

# Understanding the Anatomy of Talent Management

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## Abstract

Global economic fluctuations had a major impact on the business worldwide and Indian organizations are not an exception for this phenomenon. This has hit the bottom line of the business, increase in operational costs, and decrease in revenue. As a result, the top management is forced to redesign compensation policies of the organization to retain the talented employees, who can take care of the business in the aforesaid circumstances. The growing size of the organization has further escalated the demand for skilled workers. This has made Talent Management a central activity for all the HR professionals. Talent management is all about policies and practices which takes care of employees and organizational needs in symbiosis, resulting in achievement of both short and long term success. Today's challenging business environment has made it clear to corporate leaders that talent management is imperative to organizational effectiveness, which is nothing but an outcome of skills and personalities of the employees. Easier said than done, Talent Management is a crucial and difficult task for the top management as well as Human Resource professionals. This paper discusses about organizations and talks about their strategy of managing talent pool.

**Keywords:** Global Economic Meltdown, Talent Pool, Skilled Workers, Strategies

## 1. Introduction

The complex nature of global business is putting an ever-increasing pressure on companies to be constantly on the lookout for incomparable talent in a market where demand is more than supply. Given the current focus on the linkage between talent and an organization's business challenges and strategies, effective strategy execution requires sufficient number of the right people with the right skills and knowledge, in the roles. Constant business necessities has resulted in aggressive competition amongst co-workers and increased employee turnover have intensified the need to acquire, develop, deploy, motivate and retain key talent. Getting right people with right skills into right jobs is a common definition of talent management which is a basic people management challenge in organizations. Talent Management is an implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, utilizing the required skills and aptitude to meet the current and future business needs<sup>1</sup>. While the talent management tends to focus on middle and top level management, HR managers should not do away with jobs that are hard to fill across the positions and levels. This has made talent management one of the most pressing issues facing senior business executives. Talent management is

a hot topic for HR managers in organizations, both in service and manufacturing sectors. Interest in talent management has sharpened into a strategic imperative, as many organizations have begun to experience the so-called 'war for talent'. In 1997, Steven Hankin of Mckinsey & Company<sup>2</sup>, coined the term war for talent, which refers to an increasingly competitive landscape for recruiting and retaining talented employees. McKinsey study also exposed the 'war for talent' as a strategic business challenge and a critical driver of corporate performance. Talent management is an umbrella phrase which includes employee recruitment, retention, performance management, skills and competency management, succession planning, redeployment, learning management, training, career development processes and internal career path. The ultimate goal of a talent management platform and strategy is to beat competition by deploying a better workforce by effectively identifying and developing the human power within the organization.

Muduli<sup>3</sup>, states that the challenge of doing more with less in today's business environment has placed an increasing demand on workforce, to be multiskilled, flexible and independent, and it is very important for the top management to understand the importance of Talent Management Practices which is instrumental in the growth of individuals and organizations. Capacity utilizations, increased productivity, capability building,

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a better linkage between individuals' efforts and business goals, workforce commitment, reduced turnover, personalities and job fit are some of the benefits, an organizations draws from Talent Management while the employees experience higher motivation and commitment, career development, increased knowledge and contribution to company goals resulting in higher job satisfaction.

In India, despite the large population, the supply of manpower cannot keep up with the sharply increased demand. It is important for the organizations to have a right talent within to attract and retain the best available talent. The matter gets more critical as the skill dimensions differ significantly across sectors. The varying work practices across organizations and sectors puts pressure on HR professionals to tailor their talent management initiatives to match the business strategy. It can be further added that in order to effectively support business strategies, the leaders need to conceive, fashion and successfully champion explicit strategies to ensure sufficient talent flow and actively engage the organizations' talent to achieve business objectives. For an organization, there is nothing more crucial than fitting the right employee in the right position, as a mismatch would typically lead to disastrous situations. So, talent management serves the purpose of getting those on board whose skills suit the requirements of the job and then train them to enhance their skills and also retain good performers to achieve the desired objectives of the organization.

As depicted by Nayyar<sup>4</sup> in his book "Employees First, Customers Second: Turning Conventional Management Upside Down", people are the most important asset for any organization as one happy employee creates hundreds of happy customers. A lot of organizations are finding it difficult to create a link between their business strategy and people. The economic downturn has made the matter further difficult. This has been built further by Hudson Survey that economic crisis across the globe is putting further pressure on HR as Job Cuts, Pay Cuts, Lay Offs and retrenchments have become a very common feature in the organizations. Now is the time for HR Management to rise to the challenge and support the corporate strategy. The overriding preoccupation for senior management is driving revenue growth while controlling costs. It is important that HR 'frames' the discussion to ensure the board makes the right decision about staff and prioritizes cuts to ensure both growth and cost-reduction goals are reached.

This needs to be established in the context of talent management and retention. Businesses that uniformly cut costs often find themselves ending up damaging their ability to sell and deliver the products and services, customers value the most. Many alternatives can be offered by the HR like:

- Talk to management about alternatives to job cuts.
- Consider salary freezes or bonus reviews.

- Provide rotational assignments, new projects for relevant employees and also strong communication for business strategy and their role within it.
- Recommend key talent to senior management that needs to be retained and developed, and focus their efforts accordingly.

## 2. Literature Review

### 2.1 The Journey from Personnel Management to Talent Management

Talent Management has become one of the most important buzzword in the present scenario. In this article the researchers explain the history, principles, and processes of talent management and help the readers to understand the research agenda in this important area.

To understand the importance of Talent Management, it is imperative to explore the evolution of corporate HR<sup>7</sup> which has taken the current shape as a result of movement through three stages (Figure 1). Stage 1 was a typical Personnel Department, carrying out all routine mundane people management activities like hiring people, paying them, and making sure they had the necessary benefits. Similarly, in Stage 2 Personnel Department moved to Strategic HR activities where the HR had a much larger role to play like recruiting right people, training them, helping the business design job roles and organization structures (organization design), develop total compensation packages which include benefits, stock options and bonuses and also ensuring that employees had quality of work life & balance work-life in adequate proportion. The current era in Stage 3 focuses on Performance Management, Competency Mapping, Career and

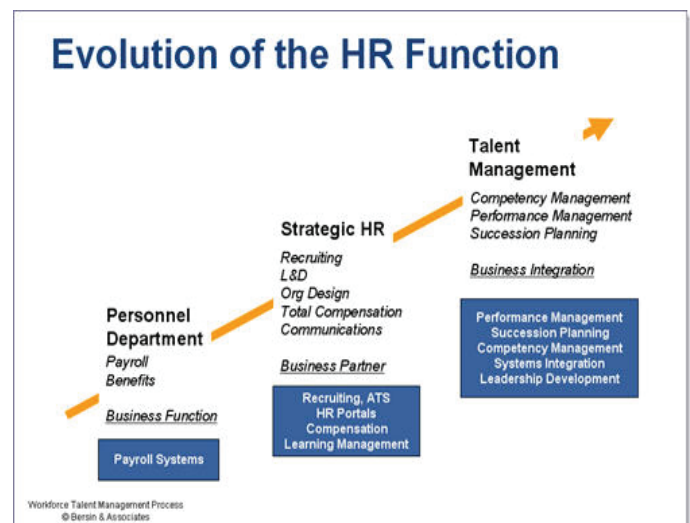


Figure 1. Evolution of the HR function<sup>7</sup>.

Succession Planning etc and is famously termed as Talent Management.

These new and challenging problems require new processes and systems. They require stronger integration between the different HR silos—and direct integration into line of business management processes. Today organizations are starting to buy, build, and stitch together performance management systems, succession planning systems, and competency management systems. The HR function is becoming integrated with the business in a real-time fashion.

## 2.2 Talent Management Process

As an organization strives to meet its business goals, it must make sure that it has a continuous and integrated process for recruiting, training, managing, supporting, and compensating these people. As depicted in figure 2, Talent Management is a 8 step process, starting from Workforce Planning and ending at Critical Skill Gap Analysis.

The process begins at Workforce Planning which has to be integrated with the business plan, also focusing on hiring plans, compensation budgets, and hiring targets for the year. It is followed further by an integrated process of recruitment, assessment, evaluation, and hiring which brings people into the organization. The next logical sequence is on boarding ensuring that the organization trains and enables employees to become productive and integrated into the company more quickly. At step four, Performance Management ensures the organization establishes processes to measure and manage employees. The next stage is Training and Performance Support and this is a critically important function where learning and development programs to all levels of the organization are carried out. This is further capped by Succession Planning assuring as the organization evolves and changes, there is a continuous need to move people into new positions. Succession Planning, a very important function, enables managers and individuals to identify the right candidates for a position. This function must also be aligned with the business

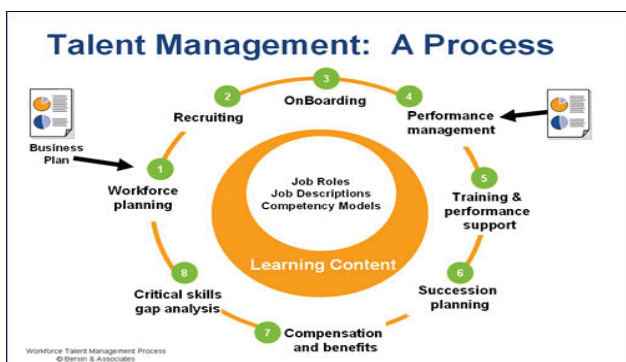


Figure 2. Talent management: a process<sup>7</sup>.

plan to understand and meet requirements for key positions in the near future. At the heart of the process is Compensation and Benefits Management which is an integral part of people management. Here organizations try to tie the compensation plan directly to performance management so that compensation, incentives, and benefits align with business goals and business execution. The process ends at Critical Skills Gap Analysis which is an important but often overlooked function in many industries and organizations. On a project basis, it can be 'business-critical.'

## 2.3 Talent Management and Business Resilience: a Linkage

Given below are some of the strategies/initiatives an organization may adapt or focus in order to create and manage the Talent Pool which ultimately leads to organizational effectiveness and business resilience. The winners have created a workplace that balances work and life, keeps employees engaged and creates an atmosphere of trust.

The HR strategy that includes Performance Management, Training and Development, HRD Audit, Central to Talent Management Process can be considered to be contemporary and may result in escalating the employees capabilities & competencies. This approach also ensures that organizations create a logical work flow and process map that supports bottom line of the business.

In order to achieve organizational effectiveness and business resilience, organizations can implement talent management system to automate inefficient or manual processes for the documentation of various activities like training, licensing, certifications etc. It can be used to centralize the storage of an employee's credentials and competencies for easy access during audits. It also enables HR to focus on resources required to manage and coach employees. It helps in creating a link between employee and organizational performance.

A closer look at the aforesaid elements of Talent Management depicts that every step taken by the organization to manage talent will lead to business resilience.

*Business resilience* is a term for a collection of processes and procedures that enable a business to deal with unplanned and unforeseen events which is result of volatile and unpredictable economy across the globe. IBM defines business resiliency as "the ability of an organization's business operations to rapidly adapt or respond to internal or external dynamic changes—opportunities, demands, disruptions or threats—and continue operations with limited impact to the business." The famous management thinker Moss Ranter<sup>4</sup> says in her blog that "Resilience is the ability to recover from fumbles or outright mistakes and bounce back. But flexibility alone is not enough. You have to learn from your errors. Those with resilience build on the cornerstones of confidence—accountability (taking

responsibility and showing remorse), collaboration (supporting others in reaching a common goal), and initiative (focusing on positive steps and improvements).

The effectiveness and engagement of employees and bottom line of the business can be greatly enhanced by building resilience. The organizations always demand high levels of productivity and performance and business success depends on the creativity and dependability of the workforce. Employers want resilient employees, who can sail through uncertainty and ambiguity, and can handle change and pressure.

### 2.4 Implementation of Talent Management System

An organization must adopt the following practices for selecting, justifying and implementing a talent management system:

- An organization-specific business needs and expectations assessment must be done.
- The Talent Management System must fair on the costs, savings and ROI over the next three to five years, which should include the cost of training, hosting, maintenance, support costs etc.
- The implementation of Talent Management System must follow Kurt Lewin's three step model for change, where it must begin with organization-wide buy-in and awareness for the system to ensure smooth transition.

### 2.5 Talent Management and Succession Planning

One of the biggest challenges of Talent Management is managing skillful professionals at the top level and thus making Succession Planning as one of the most important activities HR needs to focus on. Succession Planning emphasizes that some jobs are very critical to the organization and cannot be left vacant or filled by any but the best qualified person. Succession Planning not only helps in managing talent at the top level but also is helpful in achieving mission of the organization as it creates an effective process for recognizing, developing and retaining top leadership talent.

Many times succession planning takes a back seat due to high amount of effort and cost involved in it. Cannon and McGee<sup>6</sup> in their book "Introduction to Second edition of Talent Management and Succession Planning" focus on the factors to be taken into account while carrying out Succession Planning for the key roles as well as other positions. They are summerised as follows:

1. To understand the importance of key roles for business sustainability.
2. To ascertain the criticality of the talent in the organization and to justify the investments in the retention strategy.

3. To gauge the lead time required for the replacements of the positions.

Hence, Talent Management with focus on Succession Planning helps the organization to sail through the tough times, where knowledge is the main driver of the business as well as economy, Talent Management is the only tool an organization can bank on.

## 3. Objectives of Research

Objectives of this research is to understand the

- Importance of Talent Management and its impact on Financial Performance of the organizations.
- Impact of Economic Downturn on Talent Management practices and also.
- Factors and drivers of Talent Management and the response and rating of these factors/drivers by the corporate world.

## 4. Research Methodology

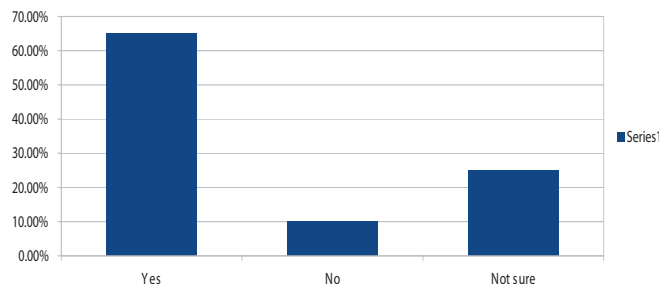
This is a descriptive research where the data has been collected through Primary & Secondary sources.

### 4.1 Data Analysis, Findings, Suggestions

The Data was collected with the help of a questionnaire from 30 organizations across the industries. The respondent's reaction have been captured and tabulated as given below:

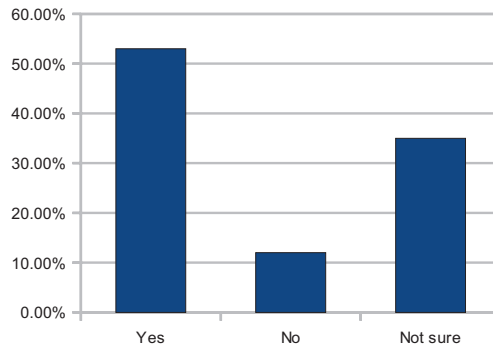
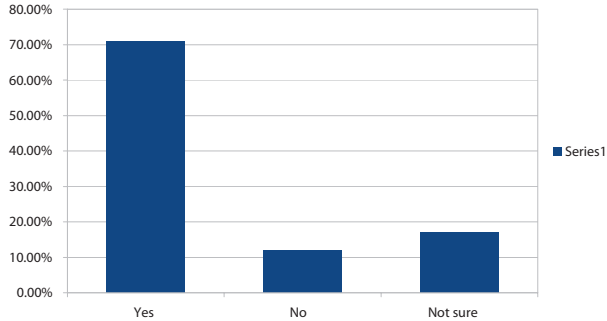
#### Q-1: Does your organisation consider Talent Management as a success mantra to grow your business?

Yes	65.00%
No	10.00%
Not sure	25.00%



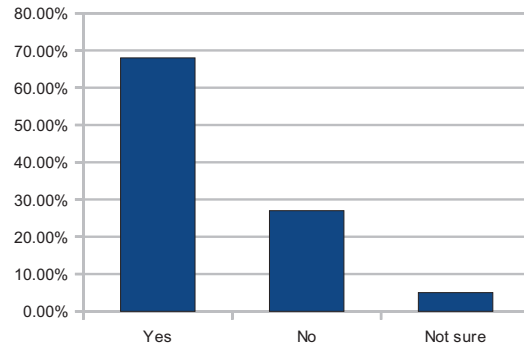
**Q-2: Does your organisation adapt to best HR practices for enhancing the talent pool?**

Yes	71.00%
No	12.00%
Not sure	17.00%



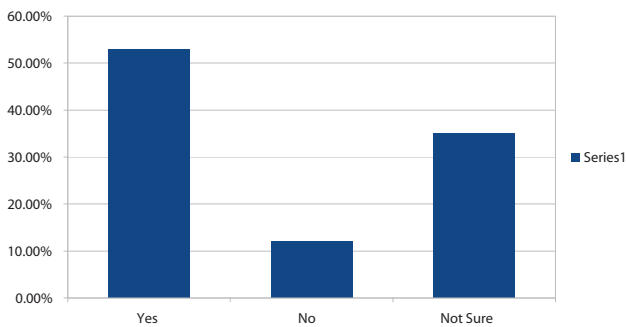
**Q-5: Have economic fluctuations led to changes in your talent management practices?**

Yes	68.00%
No	27.00%
Not sure	5.00%



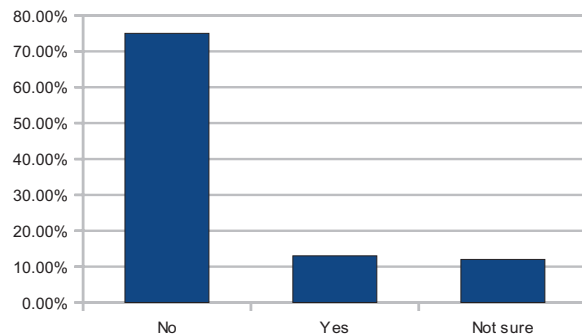
**Q-3: Have you experienced any link between the effectiveness of talent management practices and achievement of financial goal of the business?**

Yes	53.00%
No	12.00%
Not sure	35.00%



**Q-6: Are you considering staffing-level changes due to economic downturn?**

No	75.00%
Yes	13.00%
Not sure	12.00%



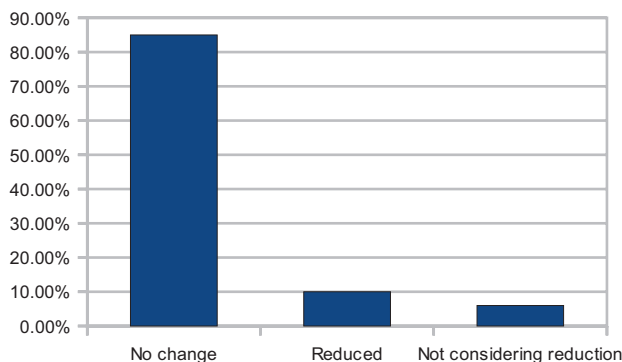
**Q-4: Do you feel talent management practices have led to employee engagement & satisfaction?**

Yes	59.00%
No	10.00%
Not sure	31.00%



**Q-7: Are you considering salary cuts or changes/reduction in incentive structures due to economic downturn?**

No change	85.00%
Reduced	10.00%
Not considering reduction	6.00%



**5. Findings, Suggestions and Conclusions**

The above research proves that majority of the organizations use Talent Management practices for better business results.

The organizations have aligned Business Strategy and Talent Management Practices which has led to better revenue generations.

Slower economic growth combined with scarcity of talent has pushed HR from transactional to transformational role. It has been further established while some organizations adopt the commonly used tactics like cutting down on staff and budget, while majority believe that a good Talent Management Practice can solve problems caused by economic fluctuations and changing workforce trends.

Even though Talent Management Practices are vital to organizational sustainability, there are very few tools to measure or quantify the benefits derived from it.

Talent Management has a direct impact on the job satisfaction of the employees and hence is directly related to the success of the organization. Both primary and secondary sources suggest that Talent Management is also linked to Financial Performance of the organizations as satisfied employees generally contribute to great extent in the growth & development of organization & self. Today’s organizations must find out ways to attract the best talent and develop the skills to not only to satisfactorily perform the job but also need them to unleash the best potential to excel to the higher responsibility positions. A major challenge for the companies is to make the workforce stay longer with the company. However, environmental and economical issues can affect the talent management practices in a big way. It is time for the Indian companies to find out strategies to manage the talent in an efficient way.

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