

Role of Talent Management in Sustainable Competitive Advantage: Rising to Meet Business Challenge

DR. HARSHITA SHRIMALI*, BHANUPRIYA GIDWANI**

This paper elucidates role of talent management as a key strategic resource in today's competitive environment where growth is largely a product of creative & technological advancements. Human capital is one of the company's valuable assets. Proper Talent management is of strategic importance and by finding & developing talent, companies may develop strong leadership teams which will improve their position in the market place & perhaps even create competitive advantage that will enable the organization to reach financial & organizational success.

Key words: Talent management, competency management, competitive advantage.

Introduction

For organizations to develop competitive advantage through HR processes it is very important to define strategic differentiating capabilities & then develop a process for identifying & developing the same. The Resource Based View (RBV) of the firm has proven to be a highly influential theory of strategy, the main principles of which have been developed in important papers published since the mid-eighties (e.g. Barney and Peteraf. Although there have been criticisms of various aspects of the theory (for example Foss, Foss and Knudsen and Mosakowski and McKelvey,) to which we shall return, the basic tenets are that firms can achieve sustainable competitive advantage through owning and deploying valuable and (more or less) unique resources (DiSCs). However for human resources to qualify as potential sources of competitive advantage they should fulfill the following criteria:

- **Strategic Value:** The resources have to contribute substantially & add value in his/her area of expertise.
- **Rare:** Unique in terms of skills, knowledge & abilities in order to qualify as rare.
- **Appropriable:** The extent to which the resource is

owned by the firm.

- **Inimitable:** Such that the resource cannot be replaced even after the competitors having spotted the same.
- **Cannot be substituted:** This means that the resources cannot be substituted by the rival firms & that there is no match for the talent.

Talent Management

Talent management practice within an organization is a human resource strategy that seeks to identify, develop, deploy & retain talented & high potential employees. Several recent articles in the practitioner-oriented literature describe "talent management" as "a mindset" (Creelman, 2004, p.3); a key component to effective succession planning (Cheloha & Swain, 2005); and, an attempt to ensure that "everyone at all levels works to the top of their potential" (Redford, 2005, p. 20). Several authors fail to define the term (Frank & Taylor, 2004; Vicere, 2005; "Six ways you can help your CEO", 2005) or admit, "there isn't a single consistent or concise definition" (Ashton & Morton, 2005, p.30). Nevertheless, Ashton and Morton note, "good TM is of strategic importance" (p.28). Despite

*Deputy Director, Pacific Institute of Management, Pacific University, Udaipur.

**Assistant Professor, Faculty of Management Studies, Mewar University, Gangrar, Chittorgarh.

this inauspicious start we delved further and uncovered three distinct strains of thought regarding TM. The first defines talent management as a collection of typical human resource department practices, functions, activities or specialist areas such as recruiting, selection, development, and career and succession management (Byham, 2001; Chowanec & Newstrom, 1991; Heinen & O'Neill, 2004; Hilton, 2000; Mercer, 2005; Olsen, 2000).

TM is encompassing all HR processes, administration and technologies. It commonly refers to the sourcing (finding talent), screening (sorting of qualified and unqualified applicants), selection (assessment/testing, interviewing, reference/background checking, etc., of applicants), on-boarding (offer generation/acceptance, badging/security, payroll, facilities, etc.), retention (measures to keep the talent that contributes to the success of the organisation), development (training, growth assignments, etc.), deployment (optimal assignment of staff to projects, lateral opportunities, promotions, etc.) and renewal of the workforce with analysis and planning as the adhesive, overarching ingredient. In other words, talent management is what occurs at the nexus of the hiring, development and workforce management processes and can be described alternatively as talent optimization. (Schweyer, 2004: 38).

Morton (2006) depicts the eight categories of activities of TM as recruitment, retention, professional development, leadership development, performance management, feedback / measurement, workforce planning and culture. Fitz-enz (2005) argues that TM encompasses six human resources services: staffing, leadership development, succession planning, performance management, training and education and retention.

Review of Literature

In recent years, talent management (TM) has become

a phrase that is readily circulating in many organisations. However, this phrase did not appear on the HR scene until the late 1990s, when McKinsey & Company consultants first coined the term in their report *The War for Talent* (1997). Since then, the topic of talent management has increased in importance and has gained attention in both the literature and in business practices. It has been claimed to be "more critical than ever to organizational strategic success" and a "fast gaining top priority for organizations across countries".

According to Oakes (2006), if TM is going to take off, corporate receptivity will work as a catalyst during the process. For example, one CIPD study reveals that there is a high level of belief in the contribution of TM. Over 90% of the respondents agree that TM activities can positively affect an organisation's bottom line, and more than half of the respondents have already undertaken TM activities (Clake and Winkler, 2006). The various aspects of talent management are recruitment, selection, on-boarding, mentoring, performance management, career development, leadership development, replacement planning, career planning, recognition and reward (Romans and Lardner, 2006; Heinen and O'Neill, 2004; Schweyer, 2004). Boudreau and Ramstad (2005) observed that digitization, labour shortages, simultaneous downsizing and expansion, and globalization are only a few of the trends that have made talent a top priority (p.33).

The idea that human resources can become a source of competitive advantage for the organization is not new (Huselid, 1995; Ordoñez de Pablos, 2004; Pfeffer, 1998; Schuler and Jackson, 1987; Wright et al., 1995). It is generally accepted that firms can create a competitive advantage from human resources and their management practices. A recent entrant into the theoretical distribution of strategic management is the resource based view of the firm (Barney, 1991; Conner, 1991; Wernerfelt, 1984). This view of competitive

advantage differs from the environmentally focussed strategic management paradigm (e.g., Porter, 1980;1985) in that it emphasis on the links between internal resources of the firm, its strategy & its performance.

A firm's resources encompasses all tangible factors-both tangible & intangible, human & nonhuman-that are owned & controlled by the firm & that enter into the production of goods & services to satisfy human wants (Amit & Schoemaker,1993).

Academics and managers have both sought to understand the factors that determine the profitability of firms for many years. The resource-based view of organizations provides an economic foundation for examining the role of HR in firm competitive advantage. This view focuses on firm resources that can be sources of competitive advantage within the industry (Barney, 1995). Three basic types of resources can provide competitive advantage (Barney, 1991).

In a recent article by Dr John Sullivan called 'Talent Management Road Kill, Part 2', he says, "There is a growing trend of choice HR jobs being awarded to non-HR professionals following years of senior management dissatisfaction with HR in general. Talent management is seen as a strategic task by senior leaders, but the perception is that HR professionals are generally incapable of executing talent strategies." While most senior managers may believe that HR lacks the skill set to effectively run a talent management programme, most senior management has not determined how to create a fully integrated talent management strategy. A growing body of research has examined the relationships between firms' use of flexible employment contracts and HR practices, on the one hand, and corporate performance on the other hand (Michie and Sheehan, 2003; Storey, et al., 2002;

Michie and Sheehan-Quinn, 2001; Arulampalam and Booth, 1998; Kleinknecht,1998; Kleinknecht, et al., 1998). This area also remains underdeveloped both theoretically and empirically. Schuler and Jackson (1987) link these three strategies with the associated behaviours of employees and HR practices that a firm should adopt. They argue that HR practices will prove effective only where the firm emphasizes the importance of either quality enhancement or innovation within its business strategy. In organizations pursuing a cost based strategy, the logical approach to HR strategy would be to emphasize numerical flexibility and wage cost minimization: 'In such a situation, the values and goals imbued within HR would be consistent with the organization's primary cost reduction goals (Hoque, 1999: 421).

Effective talent management starts from the top. Attracting, developing, and retaining talented people are the stuff of competitive advantage. The impact of your decisions and the success of your strategies have as much of an effect on the bottom line as the activities of any department-because without you, there wouldn't be any other departments. Set the course for strategic success by partnering with hiring managers. Seek to understand their needs and offer guidance in strengthening their talent pool. Take an active role in enforcing the quality of their selection decisions. Companies that implement winning strategies for attracting and retaining the best people tend to base on four major principles:

- o Build a winning environment, that people want to belong to.
- o Establish a talent management mindset, which embeds ownership and accountability for optimising talent and potential.
- o Create tangible means to identify, select and deploy people of outstanding talent.

Using Talent Strategies as a Change Agent

In the 21st century, organizations will not survive; much less grow, unless they evolve from a collection of insular, isolated business units into cooperative, collaborative, synchronized enterprises. Talent management takes on a new dimension in today's competitive marketplace. It requires an understanding of corporate strategic goals and of the role that talent plays in reaching them. And it requires a nimble organization with the expertise and resources to identify talent needs and quickly decide whether to meet them from within or draw them from outside.

Driving Business Goals Through Effective Talent Management

Researchers (Lawyer, 2005; Farley, 2005; Rose & Kumar, 2006; Ordonez de Pablos, 2004) point out that by capitalizing on human resources & integrating it into the strategy of the business, suggested by the talent management theories a source of competitive management can be provided at the same time as, and by, making employees happy. As world-class companies develop within emerging economies and begin to compete with more familiar global corporations, the competition for top talent intensifies. Different industries are responding to the need to more effectively manage talent with varying degrees of intensity. Moving to a more knowledge- and service intensive business model requires new approaches across the majority of the talent management dimensions, but specifically in the way that individuals are motivated, developed and connected across traditional business lines. Tapping into the organization's knowledge base requires an understanding of the areas of organizational competence, access to individuals with specific expertise, and the ability to allow talented individuals to collaborate, regardless of physical location. Without effective talent management practices, schools, hospitals and government agencies can place themselves at risk - faced with increasing attrition, the inability to attract the talent. Getting the right people in

pivotal roles at the right time should be nothing new to HR professionals, but done effectively, talent management can create long-term organizational success.

A more sophisticated employee market means competition for talent is fierce and employer branding can play important role for your organisation. With product branding no longer sufficient for attracting and retaining talent, this session is your opportunity to brainstorm with industry peers and experts on what your organisation can do to cultivate the right perception of yourself as an employer, and what this can do for your business objectives

- Building an admirable reputation as an employer
- Establishing the link between product and employer branding
- Capturing the market's high potential employees by understanding their motivations Companies that implement winning strategies for attracting and retaining the best people tend to base on four major principles:
- Build a winning environment that people want to belong to.
- Establish a talent management mindset, which embeds ownership and accountability for optimising talent and potential.
- Create tangible means to identify, select and deploy people of outstanding talent.
- Fully engage talent, use it and manage it intelligently.

Conclusion

Companies realize that if they can attract and hire top talent, they will have a competitive advantage. In essence, companies are competing on the basis of their intellectual capital. Their ability to acquire top employees is critical due to the "war for talent," in which organizations are always looking to lure the "best and the brightest." With the increasing competition for highly

skilled talent, creating an open and innovative culture, aligned with what matters most to employees, will provide the organization with the competitive edge to retain and attract the talent necessary to achieve organizational goals.

It is essential to get differentiated among the other organizations in the industry. The mandate is clear: for organizations to succeed in today's rapidly changing and increasingly competitive marketplace, intense focus must be applied to aligning human capital with corporate strategy and objectives.

References

- Bhatnagar, J. 2007, 'Talent management strategy of employee engagement in Indian ITES employees: Key to retention', *Employee Relations*, vol. 29, no. 6, pp. 640-63.
- Bloom, N., & Van Reenen, J. (2007). Measuring and explaining management practices across firms and countries, *Quarterly Journal of Economics*, 22, pp. 1341 - 1408.
- Cappelli P (2008). *Talent on Demand: Managing Talent in an Age of Uncertainty*. Harvard Business Press: presents key principles for ensuring that an organisation has the skills it needs when it needs them.
- Grant, R.M. (1991). "The resource based theory of competitive advantage: implications for strategy formation". *California Management Review* 33, 3
- Guchait, P. & Cho, S. 2010, 'The impact of human resource management practices on intention to leave of employees in the service industry in India: The mediating role of organizational commitment', *International Journal of Human Resource Management*, vol. 21, no. 8, pp. 1228-47.
- Helfat, C.E.; Finkelstein, S.; Mitchell, W., Peteraf, M.A.; Singh, H.; Teece, D.J. and Winter, S.G. (2007), *Dynamic Capabilities: Understanding Strategic Change In Organizations*, Blackwell, Oxford.
- Hirsh W (2006). *Career development for knowledge workers: facing the challenge*. IES: a useful introduction to issues around the career management of professional and functional experts who are key to organisation performance.
- Johannessen, J.-A. & Olsen, B. 2003, 'Knowledge management and sustainable competitive advantages: The impact of dynamic contextual training', *International Journal of Information Management*, vol. 23, no. 4, pp. 277-89.
- Kong, E. 2008, 'The development of strategic management in the nonprofit context: Intellectual capital in social service nonprofit organizations'. *International Journal of Management Reviews*, vol. 10, no. 3, pp. 281-99.
- Lowell L. Bryan, "Making a market in knowledge," *The McKinsey Quarterly*, 2004 Number 3, pp. 100-11.
- Lowell L. Bryan, "The new metrics of corporate performance :Profit per employee," *mckinsey quarterly.com*, February 2007.
- McCartney C & Garrow V (2006) *Roffey Park Report: The talent management journey*. Roffey Park Institute: describes the steps of establishing talent management, illustrated by case study examples.