CHAPTER 2

REVIEW OF LITERATURE
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Talent Management concept is of recent origin, though man management is as old as human history. Studies conducted in this area, therefore, are not far too many, especially in manufacturing industries. However, the concept is common irrespective of the industry it is applied to. Hence studies on the subject conducted in any industry become relevant for the scrutiny to aid this particular research.

In today's global business environment, talent becomes the potentially powerful source of competitive advantage. Talent management is the fundamental building block in creating an organization that is capable of learning, innovating and changing, as well as executing new processes. Finding, acquiring and retaining the right talent complemented by correct management and support are necessary for sustainable competitiveness.

Talent leaders can't change global work trends or today's economic reality, but they can change people strategies to respond to those trends and to position a company to gear up for growth.

*Talent management is alive and well but the focus in Human Resources Information Technology (HRIT) applications is shifting from recruiting toward retention and development of existing staff. [Cedar Crestone, HR Systems Survey (2008-2009)]
2.1 TALENT MANAGEMENT AT ORGANISATION LEVEL

Talent management responds to the challenge of recruiting and keeping the employees with high competences and providing them opportunities to achieve performance, excel and to promote in the company. Talent management process must be transparent; employees who don’t understand this process will consider that they are not treated equally in comparison with the other employees.

According to the Boston Consulting Group study (2008), the most important activities in the talent’s management domain in the following years are going to be the following:

- The development of some personalised career plans.
- The development of some re-compensation plans specific for the talented employees.
- The search for talented employees in the competitor companies.
- The set up of the Alumni networks.
- The relocation of businesses in order to have access to new sources of talented employees.

Companies begin to diminish the intensity of the search for talents in the local sources, orienting themselves towards a global search of talent. Although, in present, only a small percentage of 10% among the companies resort to displacement in order to have access at new sources of talent, as it is forecasted that until 2015 this percentage is going to reach 20% or even more in the case of some countries.

The most frequent activities in the talent management domain that the companies are realising at the moment, in a proportion of 50% and which they are going to accomplish, until 2015, in a proportion of 70%, are: the development of some personalised career plans and the development of some re-compensation plans specific for the talented employees. As a result
of the companies’ obsession for short term performance, in part, they are also making themselves guilty for the present crisis for talent. Managers approach talent in a reactive manner.

There are also questions to be answered when considering a talent management programme. For example, should talent management be focused exclusively on an elite subgroup of future leaders of the organisation or at least those capable of progressing through a number of levels? The ‘exclusive’ mode of talent management is characterised by a concentration on those in one or two segments (or talent ‘pools’) of the workforce who are either at the top or who are identified as having the potential to get to the top by demonstrating high levels of potential or performance. If operating in this mode, there needs to be clarity about what it is that makes ‘an exceptional manager’ (Delbridge et al. 2006, p141), that is, one who can make a strategic difference.

However, some commentators have expressed concerns about strategies that concentrate exclusively on an elite high-potential few, rather than those that take a more inclusive ‘whole workforce’ approach. A more ‘inclusive’ approach is necessary, they argue, because ‘... an inclusive talent management strategy is a competitive necessity’ (Chris Bones cited in Warren 2006, p25). So, should there be a more inclusive approach that recognises that there are various key positions to fill in any organisation as well as a future pipeline of the ‘appropriate’ skills to fill all of these positions, whatever the level?

This is no easy endeavour. Different organisations have different forms of inclusivity. Some organisations, in addition to capitalising on those identified as having the potential to be the managers of the future, also take into account professional staff, technical experts and
knowledge workers. What may be ignored is the talent management of certain groups of workers, including women, those from ethnic minorities and older workers.

But, whatever the approach, it is clear that mindful attention is required for the needs of the organisation to survive current and anticipated strategic and operational challenges, as well as linking those needs to the development, performance and rewards needs of the employee.

However, there is no single ‘blueprint’ for effective talent management that can be applied to all organisational contexts. Each organisation will have different resourcing requirements for its current and future talent pipeline, and also different issues concerning how best to meet these requirements. It is these that should determine the talent strategy that an organisation develops.

The eighth annual CIPD learning and development survey (formerly ‘training and development’) (2006) has brought out the following findings:

- Fifty-one per cent of respondents undertake talent management activities, although only 20% report having a formal definition for it.
- Developing high-potential individuals (67%) and growing future senior managers (62%) are the two main objectives for talent management activities.
- In-house development programmes, coaching and succession planning are the most common activities.
- The most effective practices are in-house development programmes; internal secondments; and coaching. Succession planning, external secondments and action learning are considered to be the least effective.
Ninety-four per cent agree that well-designed talent management development activities can have a positive impact on an organisation’s bottom line.

Forty-seven per cent agree there is currently a shortage of high-quality talent in UK organisations.

These findings suggest that talent management is a future-focused activity, with organisations using it to develop their workforce to meet the strategic needs of the organisation. But it is also clear that there is a focus on the development of employees considered to have ‘high potential’ or to be future senior managers/leaders.

The most effective practices are believed to be in-house development programmes, internal secondments and coaching, while succession planning, external secondments and action learning are considered to be the least effective. It should be noted, however, that all practices received relatively high ratings of effectiveness.

Some of the barriers to talent management reported by survey respondents include a lack of resources (money and time), poor management buy-in, and a lack of a formal, cohesive strategy. It therefore seems that organisations can achieve positive results from talent management activities but the strategy, commitment and resources need to be firmly in place for it to be successful.

The vast majority of the sample agrees that talent management is a business priority for their organisations (87%). It is likely that this is a result of the high level of belief in the value of well-designed talent management activities – 94% of respondents agree that it can have a positive impact on an organisation’s bottom line.
The investment in talent management activities is further explained by the 47% of respondents who agree that there is currently a shortage of high-quality talent in UK organisations. To counter this, organisations appear to be adopting talent management activities as part of their wider attraction and retention strategy (63% agree this is the case). It seems there is now a widespread acceptance that organisations need to ‘grow’ their own future talent rather than simply relying on the wider marketplace to provide it.

2.1.1 Demographic, Legislative and Social Challenges to Talent Management

The demographic, legislative and social challenges to talent management for all organisations are immense. The characteristics as well as the aspirations and preferences of the available workforce can also have a serious impact on talent management initiatives. For example, in the UK, national and local labour markets will have relatively fewer replacements coming out of schools and universities in the medium to long term. Those leaving UK schools and universities in the ‘noughties’ have different aspirations and expectations to previous generations. Twenty years ago, for example, most people could expect to experience a maximum of two different jobs by the age of 25. In 2006, the figure is four jobs. Other indicators are also changing. The age of first marriage and first becoming a parent is on the increase. Current and future new entrants to the labour market are delaying making commitments to career and to family life to an older age. Competition for talent will therefore become more intense. And this is not just a UK phenomenon. In the USA, the rate of increase in population size in has decreased from 13% to just 5% in less than 15 years, and in Russia the Government is providing cash incentives to families to increase the birth rate.
With a labour market where one in five of the UK workforce consists of working mothers and up to 10 million have a responsibility for caring for elderly relatives, issues of diversity are increasingly important. The Work Foundation (Williams and Jones, 2005) reports that 80% of the 300,000 growth in the workforce between 2004 and 2010 will be women, many of whom will be seeking other than full-time work as a means of balancing their work and family commitments. Words into actions point out that traditional approach to talent management, based on career schemes designed when the norm was a full-time male breadwinner and reflecting a linear hierarchical concept of a career, look increasingly inappropriate. Adopting strategies that are sufficiently flexible to accommodate the sort of flexible working patterns currently expected will require an essential business-led response to talent management.

The growing priority given by individuals to work–life balance (Kersley et al. 2004; Bonney 2005) also has implications for the design and implementation of talent management strategies. A shift in employers’ thinking and policy development from considering hours spent at work to the quality of contribution made while at work will do much to ensure as wide and diverse a talent pool as possible is accessed within their organisations. One example is the alignment of flexible working policies with career development schemes. Some career schemes may appear closed to those employees who don’t work full-time or have continuity of employment, so under-utilising organisational talent (EOC, 2005; Grant et al, 2005). This situation is reinforced by a real or perceived lack of development opportunities, the absence of part-time career models and training and development provision that overlooks the particular constraints facing part-timers.

Pressures to use the talents of the older workforce will similarly grow due to workforce demographics. At present, there are some 17 million people in the UK aged 20–40, and 14
million between 45 and 65. By 2020, the projections are that the younger group will decrease to 16 million, while the older group will increase to 17 million. Due to changes in the statutory retirement age, pension provision and age discrimination legislation, many workers now in their 50s (the ‘Methuselah generation’) are likely to be working well into their 60s in full-time work and have different expectations about what is offered by employers as their working lives become longer (Philpott 2006).

With regard to other diversity issues, UK labour markets will increasingly consist of non-UK talent whose ethnic origins are either as direct immigrants or as children of direct immigrants, and there has been a rapid escalation in the use of skilled migrant labour (Tatli et al. 2006). Competition for labour is also becoming increasingly internationalised. The growth in membership and size of the European Union will accelerate this, not only in the UK but in other countries too. For example, because the USA and Russia are likely to experience difficulties attracting sufficient talent from their own populations, employers in those economies will look to other countries to attract the talent they need. UK employers are therefore likely to experience more international competition for labour in their domestic labour markets and will have to compete internationally themselves.

Because of this demographic variety, employers are making changes to their HR practices to reflect their search for new talent, such as recruitment practices, diversity policies, training and development, and integrating and managing organisational cultures.

2.1.2 Strategic Considerations of Talent Management

The CIPD’s 2006 learning and development survey found that 74% of respondents reported that their organisation did not have a well-developed plan for talent management. This was
backed up by a survey undertaken with executive and senior managers in over 1,500 organisations, where it was found that, overall, ‘there is no systematic and coordinated approach in the public and private sectors to developing and nurturing the next generation of business leaders,’ with ‘judging talent ... still very much an intuitive and “gut feeling” response’ (SOCPO, 2005, p3).

However, this does not mean that nothing is being done. The CIPD found that 75% of respondents to their survey from organisations with over 500 staff are doing some form of talent management. In this research so far, evidence also has been found of different strategic levels of engagement in the talent management process.

The levels range from having no talent management strategies, policies or formal practices and managing talent in an informal way, to a fully integrated process that incorporates distinct talent management strategies and practices that are not only informed by corporate strategy development but also inform them. One question that might be raised here is: ‘should organisations be aiming to move from the left to the right of the diagram as a stepped progression for talent management?’

For some organisations, talent management has become a key strategic issue, with the recruitment, development and retention of talent increasingly being seen as critical success factors in the search for organisational objectives such as competitive advantage. It has therefore become a subject on the CEO’s agenda (EIU, 2006) for board-level dialogue and increasingly highlighted in company reports and accounts. As a result, talent management will inevitably be bound up with the wider question of corporate governance – that is, the
way in which an organisation is run and controlled – as well as raising questions about the relationship between talent management and succession planning.

2.1.3 Succession planning and Talent management

Like talent management, succession planning is a complex process with many levels, layers and commentators (Giambatista et al. 2005). Succession planning is part of a succession management process where ‘one or more successors are identified for key posts (or groups of similar key posts) and career moves and/or development activities planned for these successors’ (Hirsch 2000). The delineation between talent management and succession planning is not always clear. The focus of succession planning tends to be only on the most senior of staff, such as the CEO, members of the board or other key senior organisational positions (although it can also be used for more junior posts – particularly those that are operationally critical and/or hard to fill).

Senior staffs leave for a variety of reasons: illness or death, a new job, unsatisfactory performance, personal reasons, retirement, and so on. When a top-level vacancy occurs, a decision needs to be made about how to source suitable candidates for that vacancy. Managerial and professional vacancies are often difficult to fill externally, so it can make sense to look for internal candidates who have demonstrated potential to grow.

The unexpected exit by the president and chief operating officer of McDonald’s and the quick naming of his replacements prompted such questions as: ‘is the organisation in a good state of readiness to replace a key person?’ and ‘are there robust succession plans in place and replacements ready for both planned and unplanned vacancies at senior level?’ Pitney Bowes
Inc. has at least two people in line for most positions, including 10–15 potential candidates for CEO and other senior positions (Economist Intelligence Unit 2006).

Succession planning in the international domain is particularly complex because of possible constraints to senior staff mobility and lack of transferable skills in language and cultural aspects. Succession planning is often a highly secretive process and is invariably expensive because it takes account of both internal and external candidates.

2.1.4 The Relationship between Succession Planning and Talent Management

Both succession planning and talent management are dynamic processes occurring in changing times. Succession planning needs to be aligned with other areas of HR management for this segment of the organisation, including talent management, learning and development processes and performance and pay reviews. Lack of alignment can cause problems, such as having a transparent talent management process and a secretive succession planning process.

In turn, talent management can be an effective ‘feeder’ process for succession planning or can sometimes incorporate succession planning altogether within its leadership and management processes.

Because they are concerned with the long-term health of the organisation, succession planning at senior level is primarily the responsibility of the CEO and members of the corporate board (Berger and Berger 2004) and, in collaboration with other stakeholders such as HR, they need to lead the way in ensuring succession planning is undertaken appropriately, linked to talent management initiatives and part of the whole set of corporate governance activities.
2.1.5 Corporate Governance and Talent Management

Corporate governance is concerned with the duties and responsibilities of an organisation’s board of directors in ‘managing the company and their relationships with the shareholders of the company and the stakeholder groups’ (Mardjono 2005). Such dealings should be appropriately governed, regulated and enforced, with corporate governance a process comprising accountability to shareholders, supervision of managerial activity, and setting strategic direction (Rayman-Bacchus 2003). Why should talent management and corporate governance be linked in a specific way?

Firstly, the management of talent is one area which could come under scrutiny in a company’s operating and financial review, as the days when financial markets saw this as outside their sphere of concern are over. Having a clear story to tell about the efficiency and effectiveness of human capital management is therefore critical.

Secondly, in the instance where talent is seen as an exclusive group of high-potential individuals, corporate governance principles will become as important as issues such as understanding shareholder value and the organisation’s approach to its customers or to its employees. Corporate governance will be a key determinant in the way top talent is selected and developed – a process that will also apply to succession management.

Thirdly, in the inclusive definition where not just one group of employees are regarded as talent, corporate governance principles will inform the way employees manage and are managed, go about their business as agents of the organisation and are measured in terms of their performance. Effective governance will require all employees, from the CEO
downwards, to manage the organisation in a way that satisfies needs for accountability, integrity, efficiency and transparency – the key principles of corporate governance.

Finally, board directors themselves play a central role in UK corporate governance, and their talents also need to be identified and nurtured. The Higgs Report has also recommended that, from the point of view of UK productivity performance, progressive strengthening of the quality and role of non-executives is also strongly desirable.

Ensuring that the organisation’s talent is developed within the framework of corporate governance would seem to be a key requirement of any approach to talent management.

2.1.6 Differences in Sector Characteristics

There are some differences between the public and private sectors in attracting and recruiting talent. For example, the ability of the private sector to recruit to all levels appears to be stronger than in the public sector (possibly reflecting better status, reward and image), while in the public sector, local government appears to face the most acute problem in terms of attracting specialists and middle managers – more so than health and central government (SOCPO, 2005, P3).

In the public sector, the National Graduate Development Programme for local authorities, launched in 2002, is aimed at attracting high-flying generalists into local authority management, but more needs to be done to attract professional and technical specialists.
2.2 TALENT PIPELINE

Talent in any organization flows through a set pipeline in general as indicated below:

![Talent Pipeline Diagram]

**Figure 2.1: Talent Pipeline**

2.2.1 Attracting/recruiting talent

In competitive international and local labour markets, there are a number of challenges in attracting and recruiting talent with high professional, technical and/or leadership potential. In many cases, the problems are the same as those experienced in recruitment generally. In recent years, successive CIPD recruitment, retention and turnover surveys demonstrated a high level of difficulty filling vacancies. However, some particular characteristics are evident in relation to talent management.

Organisations of both the private and public sectors report a shortage of leadership at board and director, middle management and team-leader level because, although both reveal a reasonable ability to attract front-line staff, this is not the case in recruiting specialists, middle and senior managers.
2.2.2 Rewarding Talented Recruits

Traditional development, rewards and incentive schemes for school leavers and graduates are unlikely to be attractive to current and future generations. Success in attracting and retaining the ‘noughties’ generations will come from innovative development and reward packages that are tailored to the general trends in attitudes and values. One clear aspect of this is the need for more personal and individualised packages. An interesting example of what might be in such packages in the future is a prediction that home location of employees will be very varied by 2016, with UK employees having permanent homes in mainland Europe and North Africa. This will be facilitated by cheap air travel and employment conditions that allow infrequent and short visits to the formal work location. (Thomson Futures Forum, 2006). Technology that facilitates home-working and ‘virtual teams’ is already available. Such technology is another facilitator of this predicted change.

Other considerations might be:

- How can the rewarding of talent be aligned with other reward systems?
- How should rewarding for potential versus rewarding for performance be addressed?
- How is reward segmented (for example, with regard to potential senior managers and specialists with core skills)

2.2.3 Developing Talent

Talent management tends to have strong commitment from the training and development community. Well-designed talent management development activities can have a positive impact on an organisation’s bottom line and that ‘developing high-potential individuals and growing future senior managers are the two main objectives for talent management activities’. Talent development also has to be considered in the international domain.
2.2.3.1 Developing High-potential Individuals

High-potential individuals will need to have their potential unlocked, be fast-tracked to retain their engagement, and developed in a number of areas, including emotional intelligence, technical skills, and the ability to perform beyond their cultural comfort zones.

In-house development programmes, coaching and succession planning are the most common activities for talent management, while the practices rated as the most effective are in-house development programmes, internal secondments and coaching. External secondments and action learning are considered to be the least effective. With the implicit suggestion with talent management that organisations should look inside the organisation before looking outside (make, rather than buy), learning and development initiatives like coaching rather than management training really come onto the agenda.

However, care must be taken about the nature of the development and who is chosen to be developed as ‘talent’. For example:

- Budgets can be badly spent because of the lack of focus on the development ‘rewards’ that are given to people in talent pools.
- Consideration should be given to the choice and alignment of different learning and development interventions, such as management training and coaching/mentoring.
- Offering an insufficient range of development programmes can produce too wide a separation between ‘those who have talent’ and ‘those who don’t’, many naturally talented employees not being developed and employee resentment occurring.
- How does talent management link to any career planning processes in place? A number of organisations encourage employees to take responsibility for their career management, which can induce a ‘sink or swim’ policy where only the very strong
survive. This might not be the best policy for employees requiring additional support, such as those operating in a different geographical, technical or cultural domain as part of their developmental processes.

- Potential leaders can be provided with strategic-level experience but not enough experience of operational management tasks.
- Leaders can be developed who are superficially skilled but not committed to the organisation.
- How do you work with those employees who show potential but aren’t motivated to be developed/develop themselves?
- How do you talent manage employees who show different levels of potential at different stages of their careers?
- Line managers need to be adequately informed about the aims and objectives of a talent management initiative and provided with training in important areas such as coaching.
- It is clear that leaders are informally developed as well as formally. Networking and building social capital and trust come into the equation with informal processes. There are therefore questions about how and why this process comes about, in what circumstances, and so on.

2.2.4 Deploying Talent

Deployment is an important aspect of talent management, and job rotation and job enrichment are vital aspects of experiential learning in becoming a leader. New recruits with high potential coming to a large organisation could well have expectations that they will be required to be mobile and therefore to move around the organisation. If this does not happen, it can lead to employee engagement and commitment problems later on.
Many organisations use secondments within the UK and/or internationally to grow talent internally. But lack of employee mobility can affect deployment of talent, particularly in organisations operating internationally or operating a home-based talent pipeline with overseas subsidiaries. In addition, overseas businesses might require special treatment for talent management, such as a clear identification of the role of international assignments in talent management and how talent is prepared for transfer to ‘host’ country and return to ‘home’ country.

2.2.5 Appraising Talent

Appraisal involves exploring the actual results achieved by employees within those areas where they are held accountable and to examine the level of skills or competencies deemed critical to current and future jobs and organisational success. In relation to a talent management programme, certain specific areas are important. For example, the appraisal will not only include an examination of performance, but will also inevitably include a forecast of potential, which is a prediction of how many job levels an employee can reach within the organisation based on their past or current performance approaches, training or development needs, career preferences and actual and projected competency levels. Here, scales are often used in reporting potential to attain managerial or leadership skills, as well as in the delivery of organisational objectives (for example, 5 = greatly exceeds expectations, and 1 = greatly below expectations). These may change over time, depending on the pace and success of development of the individual, and a number of organisations report gathering human capital metrics on this progress.

This focus on building the capability of the individual requires employees on a talent management programme and their managers to engage in regular, constructive
‘conversations’. However, it has been reported that, when the employee is not performing to
requirements, the ‘difficult conversation’ does not take place. Reasons for this can include
lack of willingness or skills in managers.

2.2.6 Human Capital Metrics

Many large organisations have established methods of human capital management in a
number of areas of HR management, including talent management and performance
management (Scarborough and Elias 2002; Matthewman and Matignon 2005; CIPD 2006).
Smaller organisations tend not to have extensive human capital metrics, nor do they tend to
formally track talent.

A recent study involving a survey of 259 senior directors and in-depth interviews with 20
investment houses (Chartered Management Institute 2006) found that there are many
inconsistent approaches to human capital measurement and a wide gap between the priorities
of those managing and monitoring organisations and the data available for them to do so.
Investors agreed with directors on the five key areas relating to human capital management
most likely to impact on future financial performance:

1. Leadership
2. Employee motivation
3. Training and development
4. Performance improvement
5. Pay and reward structures.

But there was found to be a general lack of agreement on the human capital measures that
matter and a clear gap between what is valued and what is actually analysed in workforce and
top team effectiveness. Only 68% of respondents measured the contribution made by the whole workforce, only 53% focused on the impact of senior management and only 20% measured dynamic indicators such as ‘talent management’.

Attrition rates among expatriate employees are at least double the rate of non-expatriate employees. Among general employees, the attrition rate was 10%, this rose to 21% for expatriate employees who left in the middle of an international assignment and 23% who left within a year of returning home. When asked to identify the top reasons for refusing an international assignment, family concerns were the main worry, followed by the career of their spouse. Factors leading to an assignment failure were partner dissatisfaction, family concerns, inability to adapt and poor job performance (Paton 2006).

2.2.7 Tracking Talent

In order to have any measure of success, talent management needs to be informed by accurate reporting to identify where talented employees came from and how successfully they are being deployed. Tracking talent therefore involves recording and analysing human capital data on the movement of key employees through the pipeline over time and their current and future value to the organisation. This requires good-quality human capital metrics, such as internal promotion rates, which can be used to better align talent management techniques and strategies.

2.2.8 Talent Leaving the Organisation

It is important to get the balance right with turnover because, although an organisation needs ‘new blood’, it also needs its key talent to stay. However, few organisations seem to take account of talent leaving the organisation. Those who do can find it valuable to maintain
contact with leavers, especially in the first month when they might feel they have made the wrong decision and would happily return to their ‘old’ organisation if there was a re-establishment of terms and conditions, such as rewards.

At the moment, CIPD survey research suggests that most organisations have few formal mechanisms for tracking when ‘talent’ leaves the organisation. The 2006 recruitment, retention and turnover survey found only 12% of organisations look at ‘identified high performers’ when collecting and analysing data relating to labour turnover.

2.2.9 Alignment, Control and Evaluation

A common feature with many HR initiatives is the lack of ‘joined-up thinking’ and this can be seen in the way talent is managed. It has been reported that there are a lot of discrete initiatives that haven’t previously been aligned effectively, both in terms of different aspects of HR (for example, development, performance management, diversity management, succession planning) and also in different parts of the business and between different grades of employee.

2.2.10 Consideration of the Roles Played in the Talent Management Process

Depending on the organisation, its culture and context, many people are involved in making the talent pipeline work and there have been some issues reported about who should take overall responsibility. It has been reported that CEOs have said that talent management is too important to be left just to the HR function (Economist Intelligence Unit, 2006). However, it can be argued that CEOs’ roles do not encompass a centrality with HR strategy and they may not have a sense of global diffusion or local implementation of talent management (Geppert and Matten 2006). Nevertheless, the CEO can bring much to the party. For example, Mervyn
Davies, CEO of Standard Chartered Bank, is a non-executive director of Tesco and the good practice he sees there, he says, is transferable to his other roles.

Certainly talent management won’t be a success if it is seen purely as an HR initiative. To be truly effective, it will need senior management buy-in, but also buy-in from a range of other stakeholders.

With regard to HR functional responsibility for talent management, there are many variations. Some organisations have dedicated talent management sections of the HR function. In others, talent management is handled by human capital or HR planning specialists or it’s sometimes part of the learning and development or training function. Others, such as consultants, are also involved in strategy-making in talent management initiatives in many organisations.

2.3 KEY ISSUES FOR OPERATIONALISING TALENT MANAGEMENT

2.3.1 Small and Medium-sized Organisations

Whatever has been discussed above in this chapter so far we have found that the topic of talent management is one that is mainly discussed in relation to larger organisations. Talent management has been under-researched in smaller and medium-sized organisations (which we take here to include not only commercial enterprises but smaller, not-for-profit organisations too), although there is some coverage of succession planning (particularly in the area of passing the family business on). However, at this stage in the research, we can tentatively suggest some potential barriers to talent management by raising some questions to be considered in future research:

- How does the prevalent culture of the smaller organisation influence the development of talent? For example, family business research emphasises a general lack of formal
succession plans across several international settings, with different priorities from non-family firms (Giambatista et al. 2005). However, smaller organisations can generally take advantage of less formal procedures and processes and therefore have much greater freedom and opportunity to develop talent.

- Are smaller organisations provided with enough information on developing their future senior staff? Government strategies and information and training providers such as Business Link and Chambers of Commerce play a key role in providing information. However, lessons must be learned from the way training and development hasn’t been taken up in smaller organisations because of confusion resulting from the continuous creation of new skills initiatives and the use of new (and at time misleading) names and labels in recent years (Stewart and Tansley 2002)

- How are or how can talent management initiatives be developed and applied where there’s no HR department?

- Is talent fully utilised? Employee engagement tends to be higher in smaller than in larger organisations, so job satisfaction is high and can reduce ‘career push’ by employees (Towers Perrin, 2004).

- Is there a lack of finances to identify and use appropriate resources, such as tools, training and development etc?

- In the charity or not-for-profit sector, the main strategic thrust isn’t necessarily competitiveness, so the type of talent required at senior levels might relate more to diversity of management team rather than skills in making fast strategies and changes.

- While talent management and succession planning can contribute to the success of the small or medium-sized organisation, the main barrier could be that strategy-making in areas of HR are limited generally, usually being done for operational not strategic reasons.
2.4 STUDIES CONDUCTED AT INTERNATIONAL LEVEL

In the turn of the twentieth century, only 17% of all jobs required knowledge workers. Today that figure is well over 60% (Michaels, Handfield-Jones, & Axelrod, 2001). The bottom line in this knowledge economy has shifted from being influenced by financial indicators such as earnings per share and net profit margin to include intangibles, such as corporate culture, leadership, and an organization’s talent pool, which drive corporate performance.

Talent can be cultivated and developed, but it can also leave the organization, become sick, demotivated, and perhaps influence others to behave in ways unfavourable for the organization. Worst of all, talent can be a disaster by moving to a direct competitor. Therefore attracting, assessing, developing, and retaining talented people are even more important in today’s volatile knowledge economy.

Other research conducted by Hewitt Associates in which over 100 large U.S. companies were surveyed in 2003 found that over 80% of high-performing companies (defined by total shareholder return) consistently identify, develop, and track the performance of their high-potential leaders, compared to only one-third of all companies surveyed.

Employee survey results identified four issues related to talent management in which gaps exist between what the organization provides and what employees’ managers provide. These include knowing and providing employees with training and development opportunities, providing resources and rewards employees need to excel at their jobs, knowing and managing employees’ career expectations, and serving as a mentor to guide employee careers. (Lewis, 2000a)
Talent management strategies continue to be an important component of organizational success, according to the talent survey. More than 60% of the organizations feel that the importance of talent management has increased in the past year and only 2% feel talent management has become less important. [Anderson Cushing, (2009).

As Hirotaka Takeuchi and his co-authors state in an article on Toyota in Harvard Business Review: “Many companies either promote employees or ask them to leave, up-or-out as the practice is called, Toyota rarely weeds out underperformers, focusing instead on upgrading their capabilities,” which the Japanese scholars call as the in-and-up approach. (Takeuchi Hirotaka, Osano Emi and Shimizu Norihiku (2008)

Massimo Merlino (2011) categorises employees according to their high or low talents and organizations high or low technology as follows:

<table>
<thead>
<tr>
<th>Talents / Availability</th>
<th>Technology / Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Talents - Low Technology</td>
<td>High Talents - High Technology</td>
</tr>
<tr>
<td>WOLVES</td>
<td>LIONS</td>
</tr>
<tr>
<td>Low Talents - Low Technology</td>
<td>Low Talents - High Technology</td>
</tr>
<tr>
<td>TURTLES</td>
<td>CHICKEN</td>
</tr>
</tbody>
</table>

**Figure 2.2: Employee Categories**

Led by the CEO, a talent strategy must: (Michael Haid, 2012)

1. Articulate comprehensive vision of where the company wants to go, what unique value it delivers and what effects it wants to have.
2. Organize work structures to unleash the knowledge, innovation and creativity of every employee to achieve that vision.
3. Examine, understand and deliver what employees want from their employer and work environment.

There are many options for talent acquisition, retention, development, redeployment and transition. The key is to align the right talent approaches specifically for the business strategy. What follows are five practical components of an integrated talent management plan, propounded by Michael Haid that will help build the workforce needed to execute on business strategy.

When implemented rigorously, each of the following five integrated components will drive a comprehensive approach to talent management.

1. Assess talent.

The workforce is critical to deliver and sustain competitive advantage. The ability to strategically assess talent available now - and the talent needed in the future - underpins the talent leaders' ability to meet and exceed the organisation's goals. With the right workforce in place, brand building is more effective, goal achievement is more consistent and delivery of higher competitive value to customers and stakeholders is sustained.

From a CEO's perspective, it is important to assess the organisational state today as well as the desired future state before starting to build the bridge between the talent strategy and the business strategy. Assessing talent can provide a gap analysis that roadmaps how to source, on-board, develop and accelerate talent, and align performance with business direction.

Assessing talent includes a number of different components:

a. Competency modelling identifies the knowledge, skills, abilities, experiences, motivations and personality traits an organization's workforce must develop to realise present and future strategic goals and enhance company agility, innovation, engagement and retention. Well-designed competency models provide organizations with accurate
criteria to optimise performance management as well as talent assessment, hiring, development, redeployment, succession management and promotion systems.

b. Organisational, individual and team assessments provide a clear understanding of how factors such as an organisation's strategy, communications, leadership skills, employee processes, engagement levels, retention rates and cultural alignment drive productivity and evaluate the capabilities of individuals, teams and their potential fit within the organisational culture and climate.

2. Develop leaders.

To build global leadership capacity that is deep and wide, one must continually identify, develop, nurture and retain leaders as part of an ongoing talent development strategy. Building a pipeline creates the bench strength to fill leadership positions throughout the organisation. Development is the first step to ensure a steady flow of leaders will be available to grow the company over time.

Coaching as part of leadership development is essential. The best coaching integrates the unique needs of the leader, his or her manager or sponsor and the organisation to achieve the desired performance outcomes. Coaching can accelerate leader development and deliver performance improvements that lift the entire organisation.

Consider, for example, a U.S. sales and distribution division of a global automotive company that is concerned about sustainability and effectiveness of its leadership development initiatives. With 30,000 employees and a competitive marketplace, the company needs to identify and develop near-future leaders at a faster rate to outpace the competition. The firm invests in leadership coaching, and this enables nearly 40 percent of program participants to be promoted at or near the end of the program. Further, more than 70 percent of participants
achieve or exceed their individual goals, and the return on investment is estimated to exceed five to one.

3. Implement and align strategy.

Winning organisations create sustainable competitive advantage by aligning the workforce with business strategies. These companies pursue a well-articulated strategic direction in terms of execution, performance and workforce management. Having a strategy is only half the challenge: Strategy implementation requires a sustainable, proactive process to effect a smooth transition that will ensure employees understand and execute strategic imperatives and have operational support when doing their jobs.

There are three main components to implement and align a workforce with the organisation's strategy:

a. Implement strategy effectively by first understanding the complexities of change and issues, analyze root causes of performance inhibitors and identify capability gaps. Once strategy has been clearly articulated and agreed upon, clarify fit-for-purpose structures and roles, deploy people systems and processes, communicate with authenticity and regularity and assign capable leadership at all levels.

b. Put strategy to work by identifying employee and workforce issues impeding strategy implementation. Prioritize workforce management strategies and align them with broader strategic goals. Use diagnostic tools to build executive team alignment around the organisation's greatest strengths and needs. Identify top priorities, gain team consensus around priorities, analyze gaps between the organisation's current state and the state of benchmark organisations, and build collaborative approaches with the workforce to get the job done.
c. Manage change effectively by having talent managers and leaders take a greater role to ensure change is communicated and implemented effectively. Communicate openly and honestly, keep employees informed, solicit feedback from those impacted by change, and commit to meeting expectations. From the senior leader on down, the messaging must be consistent.

4. **Engage employees.**

Talent managers can play a role by clearly and effectively articulating the business strategy, vision, mission and purpose to the entire workforce.

First, create a communications plan. A workforce that understands the strategy is better able to execute it. Equip senior leaders and managers to convey clear, consistent messaging that links every employee to strategy and drives engagement, productivity and success.

Invest in methods to engage and retain the workforce. Employees need to feel they have a stake in the company's success. Help employees understand the significance of their role and how they directly participate in achieving the company's business objectives and performance goals today and in the future. In a competitive environment, engagement can make the difference between an organization that thrives and one that barely survives.

5. **Align the workforce with business needs.**

Competitive market conditions and changing business objectives often require talent leaders to reassess workforce needs. It is about strategically mobilizing and sizing the workforce to meet business needs, minimize turnover and maintain employee productivity. Assisting employees affected by organisational change to make the transition to a successful career outcome also delivers real business value. Provide outplacement support to departing employees. Organisations offering effective outplacement support solidify their reputation for
valuing employees and enhance the morale, engagement and productivity of employees who remain.

Also consider redeployment before executing layoffs. Sooner or later, every business has to reinvent itself. Consequently, every workforce has to adapt. Organisations that manage workforce transition successfully retain top talent, sustain productivity and employee engagement, and align workforce competencies with new organisational needs. Redeployment contributes to successful transitions by helping talent managers identify and reassign talented individuals to new roles or departments.

Invest in ongoing career development. Encourage employees to develop skills and competencies aligned with organisational needs. Provide assessments and coaching to help employees create a detailed career map and action plan to take control of their careers. Helping high-potential employees develop their careers offers the organisation a powerful engine to drive workforce engagement, retention and productivity.

Global workforce and workplace trends have forced organisations to conceive competitive advantage more in terms of the talent they can identify, develop and retain and less in terms of what used to create a more traditional competitive advantage. The organisations that proactively align talent with business strategy by creating and implementing a workforce strategy will be the winners.

Progressive organisations have started using social media effectively to redefine the way they interact, engage and influence existing as well as potential employees. The contagion of social media has spread across different stages of an employee’s lifecycle, right from selection, recruitment, on-boarding, retention, development, analytics, learning, to alumni
engagement. With more Gen Z entering the workforce over the next 10 years, social and mobile technologies will emerge as dominant trends in this landscape. By shedding off transactional and operational HR activities, HR can join the driving seat of business and contribute to leveraging the talent advantage. (Rubi Taj & Manasi Jain 2012)

2.4.1 Recruiting Talent in the International Domain

In the international domain, new multinationals growing business in their own developing countries and dominating their local markets are also expanding abroad. Their adoption of the same global compensation and performance management systems used by developed-nation multinationals means that increasingly indistinguishable companies are following one another around the world, offering the same compensation packages to recruit the same talent. Creating differentiation to attract and retain top talent and staying one geographical step ahead of the global competition means recreating that differentiation again and again in different locations.

Many organisations invest heavily in attracting and recruiting talent, with some attempting to link recruitment of future leaders with the values shown through their corporate governance strategies.

2.4.2 Organising Groups of Talent – ‘Banks’ and ‘Pools’

While all organisations look to recruit talented individuals, many build collections of talent before or after recruitment. Talent banks operate where an organisation identifies and attracts potential recruits before they are required, as candidates often emerge who are clearly desirable and interested in the organisation but there may not be a suitable current opening. By periodically engaging with these candidates (especially if there’s a niche position
requiring special skills) and informing them when appropriate opportunities arise, companies save time and expense in future searches.

A talent pool tends to be the name given to a collective of talented employees once they have joined the organisation. Being able to build talent pools from successful recruitment initiatives means asking questions such as ‘are we an employer of choice?’ Decisions also need to be made about deciding what kind of talent pools should exist, having processes for identifying employees for an internal talent pool, tools to identify those employees’ skills and how to ‘map’ the skills to the needs of the organisation at a certain place at a certain time.

2.4.3 Diversity of Talent

To safeguard against elitist tendencies in developing leaders of the future, a talent management strategy needs to have diversity at its heart. The most important motivator for organisations managing diversity is the ability ‘to recruit and retain best talent’. However, few organisations appear to have active diversity strategies in place that would enable the building of talent across the whole organisation and ensuring equality of opportunity in the workplace.

With regard to recruitment, Ng and Burke (2005), in their study of 113 MBAs, found that high achievers and new immigrants rated organisations with diversity management as more attractive as potential employers, and women and those from ethnic minorities found diversity management to be important when accepting offers of employment.

Another aspect here is diversity of thinking. While there is some danger in cloning the types of leaders the organisation already has, for organisations attempting to recruit someone who
can ‘think outside of the box’, say, in an entrepreneurial way, such staff can turn out to be ‘mavericks’. Delbridge et al (2006, p232) suggest that: ‘Mavericks who flout all rules can rarely achieve the centrality within the network of relationships among key organisational members that they need for pursuing significant initiatives. The challenge is to conform to some rules in order to earn the legitimacy and credibility to break others.’

2.4.4 McKinsey & Company’s The War for Talent

The McKinsey & Company’s famous report on the “War for Talent” was published (Michaels, et al., 2001) in 1997. Based on surveys and case studies of over 70 high-performing companies, the report identified the talent wars as the competitive advantage facing organisations now and for decades to come. Ed Michaels and his colleagues updated the report in 2000 with additional data from over 200 other high- and average-performing companies which led to the emergence of the book, “The War for Talent”. The 2000 data reconfirmed their findings. Anchoring on these two studies, the authors proposed a new approach to talent management consisting of five components: a) embrace a talent mindset; b) craft a winning employee value proposition; c) rebuild recruiting strategy; d) weave development into the organisation; and e) differentiate and affirm the people in the organisation. The first component emphasises that all managers should hold talent management as top organisation’s priority. Secondly, defining why talented individuals should enter and stay with the organisation is the key to a winning employee value proposition (EVA). Next, recruiting strategies should be revamped to incorporate doing whatever it takes to get talented people in the organisation, even if it means breaking compensation guidelines.
Challenging experiences, coaching and mentoring, and training programs focused on managerial skills or functional issues are woven into the organisation culture for all high performers. Finally, identify A, B, and C players: cultivate A players, support B players, and move C players out of their roles. The authors contended that an organization would see huge impact in just one year if it followed these components.

2.4.5 Tulgan’s Winning the Talent Wars

In his book, “Winning the Talent Wars”, Bruce Tulgan presents a view similar to Ed Michaels and colleagues (Tulgan, 2002). Tulgan purports that organisations now operate in a free agency-economy. Since lifetime employment is no more in vogue, utilising talent in fluid, flexible employment relationships has now become the necessity in meeting the business needs.

Tulgan offers six best practices in the areas of staffing, rewards, coaching, training, and retention.

1. According to Tulgan “Talent is the show”, which means that organisations need to learn how to employ people whenever, wherever, and however they are willing. Instead of staffing the jobs, staff the work.

2. Break some of the rules if you have to, in order to get it done.

3. The third best practice is to pay for performance, and don’t pay if they don’t deliver.

4. All managers must learn how to coach talent: All that matters is what we are doing here today.

5. Train every person up to speed quickly so he or she can get to work.

6. Customize career plans around people’s roles and not their position on an organisation chart.
In the spirit of moving into the talent economy, these are great lessons for creating substantial change through better talent management.

Since then, many organizations have adopted a talent strategy that goes something like this (David Wee, 2012):

“Tie talent strategy to business imperatives and find the best people to execute flawlessly. Invest in the best - grow and engage them, so they perform great and stay. In the meantime, train and motivate the rest of the workforce while looking for other “A” layers ideally within the company, but if not, attract the best people who typically come from the best schools and organisations.”

2.4.6 Berger and Berger’s Talent Management Handbook

A third approach to talent management takes a different approach to the issues. In The Talent Management Handbook, edited by Lance Berger and Dorothy Berger, a group of practitioners in the field of human resources contribute to the book by providing specific tools and processes for use in developing a talent management program (Berger & Berger, 2003). The handbook maintains three strategies for managing talent management in human resources functions: a) identifying, selecting, and educating superior performers; b) finding, developing, and arranging highly qualified backups for key positions; and c) allocating resources (compensation, training, coaching, etc.) to employees based on their actual or potential contribution to organisation excellence. These three strategies are supported by the building blocks of organisation competencies, performance appraisal, and by forecasting human potential. These tools are used to build a talent management plan and create the basis for individual development plans. Like the previous two models, these authors also put emphasis on coaching and mentoring, as well as pay-for performance compensation models.
These experts in talent management agree on four main issues. First and foremost, it is important for all levels within the organisation to acknowledge and accept that talent management is a top priority in the organisation (Michaels, et al., 2003; Tulgan, 2002). Second, the idea that doing whatever it takes to get talented individuals in the organisation even if it means breaking compensation or other rules and policies is crucial to the success of any talent management program (Michaels, et al., 2001; Tulgan, 2002). Next, provide the coaching and developmental opportunities to those who exhibit actual or potential contributions to the organisation (Berger & Berger, 2003; Michaels, et al., 2001; Tulgan, 2002).

This means rewarding performance according to the principle of equity over equality. Finally, in general, finding, developing, and keeping talent is critical to sustaining an organisation’s competitive advantage (Berger & Berger, 2003; Michaels, et al., 2001; Tulgan, 2002). It is important to note that these best practices exist at the most basic level of Strategic Talent Management (STM). Strategic Talent Management is much more complex than what this contends. Clearly, an alternate approach to STM needs to surface.

2.4.7 The New Business Imperative

Talent Management cannot be the same in all industries. Despite many similarities in executive roles, there are a variety of significant, albeit sometimes subtle, differences depending on the shape of the role, its proximity to business results, and whether it is strategically or operationally focused. There are at least three distinct types or clusters of executive roles (Advisory, Matrix or Coordinator and Delivery or Executive roles), each requiring its own unique set of leadership skills and behaviours. There is also an emerging, extremely challenging role, that of the coordinating or commercial manager that is markedly
different from traditional leadership roles. These positions, which lack the authority and accountability of other roles, can be extremely challenging for the individual who has risen through more traditional executive ranks.

Talent management is a new, more holistic approach to HR which grew up in functional silos—recruiting, benefits, learning and training. If one believes in talent management, one destroys those silos. (The Talent Management, The New Business Imperative, An exclusive report from Business Week, 2007)

### 2.4.8 Talent Shortage

While the world over talent shortage by way of employers having difficulty in filling jobs is 40%, India has the least of 12% and the next from the bottom of shortage is China with 24%. The percentage of 24-year-olds with engineering degree as indicative of global engineering talent shortage is maximum in Taiwan at 6.9% and minimum in India at 0.2%.

Critical talent continues to become increasingly scarce. Organizations of any size are well advised to meet this trend head on. It is learnt —no matter what the industry—that talent is a key source of competitive advantage. To successfully manage their talent, companies need to become effective at identifying, developing and retaining talent. Without defined processes to identify high potentials and top talents and to actively manage their development, companies risk poor organisational performance, loss of key talent and disruption in business execution.” (http://www.sap.com/hcm.)

### 2.4.9 Building on Integrated Talent Management Strategy

The term Talent Management refers to the strategic management of the flow of talent through an organization. The purpose of Talent Management is to ensure availability of adequate
supply of talent to align the right people with the right jobs at the right time based on strategic business objectives (Duttagupta, Rhea (2007). Talent Management. UK.). Therefore, the Talent Management is not just an HR activity, but it is a mindset that goes towards a holistic and integrated approach to maximise the competitive advantage through people.

The more integration between activities as diverse as recruitment, payroll and benefits management, training/development and performance measurement, the better the organisation will be at overall workforce planning, the better it will be at managing and motivating individual workers, and so the more effective it will become as an organisation. (Building an Integrated Talent Management Strategy, A briefing paper from the Economist Intelligence Unit sponsored by Oracle, November 2007)

The term talent management is quite prevalent today but it has not been consistently defined. We see talent management as a professional practice or discipline that is evolving as more and more companies realise that they will need to take immediate proactive steps to ensure they have the individual and organisational capabilities needed to succeed. For all the talk about talent management it is still a curiously vague subject—there is not a widely held definition. Some define it narrowly as just recruitment or as just succession planning while others define it more broadly. Still, what is missing is a clear cut linkage of strategy, organisation, and talent. As we define it, integrated talent management involves four interrelated practices

- Measurement of organisational and individual capability gaps
- Alignment of strategy, organization design, and people
- Deployment of talent
- Expansion of organisational and individual capabilities
2.4.10 DDI in cooperation with The Economist Intelligence Unit

While deliberating on “what leadership qualities will be important over the next five years, the most frequently selected choice was the ability to motivate staff (35%), followed by the ability to work across cultures (34%), and the ability to facilitate change (32%). Other options such as integrity and ethics (16%) and the ability to ‘bring in the numbers’ (10%) were found in the bottom half of responses. The ability to manage across borders and cultures has become increasingly important. This holds true especially in Asia where companies may have one hub covering several different countries. … The biggest leadership gap lies in ‘not enough qualified people with global knowledge and knowledge of local market.’” (Growing Global Executive Talent: High Priority, Limited Progress, Development Dimensions International (DDI) in co-operation with The Economist Intelligence Unit)

Some attributed the companies shying away from adopting right approach to talent management to human resources (HR), but at the same time they acknowledged that they were not engaging HR enough in strategy. Others are facing intransigence in the workplace. As India’s economy blossomed, retention of native executives has been a difficult problem for many firms. (Ibid)

DDI defines talent management as a mission critical process that ensures organisations have the quantity and quality of people in place to meet their current and future business priorities. The process covers all key aspects of an employee’s “life cycle:” selection, development, succession and performance management. Key components of a highly effective talent management process include:
A clear understanding of the organisation’s current and future business strategies.

Identification of the key gaps between the talent in place and the talent required to drive business success.

A sound talent management plan designed to close the talent gaps. It should also be integrated with strategic and business plans.

Accurate hiring and promotion decisions.

Connection of individual and team goals to corporate goals, and providing clear expectations and feedback to manage performance.

Development of talent to enhance performance in current positions as well as readiness for transition to the next level.

A focus not just on the talent strategy itself, but the elements required for successful execution.

Business impact and workforce effectiveness measurement during and after implementation.

Driving Force behind the current Emphasis on Talent Management:

1. There is a demonstrated relationship between better talent and better business performance.

2. Talent is a rapidly increasing source of value creation.

3. The context in which we do business is more complex and dynamic.

4. Boards and financial markets are expecting more.

5. Employee expectations are also changing.

6. Workforce demographics are evolving.

Richard Wellins, et al enumerate nine best practices in talent management as (1) talent strategy to be tightly aligned with business strategy; (2) talent management professionals
need to move from a seat at the table to setting the table, meaning to be operatives than executives; (3) clarity of goal; (4) the talent pipeline is only as strong as its weakest link; (5) talent management is not a democracy; (6) potential, performance and readiness are not the same thing; (7) talent management is all about putting the right people in the right jobs; (8) talent management is more about the “hows” than the “whats”; and (9) software does not equal talent management. (Richard S Wellins, Audrey B Smith and Scott Erker, Nine Best Practices for Effective Talent Management: a White Paper, DDI)

2.4.11 Impact of Ageing Employees on Talent Management

We had pointed out earlier in this chapter under 2.1.1 that demographic elements do play a vital role in Talent Management. Here it is pertinent to focus on the work of researchers on the effects of ageing employees in Talent Management field. Research Services, SAP August 2007 envisages talent crunch because of demographic and other trends, not just in the United States but across the industrialised world. According to staffing services and employment provider Manpower Inc., companies in most industrial nations, including India and China, struggle to fill positions. Global Talent Shortage as percentage of employers having difficulty filling jobs is provided as follows by Manpower Inc. 2006: China 24%, Germany 53%, India 12%, Japan 58%, U.K 42%, U.S.A 44%, and the World 40%. (Already referred to in 2.4.8)

The U.S. Bureau of Labour Statistics (BLS) also forecasts the growth rate of employment in various occupations. For example, from 2002 to 2012, employment in Internet services, data processing and other information services is expected to skyrocket 46 percent, scientific research and development is expected to grow 21 percent and ambulatory healthcare services (except doctor’s offices) would reach 46 percent. This data suggests where shortages may hit
hardest and is a good starting point for any company that wants to understand trends in its industry.

In 2006 the US National Science Board has brought out the Global Engineering Talent Shortages as percentage of 24-year olds with engineering degrees as follows: China 1.1%, European Union 3.7%, India 0.2%, Japan 6.1%, Taiwan 6.9%, and U.S.A. 1.6%.

A Survey done by the Sloan Center on Aging & Work at Boston College, as reported in http://www.bc.edu/agingandwork, issue brief 23, October 2009 provides insight into the following important questions:

1. To what extent do employers feel that the current economic conditions and shifts in the age demographics of the workforce are having an impact at their workplace?
2. Are employers gathering information that will help them better understand how shifts in the age composition of the workforce might affect their organizations?
3. What action steps are employers taking to adapt to the 21st century workforce?

In doing so the survey spots four following types of employers:

- “Lower Pressured Employers” anticipated a positive/neutral impact from the aging of the workforce and felt that the economic circumstances had a positive/neutral impact on their business operations during the previous year. 24% of the employers are in this group.
- “Economically Pressured Employers” experienced a negative impact of the economy in the past year and on business operations during the previous year but did not anticipate a negative impact resulting from the aging of the workforce over the next three years. 36% are in this group.
“Age Pressured Employers” anticipated a negative impact associated with the aging of the workforce over the next three years but reported that economic circumstances did not have a negative impact on their business operations during the previous year. 12% of the employers are in this group.

“Age/Economically Pressured Employers” anticipated a negative impact associated with the aging of the workforce over the next three years and reported that the economic circumstances had a negative impact on their business operations during the previous year. 28% of the employers are this group.

Organisations that were in the age/economically pressured group were more likely to report that they had analyzed the age demographics of their workforce to a “great extent” than those in the other three pressure groups.

One aspect of effective talent management is anticipating the need to replace employees who are approaching retirement. However, approximately three-fourths of all employers surveyed (77%) stated that they have not analyzed projections about the retirement rates of their employees (either “not at all” or “to a limited extent”). Organisations in the two groups of employers who anticipated that the aging of the workforce will have a high negative impact on their organisations (the age pressured group and age/economically pressured group) were more likely to have projected the retirement rates “to a moderate/great extent” than organisations anticipating limited negative impact of the aging of the workforce.

Paralleling this finding, approximately three-fourths (77%) of the employers surveyed reported that they had not assessed their employees’ career plans “at all” or only “to a limited
Review of Literature

extent”. The responses of the four pressure groups of employers were similar (that is, the differences were not statistically significant).

As employers deal with changing economic circumstances and the changing workforce, a key element of their planning would appear to be repositioning themselves for today’s new business realities. However, the study found that more than half of the employers surveyed (56%) have not assessed the skills that their organisations need (“not at all” or “to a limited extent”). Notably, employers’ responses did not vary by expectations of the impact of the aging of the workforce or by perceptions of the impact of economic circumstances on business operations.

Half (50%) of the employers surveyed indicated that they had not assessed the competency sets of their employees (“not at all” or “to a limited extent”). Age pressured employers were the most likely to have reported that they have assessed their employees, competencies “to a moderate/great” extent.

Overall, approximately two-thirds of employers (69%) reported that their organizations have just about the right number of policies and programs in place to recruit older workers. The differences in the responses of employers in the four pressure groups were not statistically significant.

Nonetheless, more than four of every 10 (45%) of the employers surveyed felt that their organisations have “too few policies and programmess/not enough” for the career progression and promotion of older workers. Age pressured and age/economically pressured employers
were more likely to report that their organisations had “too few/not enough” policies and programs for the career progressions/promotion of older workers.

Training policies and programs are key components in keeping older workers abreast of the skills and knowledge they need for today’s business. Overall, approximately two thirds (64%) of the employers said they had “just about the right number” of policies and programs for older workers’ training. There were no statistically significant differences in the responses according to their assessment of the impact of the aging of the workforce or the impact of the economic circumstances on business operations.

Similarly, approximately two-thirds of employers surveyed (63%) reported that their organisations “have about the right number” of policies and programmes to engage older workers. Age/economically pressured employers were the most likely to feel that there were “too few/not enough” policies and programs.

Given both demographic and economic pressures, there are several key actions employers should consider:

1. *Retention of key talent is critical to business success.* During times of economic challenge, when staffing and resources are lean, it is vital for companies to retain their best people. Successful employee retention requires a deep cross-functional commitment by the organisation. Compensation and benefits create the core, as expected, but research shows that is simply not enough. Progressive employers have learned that—across all ages, life stages, and career stages—employees want and
need flexibility to manage the demands of their work and personal lives. Employers such as the University of Kentucky are designing innovative training programs for supervisors to ensure that workplace flexibility is both managed and manageable, thus making it an effective retention tool.

2. **Employee engagement is an important link between retention and productivity.** Progressive employers are exploring important linkages between employee engagement and areas such as training and development, health and wellbeing, and opportunities for meaningful work. For example, GlaxoSmithKline is considered a leader in the area of employee resilience. The company’s efforts to help employees manage their workloads are recognized as an important step to bridging the gap between health and engagement. Research also has shown that employee engagement is an important retention tool.

3. **Employee recruitment is key to finding the best people who will fit within a company’s culture and contribute to its success.** Until recently, recruitment was seen as a downstream step in the staffing process. However, leading employers know that their recruiting departments may have valuable information about what motivates or attracts a variety of employee populations. For example, understanding why mid-career workers accept or turn down job offers can have significant implications for a business’ staffing or career development policies. These employers are creating opportunities for recruitment staff to become involved much earlier in the hiring process.

The Sloan Survey concludes its study stating the following actions available for employers:
Regardless of which factors are driving organisational decision-making, workforce planning is simply good business, because this approach to talent management helps to ensure that the right people with the right skills are in the right jobs at the right time.

The good news of this study is that there can be positive outcomes and opportunities associated with the pressures on organisations, such as the pressures of the economy and the aging of the workforce. For example, age pressured and age/economically pressured employers are the most likely to have considered their organisation’s future staffing needs as indicated by the steps they have taken to get ready (analysis of workforce demographics, analysis of projected retirement rates, and assessment of employees’ competencies).

However, these employers also are the most concerned that their organisations offer too few policies or programmes for the career progression and promotion of older workers. This might seem like the bad news, but it could also reflect the fact that age pressured and age/economically pressured employers are more attentive to talent management as it pertains to shifts in the age demographics of the workforce.

Understanding the pressures that affect a business’ organisational situation (i.e., being age pressured, economically pressured, etc.) can help employers best tailor their workforce planning. For example, age pressured employers will want to carefully assess the demographics of their workforce to determine the critical risk areas, and use this data to drive decision making. On the other hand, economically pressured employers may need to revisit earlier human resources priorities and redirect limited organizational resources to more immediately pressing issues. However, even in this case, it is important that longer-term projections not be ignored; ongoing demographic assessments are still important.
2.4.12 The CEO’s Role in Talent Management

A paper by the Economist Intelligence Unit in co-operation with Development Dimensions International (DDI) entitled “The CEO’s role in talent management How top executives from ten countries are nurturing the leaders of tomorrow” lays down the following points for the CEOs to carry out effectively their role in Talent Management:

- Given its importance, the strategy needs to be driven from the top. CEOs and COOs should oversee talent management strategy rather than delegating it to HR departments. HR, in turn, should be made responsible for supporting the strategy and executing it.

- Talent management should be explicitly linked with overall strategic planning and deliver the quantity and quality of leaders the company will need in the future to achieve its goals.

- Formal processes for identifying top talent, including performance evaluations, and strategic reviews of key talent should occur at least annually and incorporate written feedback to buttress scored categories. There are many other components required in a good programme, and a rigorous approach to obtaining reliable performance data is essential.

- Smart companies communicate effectively about the importance of talent management. By publicly recognising and rewarding deserving candidates with promotions and other awards, companies can cultivate an environment in which talent flourishes.

- A varied business background is the best grounding for the CEO and COO roles. As today’s corporate leaders face such diverse challenges and opportunities, firms are
looking for people with wide experience in terms of function, role, and, increasingly, geography.

- Talent development programmes should combine both theory and practice in the form of structured learning experiences and off-site meetings, as well as the proper business experience. They should be supported on a daily basis by coaching and mentoring activity.

Developing top talent requires a strategic approach. Long startup times mean lost productivity. Most companies have a poor track record of onboarding new employees from outside the organization. Onboarding consists of two interconnected elements: orientation and assimilation. The good news is that it is actually possible to accelerate the point at which a person who is new in a role begins to add net value to the organisation. The first few months on the job are critical, major missteps can jeopardize long-term performance. Watkins, M. (2003) refers to the breakeven point as the point at which new leaders have contributed as much value to their organisations as they have consumed from it. Watkins’ survey of 210 CEOs and presidents concluded that the average time it takes a typical midlevel manager to reach the breakeven point was 6.2 months. His basic premise is that it is possible and advantageous to accelerate transitions of individuals who assume new roles.

2.4.13 Competency Requirements for Managerial Development in Manufacturing, Assembly and/or Material Processing (MAMP)

The general definition for management competency, according to Parry, is a cluster of related knowledge, skills, and attitudes that affects a major part of one’s job (a role or responsibility), that correlates with performance on the job, that can be measured against
well-accepted standards, and that can be improved via training and development (Parry, 1996).

Because Manufacturing, Assembly and/or Material Processing (MAMP) functions are often technical, generic management competencies developed for non-technical fields (e.g. Rausch et al., 2002) may not be sufficient for defining relevant competencies.

According to Badawy (1995), the job of the technical manager in the twenty-first century will clearly be more complex. Rosenbaum (1991) indicates that technical leadership takes a special combination of knowledge about science and technology to acquire respect, knowledge about behaviour, and skill to lead. At the heart of these challenges is the universal need for effective and competent managers. As D’Netto and Sohal (1999, p. 160) explain:

Today, a production manager must have technical knowledge relevant to his/her industry, highly developed interpersonal skills, knowledge of advanced manufacturing technology, knowledge of other functional areas within the organisation and the ability to accept and guide change. Gone are the days when the production manager could concern himself/herself only with getting the product out. He/she now needs to produce continually changing products on time, more cheaply and with increasingly better quality.

To survive today, companies must produce world-class, quality products and services, design those products to meet the specific customer’s needs, and deliver them quickly anywhere in the world at a competitive price (Howardell, 2003). This will require a manufacturing workforce to work as a team, exhibit creativity, respond to customers, continually improve processes, effectively balance their lives and careers, and turn policy into action.
Some of these competencies, such as those labelled “competitive strategies”, “project management”, “transformational leadership”, and “assertive leadership management”, might be relevant for any managerial position. Others, however, such as “foundational systems”, “materials management”, and “diagnostic efficiency”, incorporate competencies specifically within an MAMP context. It is within the knowledge and skill classifications that most of the competencies specific to MAMP seemed to emerge. Competencies relating to a manager’s attitudes or values (credibility, assertive leadership, collaborative and responsiveness management) appear to be more universal across managerial domains. (Clifford S. Barber and Brian C. Tietje, 2004)

For great people to perform at their peak, they must be surrounded by other great people, enabling cultures and powerful processes and systems. So, rather than chasing a finite, expensive and questionable pool of star talent, organizations should re-channel their efforts to find a source of talent that is plentiful, inexhaustible and cost effective. Specifically, organisations must figure out how they can get 90 percent of their people to perform like the top 10%. In other words, organisations must move away from the conventional wisdom that only a handful of people have talent that can determine organisational success - to a new paradigm and approach that embraces a belief that everyone has talent and that this talent can be harnessed to drive organisational success. (David Wee, 2012)

2.5 STUDIES CONDUCTED AT INDIAN LEVEL

In India, with the fast growth in the domestic economy, companies are always competing for the best managers—there’s a real talent shortage as was pointed out in 2.4.8 above.
Vittaldasa Prabhu (2010) while discussing attracting and retaining young engineers to manufacturing industries observes that service industry focus does not mean neglect of manufacturing. Both can go together one supplementing the growth of the other. He also adds that talents must reach relevant sectors optimizing the contribution and growth of both.

Vittaldasa Prabhu has identified the following restraints for young engineers to join manufacturing industry: Poor Salary package, Slower career growth, Knowledge – Application Divide (like Production engineer busy in manning and facilitating the assembly line or Purchase engineer busy in getting the outsourced components), Strenuous Physical work, Orthodox Hierarchy and Administration, Chaos from Complex Supply Chain, Poor Social Life, Generation X-Y divide, Worker-Engineer Divide, Less Value adding work, Less Opportunity for Trips Abroad, and Less Opportunity to pursue higher studies.

In order to overcome these restraints Vittaldasa Prabhu suggests the following approaches: Enhanced Benefits, Augmentation of Growth, Bridging Knowledge-Application Divide, Enhancement of Knowledge Work, Transport and Friendly Administration, Managing supply chain, Improving Social life. Reducing X-Y Divide, Reducing worker-engineer divide, More Value Addition and Opportunities for higher studies and trip abroad.

2.5.1 ABG on Talent Management

Aditya Birla Group (ABG) in India has manufacturing units and so a briefing paper entitled “Building an Integrated Talent Management Strategy” brought out by the Economic Intelligent Unit sponsored by Oracle in 2007 featured its Global Head of HR and IT of ABG, Santrupt Misra on Talent Management.
According to Misra “new investments are proceeding almost faster than we can grow our talent” and “Not only is there great demand for leaders and talent, we need to develop managers who are capable of managing in a context of fast-changing economies and markets, and multiple cultures….In India with the fast growth in the domestic economy, companies are always competing for the best managers—there is a real talent shortage.” So attracting talent is a challenge.

Finally, the critical challenge is finding a way to address all of the above issues within the context of a single set of HR policies and practices. “So from a technology and a strategy perspective, we have to figure out how to put in global HR processes that provide the value of a generic approach but still allow variation in the individual businesses and markets where needed.”

Acceleration of career development of high-potential personnel is one of the solutions. The empowerment levels are pushed very far down the line. In other words, “very early in a career here, you’ll see people being given larger responsibilities and significant opportunities to develop competencies”. In a competitive talent marketplace, there is no one size fits all solution. “You must develop people. You must show them where they fit in to the organisation. You must compensate them fairly, but, more importantly, you need to show them where they can go in the business. You need to give them training and you need to provide them with opportunities. They need to feel valued by the business.” The company also fosters development and retention by encouraging innovation.
With a standardised HR platform, “when someone moves from one business to another, they don’t have to learn new systems and processes”. Similarly, he explains, “the rotation and tracking of people is much, much simpler”.

2.5.2 The Effect of Economic Melt-down on Talent Management in Indian Context

Following the global financial crisis and recession that occurred in many countries, the slowdown forced companies out of “irrational exuberance” mode and changed the employee mindset in Indian companies:

- Became conscious of costs through selective hiring and pay-increases
  - Many companies in India reduced the pay-increases – this was the most favoured response to the slowdown
  - Companies streamlined their variable pay-programmes or rewards elements other than the guaranteed cash.

Re-evaluating business strategies to protect bottom line and drive productivity gains Employees were:

- Looking more at the ‘employment deal’ as a whole rather than just focusing on compensation and benefits
- Adjusting to single digit pay increases after a long period of double digit pay increases in many sectors
- More demanding of career development opportunities

2.5.3 Maximum Difficulty in Retaining Talent

Critical skill, Top performing and High potential employees are categories where Indian companies are facing maximum difficulty with retaining talent. Also sustained economic
growth means greater opportunities for talent and difficulties in attracting and retaining talent at all levels.

Retention, especially of an organisation’s high performing employees, continues to be a challenge in India. To this end a recent survey on human capital effectiveness by PwC Saratoga India brings forth the point that Indian organisations trail behind their global counterparts when it comes to retaining talent. It has assumed greater significance since companies are betting on their best people to keep bottom-lines healthy in a flagging global economy.

With 35 percent of its workforce having tenures of less than two years, Indian organizations lag behind their APAC and Western counterparts in retaining their people. The numbers for APAC and Western region stand at 30 percent and 15 percent respectively. The survey which covered 58 Indian firms across sectors found that banking and ITeS companies witnessed the highest voluntary employee turnover with the employee resignation rate in banks being 2.9 times more than that for engineering and manufacturing organizations.

Talent constraints are imposing tangible costs on companies. A look at the impact of talent constraints in India suggests that businesses have lost out in terms of cancelling or delaying key strategic initiatives. According to the 15th PwC Annual Global CEO Survey; 41 percent of CEOs in India had to either cancel or delay a key strategic initiative and 39 percent of CEOs stated that their talent related expenses rose more than expected (Peter Cappelli, 2008)
2.5.4 Employee-wellbeing for Attraction

From the 2010 Towers Watson Global Workforce Study in which 26 items were asked to be ranked in their order of priority for employees to prefer to join an organization, the items that fell in the top seven ranks have been listed below with the ranking of the Indian employers given in bracket:

| Table 2.1: Rank of Indian Employees |
|-----------------------------|-----------------------------|
| **Ranking** | **Employer view** | **Employee view** |
| 1 | Competitive base pay (2) | Competitive base pay |
| 2 | Reputation of the organisation as a great place to work (4) | Challenging work |
| 3 | Challenging work (1) | Convenient work location |
| 4 | The business/industry of the organisation (6) | Opportunities for career advancement |
| 5 | Opportunities to learn new skills (5) | Vacation/holiday/paid time off |
| 6 | Opportunities for career Advancement (3) | Reputation of the organization as a great place to work |
| 7 | Organization’s financial health (7) | Flexible schedule |

Indian context challenging work and competitive pay occupy the top of the mind of both employers and employees as the key elements for attraction and retention. This is an interesting aspect to be studied further. Employers fail to recognize the impact of changes to employee wellbeing on their ability to attract employees.
2.5.5 Reasons for Leaving an Organization

Employers underestimate the impact of pensions, job security and more flexible work arrangements on employees’ decision to leave their organisation. Interestingly in India both employers and employees are in agreement on the element of increased compensation as the main reason for employees leaving an organization. Though employees do not give that much importance to job security as a reason to leave an organization, employers give it a great importance. Greater career advancement opportunity is where there seems to be unanimity among employees and employers in India to consider it as an important reason for leaving an organization. Globally, especially in Asia and USA increased compensation and greater career advancement opportunities are having greater weightage as reasons for employees to leave an organization. (Towards Sustainable Rewards and Talent Management Model, 2010 Towers Watson Global Workforce Study)

2.5.6 Strategic Priority in Talent Management

In India efforts to retain talent weighs heavier in comparison with attracting new ones. Most of the elements of the rewards mix are more than what they were 3 years back. Short term incentives and health-care benefits are increasingly becoming important part of the rewards – mix in India.

Compared to the employer view, employees in India feel that their preferred career model is changing organisations whenever an opportunity arises.

Compared to employees, employers view (only marginally higher) that career advancement opportunities have improved, compared to what it was 12 months back.
In India while 35% of employees in manufacturing sector feel that there are no career advancement opportunities in many roles, 30% of the employers also agree with this – almost both sides are in agreement. [Towards a Sustainable Rewards and Talent Management Model: Key Insights from Towers Watson’s Global Talent Management and Rewards Survey, 2011].

2.6 GAPS IN EXISTING RESEARCH

From these studies referred above four issues emerge related to talent management in which gaps exist between what the organization provides and what employees’ managers provide. These include knowing and providing employees with training and development opportunities, providing resources and rewards employees need to excel at their jobs, knowing and managing employees’ career expectations, and serving as a mentor to guide employee careers (Lewis, 2000a).

To the best of the knowledge of the researcher nothing much has been done in this area of Talent Management in Indian arena. Therefore any step in this nascent concept as a research study must be a welcome sign. Apparent virgin territory can be quite fertile and pliable for research. Moreover it becomes quite ambitious to undertake a study to fill the above gaps for all industries in the entire country, let alone it being impractical for a single researcher.

For this study only two gaps, namely (1) between knowing and managing employees’ career expectations and (2) between providing employees with training and development opportunities and providing resources and rewards employees need to excel at their are taken to be studied in a geographical location which is practically feasible in selected industries, namely in engineering and automobile industries in and around Chennai.