisfaction, retention & engagement. Research by Butler and Waldrop (1999) indicated that the top 4 factors for Employee Engagement are: exciting work/ challenge, career growth/learning, relationships/working with great people; and supportive Management/ great boss. Finally, research undertaken by other researchers like Buckingham and Coffman (1999) and Lawler (1996) which indicated that effective Organizations are those that empower and engage their people, build their Organization around teams, and develop human competence at all levels.

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