

# TALENT MANAGEMENT AND VALUE CREATION: A CONCEPTUAL FRAMEWORK

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## ABSTRACT

*The purpose of this paper is to enhance the theoretical and conceptual understanding of human talent management (HTM). Authors have proposed a conceptual framework and few propositions to elucidate the influential relationship of competency focus, talent pooling, talent investment, and talenting orientation with value creation. Authors have brought a human talent management model that may enhance the understanding of talent management orientation among practitioners and academicians. Further, with this model practitioners may be able to align talent strategies with business strategy wisely to yield better value for business (Shareholders, Employees, Owners, Customers, agents, and other stakeholders).*

**Keywords:** Talent Management, Competency Focus, Talent Pooling, Talent Investment, Talenting, Value Creation

## INTRODUCTION

Talent management is considered as one of the most future-oriented practice by academicians, independent researchers, and corporate professionals (BCG & WFPMA, 2010; Michaels, Handfield-Jones & Axelrod, 2014). In contrast, there is a lack of clarity in the definition and framework of talent management in the academic field (Lewis & Heckman, 2006; Scullion, Collings & Caligiuri, 2010). Due to the lack of strong research, academicians, professionals, and consultants are ignited within to explore, share, and strengthen the knowledge of talent management towards academic clarity and ease of practice. Talent management has now caught the attention of academic researchers, and the research field is rapidly developing since last decade (Nijs, Gallardo-Gallardo, Dries & Sels, 2014; Scullion et al., 2010; Tansley, 2011). This area came into focus due to the demographic shifts and challenges, like shortage of skilled workforce, the war for talent, ageing workforce, declining birth rates, cultural diversity, all these lead the talent management towards strategic importance (Benson & Brown, 2011; Chambers, Foulon, Handfield-Jones, Hankin & Iii, 2015; Michaels, Handfield-Jones & Axelrod, 2001). The trend of corporate is changing from organizational growth to organizational sustainability. Chief executive officers (CEOs) do believe in the strategic importance of human talent management, so spend a substantial amount of time on this practice and also believe HTM as a hotshot source of competitive advantage, so can't left this practice to HR alone (Economist Intelligence Unit, 2006). Talent management has been witnessed as a most critical function of HR and eminent source of competitive advantage (BCG, 2007; BCG & WFPMA, 2010). Talent management remains one of the most challenging functions for the businesses in current dynamic and volatile environment. The best of any business is to remain step ahead by strategizing the available skills in an organization and use them according to objectives of business. Despite the increasing interest of practitioners along with the academicians, research in

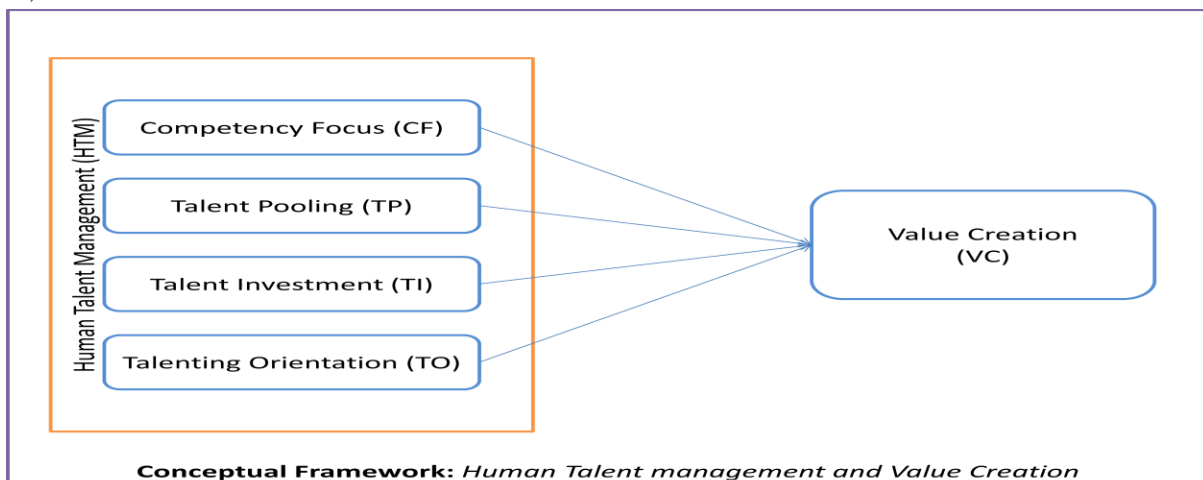
this area is still in growing stage (Dries, 2013). The research available in this area is mostly that of conceptual, theoretical, and review based among a few empirical.

The focus of this paper is to review the existing relevant literature and to identify different constructs of human talent management (competency focus, talent pooling, talent investment and talenting orientation), and their influence on organization's value creation. Further, propose a conceptual model and few propositions, which may enhance our understanding how talent management orientation influences the value creation of a firm. Future research directions will explain how human talent management researchers will work on the integration of relationship and contribute towards the maturity of talent management by further exploring and validating the model empirically to enhance the body of knowledge.

## Human Talent Management

Many researchers believe that talent management is mere rebranding of human resource management; while we analyzed that it has more specific approaches towards talent (high potential and high performers). The approach of talent management lies within the boundaries of Human Resource Management (Lewis & Heckman, 2006), and based on theories of organizational behavior and human resource management (Thunnissen, Boselie & Fruytier, 2013). In addition to that TM targets, a group of top potential candidates deployed or to be deployed at companies strategic positions, who contribute towards the sustainable competitive advantage (Collings & Mellahi, 2009). One of the most cited definitions in literature describes Talent Management shown in Figure 1 as a strategic process of,

*“The systematic identification of key positions which differentially contribute to the organisation's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation”*(Collings & Mellahi, 2009).



**Figure 1**  
**HUMAN TALENT MANAGEMENT AND VALUE CREATION**

The focus of TM is to identify the specific key positions which are highly valuable and make a significant impact on competitiveness of an organization, and then create and develop a group of high potential employees to fill these positions taking care of an effective HR system as facilitator for identification of pivotal positions, preparing and developing talent pool to sustain commitment of talent towards organization. The Crucial function of Talent Management is to make an organization future-oriented by managing their human capital; it will help them to cope up with different future talent shortages. TM also takes care of both individual and organizational need in order to find talent within and retain them for tough competition times. By this approach, talent managers keep their focus on preparing a group of highly potential candidates for organizations future leadership positions (Lewis & Heckman, 2006). These positions are based on roles required at different times, and these requirements are filled with a combination of “internal development and external recruitment” (Collings & Mellahi, 2009). A more useful definition of talent management is the differential management practices and opportunities available to human capital(talent) in the organization (Blass, 2007). Such processes can be formal and informal, deliberative and unintentional, explicit or implicit. Whatever the combination, these processes constitute an organization’s talent management system. Using this definition, every organization has a talent management system whether it recognizes it or not.

Our definition of human talent management is based on identifying the pivotal competencies of key positions/projects, make a substantial investment in developing these competencies in a group of high performers (Hipe) and high potentials (Hipo) available in a talent pool of organization, and create a culture of talenting/knowledge sharing/mutual development towards a value driven organization. Four distinctive dimensions of human talent management involved in organizational success are competency focus, talent pooling, talent investment, and talenting orientation. These are the important tools and well as contributors towards human talent management and value creation.

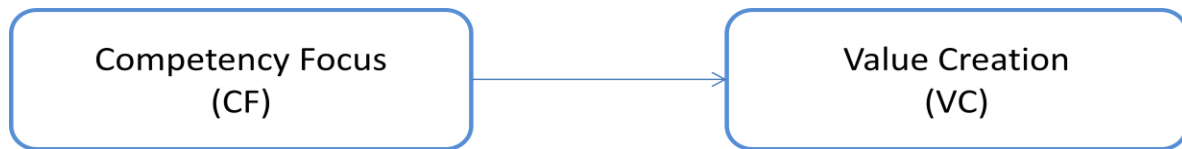
### **Competency Focus**

We utilized the term pivotal competencies to refer the set of crucial skills (talent component) that organization can develop among high potential (talent) employees towards the value driven organization. Competence is one of the essential elements which signifies a talented incumbent (Gallardo-gallardo, Dries, & González-cruz, 2013; Ulrich, Brockbank, Johnson, & Younger, 2007), once developed in a better way, leads to excellent and exceptional job performance (Gallardo-Gallardo et al., 2013). Competency being very old concept having its footprints in Roman history, they used to practice a similar function that of competency profiling to detail out the attributes of “good Roman soldier”. The concept of “competency” was introduced by Harvard’s distinguished psychologist, David McClelland to the human resource’s body of knowledge, to improve the selection procedures of United States Information Agency (McClelland, 1973).

Competency mapping has been found to be one of the most important strategy for effective performance of talent management practices like succession planning, development and retention (Nair, 2012). Competency-based approaches have been critical to many organizational functions like succession planning, performance management, and human capital planning. These approaches were eminent, as they eased the process of skill, knowledge, ability, and behavior identification to manage right human capital for current and future needs, aligned with that of business strategy. These also reduced the gap between the competencies required by a specific project, a job role, or that of organizational strategy in future and those existing. Pivotal

competencies are more crucial as they contribute to organizational success significantly and create value to the business. Competency management has gained special status in talent management practice in both public and private sector, lubricating them in talent attraction, identification, development, deployment, and other core functions of human resources (Mentzas, 2006). Figure 2 represents the Competency Focus.

*H1: Pivotal competency focus has positive influence on Value creation*



**Figure 2**  
**COMPETENCY FOCUS**

### **Talent Pooling**

Employees with high potential and high performance are the key players in any successful organization. Here talent pooling refers to pool up these high potential and high performing employees who can be exposed to these pivotal competencies to fill the current or future key positions of the organization. Creating a talent pool within an organization is the key practice of human talent management, that can generate value and business competitiveness towards organizational success by acquiring the pivotal competencies and take strategic key positions in future (Mellahi, 2009; Mellahi & Collings, 2010; Smilansky, 2006; Stahl et al., 2007). Organizations do identify future requirements of business in terms of skills, knowledge, and capabilities and develop a talent pool to suffice that requirement. These key roles contribute differentially and create a value to the business by those right people (high performers), which cannot be done by those of low performers (Heinen & O’Neill, 2004). Right people means the person from talent pool, having the right skill means competencies, right time and place means current or future deployment of the talent at the key positions or key projects, willingness and commitment to do, and being a part of brand wagon for substantial contribution, all this leads to the management of talent towards value creation, competitiveness, and organizational success (Ulrich & Smallwood, 2010). Figure 3 represents Talent pooling.

*H2: Talent pooling orientation has positive influence on Value creation*

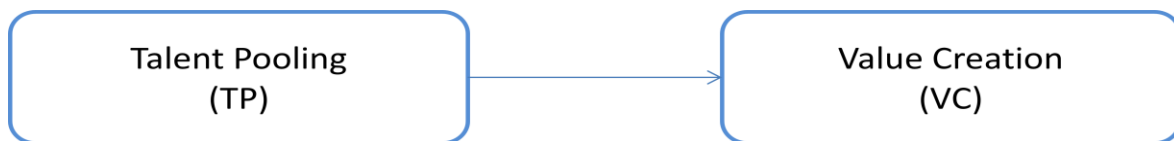
### **Talent Investment**

Employers with a clear focus and those consistently revitalize their commitment and invest in long-term talent management, are making all possible efforts to be a clear choice among best-in-class talent available. Even the recession has not affected the talent investments; it shows the significance of maintaining the best talent pipeline for your organization. It’s actually the talent which pulls you out of those bad times, Caterpillar believed in that “mantra” and decided to invest \$1.5 billion in research and development immediately after the recession to maintain the best pipeline of engineers available for both good and bad times (Ed, 2009). Investing in

knowledge development, R&D, and new structures which will foster innovation and to mark difference (Daum, 2003).

Meanwhile, it has been noticed that investments in people around many organizations had become unproductive and challenging, because of improper utilization of funds or misalignment between human talent strategy and business strategy. These inefficiencies can be optimized by properly aligning the talent strategy with that of business strategy. While adopting this practice it has been observed that along with optimal usage of investment in talent development the current talent gaps are also exposed. This approach develops a sense of trust, motivation among the talent who have potential to create value for the organization and greater returns on investment (Aguirre, Harshak, Post & Storr, 2012). Talent Investments (investment made is enhancing the knowledge, capabilities, and engagement in people of organization) adds value to the business when they are aligned to business strategy, are customer focused, directed at motivating and valuing employees to perform and excel, when they are focused on increasing the capabilities and resources to get the best performance out of business (Schiemann, 2006). To gain the maximum benefit from company's investment in its people, HR must prioritize the activities aligned that of business strategy. Human talent being the critical part for value creation of any business, so must be satisfied, attracted, motivated, and retained by tailored HR value propositions of the business (Aguirre et al., 2012).

*H3: Developmental investment Emphasis has positive influence on Value creation*



**Figure 3**  
**TALENT POOLING**

### **Talenting Orientation**

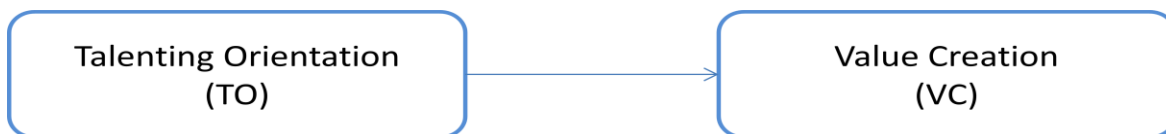
Talenting orientation is the individual and organization's inclination towards knowledge sharing, skill enhancement, and channelizing the abilities by creating relationships for the effective culture of learning and innovation towards value creation. Talenting is the process of

*"The complementary exchange of skills and knowledge between at least two people that enables dependent or interdependent work practice" (Jeff Gold Tony Oldroyd Ed Chesters Amanda Booth, 2016).*

Knowledge sharing is a key practice for employee commitment, value creation and innovation at workplaces. Knowledge integration has been witnessed as an impact factor for the competitiveness of organizations (Atwah Almaaitah, Suliman & Aljamal, 2013), more importantly, the essence of external knowledge can be streamlined only by the talenting orientation of firm, which explains the coordination of a different group of human talent available with a firm. Where external knowledge is acquired by one specialized group (talent) and disseminated by altogether different group (talent) (Whelan, Collings & Donnellan, 2010). Talented employees also become the reason of motivation and commitment to other, when their contribution is recognized and rewarded. Despite the fact that many authors have emphasized the

concept of self-development, based on individual values and willingness irrespective of the proficiency (Bolden, Gosling & O'Brien, 2014). Here we have focused on the importance of the mutual development of talent and others towards the value creation and firm competitiveness. (Swales & Blackburn, 2016) found in their study that, those not included in talent pool have a feeling of unfairness and lower expectations regarding their growth in the organization. We look talenting orientation can reduce the feeling of unfairness and can increase the expectations of those individuals. Appreciating the practice of talenting, we believe that it creates the value to the organization, enhances the firm competitiveness and lead an organization towards success while focusing on social and organizational factors like talent culture, networks and teams, work routines and like (Iles, Chuai & Preece, 2010). So the approach adopted in this paper explains the processes in which the talenting occurs as sharing of knowledge and Skills keeping the talenting/knowledge sharing strategy clear, creating appropriate culture, absolute use of technology and capture/retain the outgoing knowledge (Griffiths et al., 2016). Employees should be motivated and encouraged to share knowledge, skills and enhance capabilities. A promising climate and culture of trust and talenting created across the hierarchies enhance the value creation and business performance (Sandeep & Rayees, 2014). Figure 4 represents Talent Orientation.

*H4: Talenting Orientation has positive influence on Value creation*



**Figure 4**  
**TALENT ORIENTATION**

## Value Creation

Successful organizations generate value by offering the better services to the end business partner (customer/client) and enhancing the value of in-house talent, owners, and other business members (Lowendahl, Revang & Fosstenlokken, 2001). Value for in-house can be understood by an increase in the knowledge base and retention of that knowledge in terms of talent development, talent retention, and lubrication of talenting culture. Organizations also do capture value outside the company by increasing its revenue and earnings among the valued customer base. The later generates the monetary value to a firm that can enhance the earlier value creation process and cycle goes on. Earlier investments in retaining the right talent has saved huge costs of hiring and training new talent, increased satisfaction, and improved customer loyalty (Davenport, Harris & Shapiro, 2010).

## DISCUSSION AND CONCLUSION

High potential and high performing employees are vital source of value creation to any business. Every business must look into the competencies of those high potentials/high performers and ensure their competencies are properly identified and nurtured in light of the business and corporate strategy. Human talent management orientation is essential for the strategic growth and competitive advantage of the firm.

## Strategy

Identify the key positions that impact differentially to the success of an organization, come up with team of high potential/high performers, make a substantial investment to enhance them with critical competencies, and create a culture of learning/sharing orientation among suitable groups that tends enhance innovation among and results in high value creation to the firm. Further, it is important for companies to make a suitable investment in identification, attraction, development, retention, of that talent and knowledge to have an impactful value creation. Adoption of people differentiation strategy has magnified the performance of organizations. People of future importance are being identified and substantial investment is made in their development and retention to lead internally and externally. Non availability of these people when required is considered as potential *threat* (Braiden, 2009). Need of the hour is to identify the right talent to sustain in future. Firms need to maintain the demand/supply of talent as per the future and current needs, by creating talent pools with the mix of internal development and external recruitment.

## Culture

Talenting one among the best practices of talent management which fosters the learning and knowledge sharing culture. Blame culture has been shown the door and people now believe in talenting-the culture of collaboration and drive for personal growth is being valued (Blass, 2007). One of the leading firms from service sector (Accenture) witnesses the same approach of continuous learning and collaborative approach. Talent Culture a critical and mediating factor in talent identification and competency focusing towards talent development, keeping retention of competent people in focus (Mohan & Annakis, 2015).

## Talent Management and Value Creation

We have identified four important constructs of Human Talent Management Orientation as competency focus, talent pooling, talent investment, and talenting orientation and their positive influence on value creation of a firm. Talent commitment towards competency development directly enhances with perceived talent management practices (Khoreva, Vaiman, & Van Zalk, 2017). Talent management is a significant predictor of Employee Value Proposition (EVP), in turn results in reduced intention to leave and dissatisfaction among talented employees (Tajuddin, Ali, & Kamaruddin, 2015). It also revitalizes talent with balanced emotional and work life in dynamic and volatile market.

## Future Research and Managerial Implications

This study is of review based, so need to further empirically tested and validated with the help of talent management practitioners in future. Talent management orientation of a firm may also be tested for influential relationship with the competitiveness and performance of firm. This model may be helpful for practitioners to identify the critical element of the talent management process and enhance their focus towards the better value creation of a firm. Practitioners may be able to identify the importance of budget allocation for talent in align with that of business budget and come up with enhanced results in terms of talent retention and choice of employer among the best available talent. Top management do believe that it's only people who save you

in bad times and lead you in good times. At the same time leaders are fully aware of talent's strategic impact and inimitability (Boudreau & Ramstad, 2005). This article may enhance the talent management orientation among those who have formally adopted and those who have informally but not sure about the practice.

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