Talent management and its effects on the competitive advantage in organizations

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ABSTRACT

This paper aimed to throw more light on the effects and concept of talent management as one of the recent systems that brought to Human Resources Management and its numerous activities especially in the new era. Additionally, it comes not only to survey the motives behind approving such concept in organizations and companies and the impact on its employees but also to identify the most important strategies of talent management and how to deal with its considered as a competitive advantage for its direct impact on performance level as well as to identify the best ways to invest in talent management because of its effects on reducing the economic cost in the organization by retaining and motivating those talents to implement organization overall strategies. Employee’s especially talented ones contribute to the achievement of competitive advantage in their organizations because they innovate in their field and they have the ability to make the right decisions to achieve goals. In details, there are some aspects that reflect the weakness of organizational loyalty causing talented people to leave their organizations; this is due to some repellent factors in their organizations, and the absence of the tools which will work on the employees’ development in the organizations so as to enhance the employee’s talents for the productivity of the organization.

INTRODUCTION

Talent management refers to the anticipation of required human capital for an organization and the planning to meet those needs. Human capital is such a resource and especially the resource and knowledge based views recognizes the firm’s knowledge resources as its tool for achieving a sustainable competitive advantage (Odenez de Pablos, 2004). Heinen and O’Neill (2004) argue that Talent Management can be the best way to create a long-term competitive advantage. A sustainable competitive advantage stems from the valuable, company-specific resources that cannot be imitated or substituted by competitors. Ordonez de Pablos (2004) further argues that human capital, relational capital and structural capital can all be sources of long term competitive advantage but the most significant evidence favours human capital. Talent is an instinctive quality possessed by few people, who have the capability to make a significant difference to current and future company performance, which is equal to competencies of a person that needs to be explored for the competitive advantage of the organization. The modern organizations realized that their success is dependent on how they are able to attract, develop and retain the right talent for the organization that enable them to be successful in the competitive business environment. It’s very much required to proactively anticipate and meet the demands of talent to meet the goals of the organization. Talent Management is a set of strategies and systems to increase productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs. Talent management ensures organizations that right people with fit skills located at right place to access business strategy. In fact, talent management include complete set of process for recognize, managing people for successful of business strategy that organization used it (Ballesteros, 2010). The strategic importance of talent was appreciated after the study of McKinsey & Co found that the most important corporate resource over the next 20 years will be talent: smart, sophisticated businesspeople that are technologically literate, globally astute, and operationally agile. And even as the demand for talent goes up, the supply of it will be going down. The war for the shortage of talent between companies is the biggest human resources concern (Makela et al., 2010). The organizations that are interested in achieving its strategic goals must adopt unique approaches for attracting, developing and retention of talented employees (Huselid et al., 2005). Thus, talent is the core competency of the organization and its management will definitely enable organizations to be competitive. This paper attempts to explain the effects of talent management on competitive advantage on the success of the organization. When organizations able to attract, develop and retain talented employees then organization will be able to achieve competitive advantage for the success of the organization.

Statement of the Problem: Talent management processes change over time in response to the impact of both internal and
external factors on the workplace. For instance, globalization, workplace reform and changes in the demographic composition of the workforce have affected how talent needs to be. Globalization has led to increased competition and pressure on organizations to use human capital as effectively and productively as possible. The growth potential of organizations worldwide depends on the ability of companies to have the right people, in the right place at the right time. Employers are forced to compete to attract and retain an increasing pool of talented individuals in order to achieve their objectives. Companies with effective talent management practices deliver better results for shareholders. Effective talent management practices can create enduring competitive advantage and enhance organizational performance. In the past few years it has been reported that there has been severe failure of organizations in Nigerian managing talents and particularly on organizational performance. Therefore a reference base is needed so that organizations may have policies on how to manage talent so that it can retain talented employees for better performance. It is necessary for an organization to evaluate the effectiveness of talent management in ensuring that organizations achieve their objectives and improve performance. This research therefore was determined by these hydra-headed problems with respect to assessing the effects of talent management on competitive advantage.

Objectives of the Study: The purpose of the study is to examine talent management and its effects on the competitive advantage in the organizations. However, the objectives aimed as follows:

- To ascertain the significance of talent management and its impact on the competitive advantage
- To investigate top managers perceptions of talent management practices and their impact on business performance.

Literature Review

Concept of Talent Management: Talent is critical success factor for the organizations. Business executives and owners realized that the organization are facing the problem of talent constrains rather than capital constrain (Kehinde, 2012). Organizations have learned that in order to meet the organizational challenges and strategies at any point of time, talent is an important factor in this regard (Gebelein, 2006). Talent in the organisation refers to the core employees and leaders that drive the business forward (Hansen, 2007). They are the top achievers and the ones inspiring others to superior performance. Talents are the core competencies of the organisation and represent a small percentage of the employees (Berger & Berger, 2004). Talent management is an important tool in the organizational learning and development. Talent management can use the process of the organization in dealing with the technology, allocation of resources and performance measurement system. The talent management progress is very important in development and discovering of new talent in the market (Mary, Enyinna&Ezinne, 2015). Additionally, Kehinde (2012) identified that talent management system has failed in most of the organizations because of inadequate planning and in effective management policies, poor process and programs. These strategies have a positive impact on finding, acquiring, and maintain the talented employees and to make use them to get competitive advantage. In order to get competitive advantage and sustainable performance there is need to align all the departments of the organizations to the organizational performance and improve their functional capacity (Mary et al, 2015). Talent consideration is also different across different organization; some organizations think strategic staff has talent while other thinks that all the staff of the organization is talented. Lewis and Heckman (2006) suggest that talent management involves identifying mission critical values, competencies and talents needed in the current and future work force; clarifying the methods that will be used to recruit, hire, develop, manage and retain high performing workforce. Laff (2006) asserts that talent management is not just a new fancy word for finding and developing employees. Talent management requires a systematic view that calls for dynamic interaction between many functions and processes. It involves attracting, developing, motivating and retaining competent and highly skilled employees with leadership ability. Besin (2008) defines talent management as a set of organization designed to attract, develop, motivate and retain key people. Talent management requires systematic views that call for dynamic interaction between many functions and processes. Talent management is a term that extends over a wide range of activities, such as succession planning, human resource planning, employees performance management etc.

Human capital tells about people’s skills, ability and its role for achieving the organizational goals. The professionals have to move away from simple administration to some objective oriented approach for the organization by retaining key employees. Human resources professionals are facing the problem of employee turnover. Several factors like social and personal problems of the employees have been identified for employee’s turnover. Kay and Mocarz (2004) opined that the turnover of key employees causes loss of key skills, threats to growth of organization and can lead to disruption of organizations’ operations. The rate of turnover also impacts on cost because of new recruitment and selection procedure which involves a lot of money, time and energy. Frank (2004) defines retention as the effort by an employer to keep desirable workers in order to meet set objectives. Morton (2005) assets that organizations are working on retaining their employees by following different strategies to retain their top talents. Recruitment must be made according to the organizational needs and its future objectives by keeping in view the retention of the employees. Uren (2007) asserts that organizations must have the capability for attracting the talent out of the resource pool and in this regard the organization career site is most important. Talent management encompasses career development by the organizations Human Resource department and not leaving the role of staff development to individuals and their initiative. The responsibility of developing human capital is saddled with human resources management.

Objectives of Talent Management: Talent management plays a significant role in any company of any sector, as it fulfills its needs and expectation for future employees, career advancement and internal workforce matters. It is also considered essential because talent includes the competency that is the core aspect to individual employability, Talent Management processes also help retaining employees, focus on “fit” ease transitions and make a position attractive for future employees. Moreover, the strategic focus of Talent Management structures could result higher scores in financial outcomes measures such as profit, talent productivity and market value. It also increases nonfinancial outcomes at two
levels such as company attractiveness by reducing replacement time, attaining business goals, operational excellence, customer satisfaction at the company level. Job satisfaction, motivation, commitment, work quality and qualifications on talent level. Companies with automated talent systems are better at developing leaders, employees and planning future talent needs. Talent Management also serves companies by allowing them to hire the best and superior people, place the right people in the right positions, create high engagement, improve employee productivity, retain top performers, build career paths and promote employees (Dhanabhakayam and Kokilambal, 2014).

**Importance of Talent Management:** to Sharma & Raval (2016) Talent Management serves quite a purpose when it comes to attracting, and recruiting future employees, talented employees are considered as strategic assets that have enough potential to produce and capture value and execute business strategies. This is apparent in different aspects, which are as follows:

- Globalisation, as it provides a wider scope of possibilities for job seekers around the globe. One can know the opportunities available in any part of the world easily.
- Increasing competition, which necessitated talent management to ensure a consistently good performance, thus, making companies put in all effort possible to hire, train, and retain the best talent available within the field of operation.
- Increasing knowledge, to retain those who are talented and possess the ability to adapt to new technologies and knowledge, that are growing at a very fast pace. Talent management is very important in such case because it brings together significant human resources and management initiatives. Usually, organisations that adopt a talent management approach would focus on coordinating and integrating the following:

1. Recruitment, to ensure that the right people are attracted to the organisation at the right time.
2. Retention, to ensure the implementation and development of practices that reward and support employees.
3. Employee development, to ensure continuous informal and formal learning and development processes.
4. Leadership and “high-potential employee” development, to ensure the availability of specific development programs for current and future leaders.
5. Performance management, to ensure the availability of specific processes that could improve and support performance, including feedback and measurement.
6. Workforce planning, to ensure the availability of plans for business and general changes, including the older staff as well as existing and future shortage in skills;
7. Culture, which ensures the development of a positive, progressive, and high performance “way of operating.”

**Approaches of Talent Management:** In oppose to Koranteng et al. (2014) talent management divided into three approaches:

**Humanistic approach:** This approach recognises that each staff member to have some kind of talent; thus, all employees are viewed as talented. This approach is characterized by the idea that talent is developable rather than born. Companies with a humanistic approach prioritize the effort of "creating" talent, thus, opportunities are given to all employees regardless of their professional background.

**Competitive approach:** This approach recognizes that only some employees have the abilities that could make them outstanding as being talented. It can be considered as an exclusive approach since it only identifies a small group of employees as being talented unlike the humanistic approach; this group of people would have excellent performance and high potential that sets them apart from other employees. In this manner, employers concentrate more on recruiting those who are talented rather than creating them.

**Entrepreneurial approach:** The final approach recognises that the aspiration and performance of employees as opposed to their mere ability when defining talent. This approach is recognized by the opportunities given to these talented people in order to prove themselves. It holds a particular comprehensive view on talent, claiming, nevertheless, that not all employees are talented, but can still have the potential to become as such. This approach derives its practices from the idea that talent is developed through practical experience and not programs or talent pool activities.

**Processes of Talent management**

**Talent discovery:** In order to source the right person for the job, the first thing that needs to happen is a strategic talent needs analysis, if the right talent is available internally, and what are the talent needs currently and for the future. Next, a job analysis is essential to begin to staff the work. A job analysis provides the basis for all assessment interventions. Recruitment and prescreening and pre-employment testing will identify the person(s) who will fit into the talent gap(s). Of the assessment interventions and opportunities described earlier, several apply to the Discovery dimension. Specifically, the assessment interventions of job analysis, recruitment/prescreening, pre-employment testing, and promotional assessment, and the assessment opportunities of strengthening job-relevant group norms and offering career development and enrichment are assessment applications relevant to the Discovery dimension (Newhouse et al., 2004). Based on the researcher’s view, Talent discovery is the process of identifying the strength and weaknesses of employees to determine the current talents and talent gap to forecast future needed talents.

**Talent recruitment**

Company should use various techniques and methods for attracting and selecting the right talent. The recruitment of talent pool is the first and important task of the talent management process the talent pool is a group of candidates that are the potentials executive of the company who will steer the company towards the competitive performance. So to gain and maintain the performance of the company the recruitment and selection the talented individuals is very crucial. The creation of talent pool can be done in two forms, one is internal and second one is external. The internal recruitment of talent pool will be from the already existing employees of the company. The internal recruitment may can give advantage as the employees already know the culture and way of doing
work in the company and it also might uplift the morale of the employees if their position is uplifted (Davis et al., 2007). However, the external sources will be the best way of gathering a talent when company wants to bring the cultural change and wants innovation (Ballesteros &Inmaculada, 2010). Employer branding includes development of a company’s image, good enough to attract employees. Without the good brand image, it is difficult to attract the right talents (Ana, 2009). Based on the researcher’s view, Talent recruitment is the process of attracting and selecting talents from internal and external sources.

**Talent development:** In this competitive and dynamic business environment learning and development has become a backbone of success, without continuous learning maintain performance may become impossible because of that strategy makers and HR practitioners are moving their focus towards learning and development of the talented employees to enhance company performance, Talent development is process of improving the skills and attitude of the employees (Williamson, 2011). As the business continuously keep on changing the technologies business models and new strategies to cope up with these changes company needs to enhance and improve the knowledge of their employees and making strategies for development practitioners must keep in mind the integration and strategic fit between the current talent and the skills of the employees (Mendez & Stander, 2011). Based on the researcher’s view, Talent development the process of helping talented employees to acquire the skills and knowledge they need to succeed and improve performance.

**Talent retention:** Talent retention is a process of keeping the talented employees with the company for a longer period of time, talented employees turn over in any company is very harmful for many reasons such as a reduction in the productivity as well as more cost to attract the new pool of talent (Echols, 2007). Talented employees leave company if they are not satisfied with the total rewards, leadership and company policies etc. Some of the common factors that can support employees’ interest to work for the same companies include engagement, empowerment, trust, opportunities to grow in their career and good work environment. The working condition and environment plays a critical role in supporting employee job satisfaction and commitment. Some of the important components that employers should pay attention are friendly work environment which is free from stress, emphasizes open communication and cordial work relationships (Vaiman, 2010). Based on the researcher’s view, Talent retention is the efforts of a company to keep its talented employees and to reduce their turnover.

**Achieving Competitive Advantage through Talent Management:** Organizations work towards the achievement of their mission and strategic objectives. This requires a thorough understanding of the resources required for achieving the objectives. Resources here imply financial and non-financial, and they are equally important and interdependent (Stinglhamber &Vandenbergh, 2003). Technically these resources have been divided into two, non-contingent and differentiating capabilities. Whereas non-contingent capabilities are basics that enable an organization to compete and exist in the marketplace, differentiating capabilities are those that differentiate an organization from that of the other and offer competitive advantage. Effective marketing management, for example can be one of non-contingent capabilities. Similarly many HR processes aspire to develop non contingent capabilities but they often fail to align with the strategy and offer competitive advantage. Most of these processes end up developing people in similar areas and similar capacities as their rival firms but fail to provide any competitive advantage. Vaiman and Vance, (2008). For organizations to develop competitive advantage through HR processes it is very important to define strategic differentiating capabilities and then develop a process for identifying and developing the same. This empowers the HR people to create an impact on the organizational strategy and also provide a link between talent management and strategy (Lawler, 2008). For HR to prove that talent management can be of strategic importance to organizations, the critical relationship between the two must be proven. Talent management specially needs to be projected as a differentiating strategic capability that can offer real and substantial competitive advantage (Kapoor, 2009).

**Relationship between Talent Management and Business Performance:** It is generally accepted amongst management researchers that a sustainable competitive advantage comes from the internal qualities that is hard to imitate rather than for example the firm’s product-market positions. Human capital is such a resource and especially the resource and knowledge based views recognizes the firm’s knowledge resources as its tool for achieving a sustainable competitive advantage (Odenez de Pablos, 2004). Heinen and O’Neill (2004) argue that Talent Management can be the best way to create a long-term competitive advantage. A sustainable competitive advantage stems from the valuable, company-specific resources that cannot be imitated or substituted by competitors. Odenez de Pablos (2004) further argues that human capital, relational capital and structural capital can all be sources of long term competitive advantage but the most significant evidence favours human capital. There is also abundant evidence (Carretta, 1992; Gutteridge et al., 1993; Wallum, 1993) that companies with a formal succession plan for their top managerial posts enjoy a higher return on investment (ROI) than those that do not have one. Carretta (1992) finds that the advantage is even greater for firms that adopt plans covering the manager’s two tiers below the top. According to Pattan (1986), strategic management succession plans enable firms to specify managerial functions and performance standards, ensure continuity in management practices, identify outstanding candidates for senior management posts, and satisfy the aspirations of employees for career advancement. Through the planning process, succession plans guide actions to enhance the quality of the leadership talent pool relative to business requirements. It is believed that succession planning can build a competitive advantage through the superior development of their leadership talent (Walker, 1998).

**Theoretical Review:** Theories can be viewed as a set of concepts, principles, propositions and generalizations that are logically interconnected which present a systematic view of phenomena that enable the user to describe, explain, predict or advance knowledge (Jamabo and Kinanee, 2004). To Osuala (2005), a theory is simply an attempt at synthesizing and integrating empirical data for maximum clarification and unification. In other words, they are postulates requiring further explanations in order to make meaning. It is in an attempt to effectively manage the human resource to the best benefit of organisations and the individual employee that give rise to the development of theories. The theoretical framework
upon which this study is anchored is: human resource management theory.

**Human Resource Management Theory:** Human resource management theory was propounded by Taylor in 1911. Taylor developed a set of principles to enhance workers’ productivity. By systematically studying each job and detailing methods to attain higher productivity levels, Taylor’s work was the first sense of today’s human resource practices. For instance, Taylor advocated that workers needed appropriate job training and should be screened according to their ability to do the job. Munsterberg and his associate in 1955 made suggestions to improve the method of testing, training, performance evaluations, and job efficiency. Follet, a social philosopher in 1959, advocated people-oriented organizations. Follets writings focused on groups as opposed to individuals in the organization. Thus, Follet was one of the forerunners of today’s teamwork concept and group cohesiveness. But probably the biggest advancement in Human Resource Management came from the works of Elton Mayo and his famous Hawthorne studies. The Hawthorne studies were so named because they were conducted at the Hawthorne plant of Western Electric just outside of Chicago and ran for nearly a decade beginning in the late 1920s. These studies gave rise to what today is called the human relations movement. The researchers found that informal work groups had a significant effect on worker performance. Group standards and sentiments were more important determinants of workers output than the wage incentive plan. Results of the Hawthorne studies justified many of the paternalistic programs that Human resource managers have instituted in their organizations. One can point to the advent of employee benefit offerings, safe and healthy working conditions, and the concern by every manager for human relations as directly stemming from the work of Mayo and his associates at Hawthorne.

In today’s organizations, we can see the influence of management practices affecting human resource management in a variety of ways. Motivation techniques have an influence on continuous improvement programs to enhance productivity, and have made their way into Human resource management activities. Writers like Tom Peters and Peter Druker emphasize letting employees have a say in things that affect their work, teams, and reengineering. Implementing these will ultimately require the assistance of human resource management professionals. In the context of this study, the human resource management theory applies because for an organization to achieve its desired growth and development objectives, the workers (employee) need appropriate talent management through recruiting, training, development, appraisal and good employers-employees relations.

**Empirical Review**

A research conducted on talent management in public sector organizations of Nigeria, using both primary and secondary data and particularly questionnaire as instrument for primary data collection and the findings revealed that talent management significantly impacts employee productivity and organizational effectiveness. Wurim, (2012) Also a research conducted on the measures of successes recorded when proactive talent management practices were applied on the employees of Cargill, an international provider of Food and Agricultural services based in Chicago, USA, it was discovered that talent management single handily contributed to more than 70% increase in employee productivity. The study also showed a sudden increase in the quantity and quality of output, timeliness of output, presence at work and cooperativeness (Brunbach, 1988). The research study on talent management found a strong relationship existing between coherent talent management processes on one hand and employee job, knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, cooperation, judgment, versatility and health on the other hand. In order words, the study concludes that deliberate efforts to improve on talent management processes like recruitment selection and placement, training and development, compensation, performance appraisal, turnover management, employer-labor relationship; health, safety and welfare, succession planning and promotion bring about specific improvements in employee productivity and organization performance Aswathappa, (2005). More so, the study conducted on the impact of talent management on organizational efficiency on Central Bank of Nigeria, Kaduna. Fifty respondents were randomly selected from the managerial cadre. Data was collected with a well-structured questionnaire and analyzed. The study found out that talent management has significantly impact on organizational efficiency on the Central Bank of Nigeria, Kaduna (Otoide, (2014). Also the research conducted on relationship between talent management and organizational success using descriptive correlation, the results showed a strong correlation between talent management and organizational services in the department of youth and sports Azerbaijan Šakineh, et al. (2012).

**Methodology:** The paper adopted a singular source of data collection. The secondary source of data generation, which comprises the use of textbooks written by numerous authors on the subject, journals, magazines, information from the internet and other published and unpublished materials relevant to work. The data was analyzed using the content analysis approach. This is because of its major reliance on the secondary source data.

**Conclusions**

The purpose of this study is to examine the relationship between talent management and employee retention. Talent management is seen as encompassing career development by the organization’s human resource and not leaving the role of staff development to individuals and their initiative. The responsibility of developing human capital is saddled with human resource management that is domiciled in the office of the registrar of the universities. The benefits derived from talent management include reduced hiring cost, a well negotiated salary structure; efficient and effective inspired and committed team and consequently improved efficiency in service delivery. Such university then will assume a new status as a fulfilling place to work. This will in turn assist in attracting new talent, which is the reason for implementing talent management in the first place. Human resource management is crucial in all spheres of human Endeavour. The success or failure, growth or decline of any organization undoubtedly depends, to an appreciable extent, on the proper management of the available human resource. Organizations in Nigeria are bedeviled with poor talent management of employees and this has unfortunately culminated in low productivity. Talent Management arguably, being the brain box of human capital management in the indigenous society has remained under the scrutiny of Organizational Performance. This is the reason why
in the turbulent economy or the dynamic business environment, TM strategies facilitate the integration of all units to have better-informed decisions about the novel or familiar changes in people management and strategies based on greater understanding of potential benefits and risks. The talent management process has been implemented in any organization include talent planning, recruitment, talent development, compensation and rewards, performance management and employee empowerment, employees engagement and organizational culture.

**Recommendations**

**The study recommends**

- Companies to pay attention for talented employees and to invest in talent and intellectual capital which is one of the most important companies’ assets.
- To support the training and development efforts of talented employees to provide and enhance them with new skills, knowledge and experience.
- To constantly evaluate employees to discover current talents and determine talent gap and future needs of talents.
- The companies should offer salaries and incentives that are suitable to employees’ competencies to retain talented employees, keep them and reduce their turn over.
- Companies should attract and select talents internally recruitment, from the already existing employees before attracting and selecting new talents.
- Organizations should give favorable working conditions to its employees for effective performance. This will attract new potential employees who want to work for career progression.
- The organizations also need to incorporate different strategies in order to retain employees.
- The study also suggest that career management methods like having career counseling facilities, career mentors, career planning and career development programs should be widely adopted by service sector firms as doing so would lead to improved performance.
- It is recommended that management should maintain learning and development practices like learning need identification, coaching and in-house development programs to improve their performance.
- Overall, it is recommended that talent management practices should be emphasized as doing so brings about superior organizational performance.

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