

## TALENT MANAGEMENT - A STRATEGIC PRIORITY

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*Companies facing the new economic world, dominated by demographic, macroeconomic, and technological changes need to see talent management as a business priority in order to survive. At the same time, the world economic crisis adds pressure over managers, forcing them to rethink the business and HR strategies.*

*The object of this paper is to emphasize the importance of developing a talent management strategy and aligning it to the business strategy of the organization. Many studies and researches in this area confirm the idea that employees working in companies that emphasize talent management practices are more engaged in obtaining high performances and are more satisfied with their jobs. At the same time, these companies have better financial outcome.*

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The necessity for possessing specialized personnel increases simultaneously with the emphasized lack of those that have the abilities, experience and skills necessary for the good functioning of companies. Various researches in this area have shown that organizations that confer importance to talent management practices have employees that are more involved in reaching performance and more satisfied with their jobs. As well, these organizations have better financial results.

In the current global economic context, intense demographical, macro economic and technological changes add pressure over companies, which in order to survive and to be efficient have to transform talent management into a priority. Managers must invest a lot of time in creating strategies that attract, motivate and retain talent. Although, in the current economic conditions, employees are more reticent regarding risk, being less probable for them to change jobs, on a long term, challenges remain the same for the companies.

In order to attain an efficient talent management, companies must understand what talent is and what talent management effectively implies. A talented employee is not an exceptional endowed person, but, rather, a very appropriate person for the domain in which s/he works. Every employee, no matter the job, must be evaluated according to two dimensions: performance and potential. All employees that have high performances, or high potential or, the best case being high performances as well as high potential, should be considered talented.

### **Talent management at a macroeconomic level**

The competition for talents became acute at a global scale and at every hierarchic level, not only at managerial level. Although, the unemployment rate stays high, talent deficit becomes more and more pronounced, considering it has a critical importance for the companies. But predictions regarding the ingravescence of this talent crisis are more and more pessimistic. It is forecasted that four industries: health, production, energy and the public sector will suffer or are already suffering because of the mass exodus of the employees towards other domains.<sup>1</sup>

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<sup>1</sup> Vasile Irina, "Criza de talente", Revista Cariere, Number 115, Bucurest, 2008, pp. 44-47

On the workforce market a complex competition takes place. On one hand companies fight for hiring specialists, and on the other - for hiring key people, those people that possess a rare resource, namely “critical” talent. The latter form a distinct category of employees that fulfil the ideal combination of: <sup>2</sup> *necessary knowledge for the job; inborn abilities and developed abilities; ideal attitude towards the assumed role; maximum availability for effort.*

Two of the global surveys performed by McKinsey Quarterly bring out the companies’ concernment regarding human resources evolution<sup>3</sup>. According to the first survey conducted in 2006 on a sample of 10.000 respondents, the most important managerial preoccupation for the next years will be recruiting talented employees. The second survey, carried out in November 2007 on a sample of 1.300 managers underline the fact that almost a half of the respondents consider that the enhancement of the competition for talent is a certainty, and the more and more global nature of this competition will have a major impact on companies in the following five years. No other global tendency has ever been considered so important.

In 2007, The Boston Consulting Group, together with World Federation of Personnel Management Associations, completed an ample study in 17 countries of the world. The study, based on the participation of 4.741 respondents, pointed out the importance given to talent management in the key aspects of human resources management. As a result, talent management was ranked on the first place in the top of the most important aspects of HR by 9 of the 17 countries in which the study was carried out, 16 of these placing talent management between the four most important preoccupations of HR, as it is shown in the exhibit bellow.

Exhibit 1 – HR topics classification

HR topic	Canada	USA	Argentina and Chile	Brazil	France	Germany	Italy	Russia	Spain	United Kingdom	South Africa	China	India	Japan	Singapore	South Korea	Australia
<b>Talent management</b>	4	1	1	2	4	2	3	2	1	1	1	2	1	1	1		1
Leadership development	3	2	4							2	2	1	2	3	2	2	2
Managing work-life balance	2		2	1		5	2				3		3	5	3		
Managing demographics	1	3			3	1	5	4		4							3
Becoming a learning organization				4		3	4		3			4	5	2	5	3	
Managing globalization										3						1	
Enhancing employee commitment					2				2								
Improving performance management and rewards			5	3				3									
Transforming HR into a strategic partner	5	5	3	5				5	5		4	3		4	4	4	5
Managing change and cultural transformation		4				4	1				5						4
Managing corporate social responsibility					5			1									
Measuring HR and employee performance					1				4	5		5	4			5	

2 Idem, loc.cit.

3 Matthew Guthridge, Asmus B. Komm, Emily Lawson, Making Talent a Strategic Priority, www.mckinseyquarterly.com, 2008, pp.49-50.



A special challenge comes from Generation Y – the population born after the 1980, of whose apprehension is influenced, among others, by the Internet, overcharging with information by too fervent parents. This generation presents some specific characteristics that contribute at the realization of a more difficult efficient management of the human resources. Human resources specialists claim that these employees demand much more flexibility, professional liberty, larger recompenses and a better equilibrium between the professional life and the private one. The perception of these employees over the professional career is different from that of the elderly employees. These see the professional career as a series of chapters of two – three years and they will easily change their job, so that the companies easily risk in losing these employees if they don't fulfil their expectations.

Together with the expansion on new international markets, companies confront themselves with another challenge – globalization. In order to gain success on the international markets, companies need managers that are willing and capable of working abroad. Also, they need talented men in the respective country, in order to possess an international thinking.

Workers based on knowledge, the talent source with the fastest accession in most organizations, have their own demands and characteristics. These employees are different because they generate up to three times more profit than the other employees, and their work requires minimum supervision. It is possible that labour productivity based on knowledge and the workers productivity based on knowledge, even though it's not the only competitive factor in world's economy, might become the decisive factor for many of the organizations in the developed countries. Workers based on knowledge have a higher mobility than the other labourers and, so, they are more difficult to "lead". These identify themselves with what they know and not with the organization of which they are a part of.

### **Talent management at organizations' 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 that 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<sup>6</sup>, the most important activities in the talent's management domain in the following years are going to be the following:

- The development of some personalized 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 realizing 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 personalized 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,

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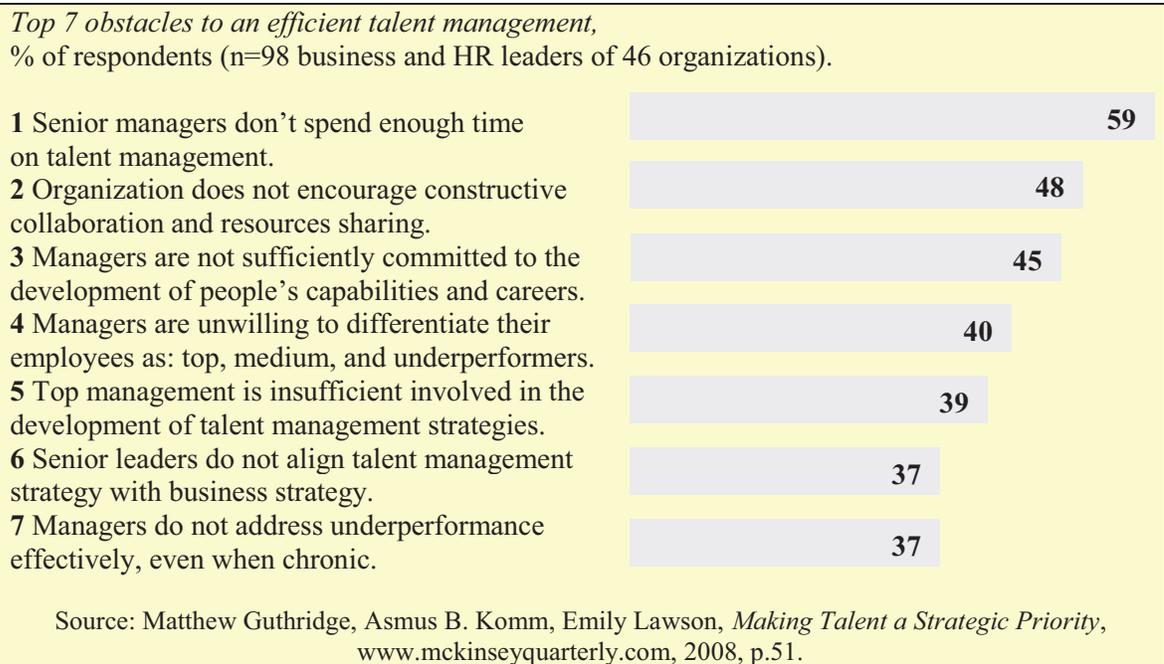
<sup>6</sup> The Boston Consulting Group, World Federation of Personnel Management Associations, Creating People Advantage, Boston, 2008, p.45.

by hiring additional personnel only when a new product is launched. Short term orientation deviates management's attention from long term preoccupations, such as: identifying talent sources and career's development.

People's mind habits are real barriers in the way of achieving an efficient talent management, a human resources manager asserts. When companies make a priority out of talent, these often fall in another trap, meaning that they focus only on the human resources' systems and processes, fact that deviates the attention from the place where most obstacles can be found: people's mentality.<sup>7</sup>

There are numerous obstacles in the way of achieving an efficient talent management. McKinsey Quarterly<sup>8</sup> realizes a ranking of the most important seven of these obstacles, presented in the exhibit below.

*Exhibit 2 – Seven obstacles*



Another negative tendency of the last years is the diminution of the influence of the human resources department and the absence of talented individuals willing to work in this department. An analysis of the organizational structures effectuated by McKinsey Quarterly together with Saratoga Institute<sup>9</sup> reveals the fact that, less than two thirds of the human resources managers relate directly to the president of the organization, and a recent survey realized by Great Britain indicates that human resources specialists earn up to 50% less that their homologues from other departments.<sup>10</sup>

Managers criticize human resources specialists for lacking business knowledge, observing that the majority is working, rather, in a narrow administrative vision, than addressing to the long term problems, such as: planning the workforce and elaborating a strategy that should respond to the company's necessity for talent. In order to consolidate the business competences of the human resources specialists and, at the same time, with the purpose of making the human

7 Matthew Guthridge, Asmus B. Komm, Emily Lawson, op.cit., p.53.

8 Ibidem, p. 51

9 Matthew Guthridge, Asmus B. Komm, Emily Lawson, op.cit., pp.53-54.

10 Ibid., loc.cit.

resource operation more credible, the Coca – Cola Company, for example, effectuate the high performances managers on positions inside the human resources department.

A Watson Wyatt and WorlatWork organizations study<sup>11</sup>, conducted in May 2008, which is based on the answers of 1.389 organizations from 24 countries, brings out the fact that the exodus of the efficient employees can be prevented through an integrated approach of the compensations and talent management. According to this study, the companies that introduce such an approach have with approximately 20% fewer chances in facing problems in attracting and holding to the talented employees. These companies also have approximately 18% more chances to be profitable from a financial point of view.

In order to elaborate efficient strategies for talent management at all hierarchic levels, a special attention must be given to the segmentation of employees in target groups, depending on different values, ambitions and expectations. For example, Generation X's values, ambitions and expectations are different from those of Generation Y's, as those of middle aged women are different from those of elderly employees. These values, ambitions and expectations differ according to cultural environment, a more specific segmentation being necessary.

The benefits of the talent management practices cannot be ignored by the companies. Talent management doesn't contribute only in motivating employees and in obtaining a bigger profit, but also in the improvement of the respective company public image. A ranking of the most admired companies for their talent management practices, realized in 2008 in USA, is only one of the proofs of this thing. Among the most admired ten companies for their talent management practices are: BMW Company, Walt Disney, Fortune Brands, Starbucks, General Electric and Procter & Gamble.

Talent management encompasses many aspects of human resources management. While a company must be able to fulfil the administrative requirements in this domain, one must not let out of sight the fact that talent management refers to the development of individuals, at their training and at the creation of leaders.

Talent management must be a priority for each organization. In order for this objective to be accomplished, inside the organizations it is necessary to persist the conviction that people really matter, conviction that must be anchored in the organizational culture of the company, together with the managers' preoccupation for the development of the employees.

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<sup>11</sup> Watson Wyatt, WorldatWork, Integrated Reward and Talent Management Yields Better Attraction and Retention Results, [www.watsonwyatt.com](http://www.watsonwyatt.com), 2008, pp.1-2.