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**Developing Future Leaders:  
The contribution of Talent Management**

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## **Developing Future Leaders: The contribution of Talent Management**

### **Abstract**

Talent Management is more than Human Resource Management HRM, leadership development initiatives or succession planning. It is the collective approach to recruiting, retaining and developing talent within the organization for its future benefit, and extends beyond the domains listed above to include strategy, organizational culture, and change management. While much has been written in the form of 'how to do' and '10 steps to talent management', the picture emerging is more complex than that. Drawing on a series of in-depth case studies into the talent management processes of 7 complex, multinational organizations, this research discusses the contribution that Talent Management can actually make to the development of future leaders in an organization. Key developmental dimensions emerged from the case studies requiring decisions to be made as to an organization's development approach, assessment, and implementation plans. For example, will talent follow the same but accelerated approach to leadership development in the organization, or will they have a specialist route? Where is the focus of the organization's development plans – do they focus on strengths or address individual's weaknesses? While organizations may have clear ideas about where they lie on these dimensions, they are not always aware of the consequences. For example, an unintended consequence of an accelerated talent development path could be the arrested moral development of the talented individuals that are

developed. In the moral development literature, one study found that the amount of work experience an individual had correlated with levels of ethical behaviour, such that the more experienced an individual is, the more ethical their behaviour is likely to be. Another found that seniority within the company hierarchy seems to lower the levels of ethical decision making, such that the more senior within the organization a person becomes, the less ethical their decisions become. Taking these two findings in parallel suggests that some talent management ideas might actually lead to the development of less ethical leaders in the future. If an organization has an accelerated talent management system that results in people being fast-tracked through the ranks of promotions, they could actually be raising their seniority levels while reducing the amount of experience they have at each level, and thus contributing to a downward trend in ethical considerations and decision making. This research draws on the literature and case studies of organizations' talent management initiatives to offer a critical perspective of the role that talent management is really playing in developing the future leaders of organizations.

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## **Chapter One**

### **1.1: Introduction**

'Talent management' seems to be the key theme driving strategic HRM throughout organizations. IOMA's HR critical issues survey for 2006 identified talent management as the top issue for 75% of respondents (Sandler, 2006). Organizations are becoming more and more aware of the fact that they are about to suffer a significant knowledge loss due to the looming retirement of the baby boomers (Foster, 2005), as between 40 and 70% of all senior executives will become eligible for retirement in the next five years at most major corporations (Gandossy & Kao, 2004). Couple this with the dwindling numbers of the younger generations in the developed countries, and there is the potential for a 'talent' shortage in the not so distant future.

This demographic shift is changing the nature of the psychological contract, such that workers are more able to pick and choose between employers based on issues such as life balance, diversity policy, and the extent to which they will have a voice (Berger, 2004a). The highly educated professional employee is less a malleable resource for the company and more a mobile investor of his or her own intellectual, social and emotional capitals. As such employees are 'volunteers' for organizations, who view themselves not as assets, but as investors in their organizations (Gratton & Ghoshal, 2003).

This is quite a shift from the situation two decades ago when there was a massive downsizing of organizations, redundancies and the removal of layers of management as organizations endeavoured to increase their efficiency. Then we saw the psychological contract being renegotiated away from the idea of job security and a mutual employment relationship, to one where the individual had to maintain their employability and effectively manage their Curriculum Vita 'CV' in an effort to develop a career for themselves. Having shifted the nature of the relationship with employees in the direction of a looser bond, employers are now in a position where they may want to reverse the trend. Yet having tasted a different kind of 'relatedness', are employees willing to go back to stronger bonds? The labour market of the future is likely to favour the employee in the employment relationship. Understanding and effectively managing the psychological contract will help organizations thrive, but there needs to be clear agreement on the contributions that the workers will make to the organization and vice versa (Rousseau, 2004). Prospects and promises about careers, development and how talent is managed will be more rather than less important in the future.

## **1.2: Background**

In business, due to the current emphasis on intangible assets such as brand names, innovation, creativity and entrepreneurship, more than previously, the arenas of today cater to companies that can harvest the potential of their key resources (Schweyer, 2004). This is what makes a company, regardless of industry, to be defined as "good". Beyond these are companies that become

“great”. These companies first ask who, then what, and only when the right people are in the right positions the companies can take steps forward towards achieving beyond their competitors (Collins, 2001). Other research takes it one step further and argues that to be really successful it is not only necessary to find the right people on the right position but you should identify the superior performers for every position (Hoogheimstra, 1992). In fact research suggests that not even the vision and strategy of a company are as important as the people that eventually will drive the company into the future (Collins, 2001).

Since recruitment of even the most entry-level personnel is expensive, stiflingly so, the assumption that it increases when it comes to key positions within a company does not seem unfeasible. This would favour internal recruitment practises when possible, especially for higher positions. Theory states that the human capital of an organization is vital for the survival and prosperity of any company (Schweyer, 2004, Collins 2001). Add to this that the possibility for an employee to have a career, and advance in an organization, is a motivating factor (Caretta, 1992). This creates a need for a framework that can help these processes to emerge, i.e. Talent Management. Attracting, identifying and keeping those key employees that embody the core competences of the organization, constantly achieve at the top tier and even surpass their cohorts while simultaneously acting as a motivation for their co-workers, is identified as key for any sustainable organization (Berger & Berger, 2004). By finding and developing Talent, a company will beat the

competition with regards to market shares, profit and long-term value (Branham, 2000).

Business leaders are pressured from shareholders to provide results and profits, and from employees and workers' unions to provide a healthy and stimulating work environment. Simultaneously, pressures on employees and line managers are increasing for productivity, quality and cost reduction (Farley, 2005). In addition, everyone in an organization should be able to change and to allow for entrepreneurship, innovation and growth (Nicholls-Nixon, 2005). This leads to that more and more of firms' competitive advantage relies on intangible assets such as knowledge (Lawler, 2005). Everything has tradeoffs that must be carefully decided upon and the result is either success or failure.

### **1.3: Problem**

Labour markets, in Europe and the USA, are entering a time characterized by a shortfall of qualified labour (e.g. Benjamin, 2003; Saldert & Kiepels, 2007; Åkesson, 2007). Thus companies will have to hold on to their valued employees since it is getting harder to find replacements. According to the Deloitte Consulting's 2007 Top Five Total Rewards Priorities Survey, the biggest concern for organizations in the US, apart from health care benefits, is how to attract and retain Talent (Deloitte, 2007a).

Another problem for successful businesses is how to make the most of the resources employed in order to fulfil as many of the requirements possible to satisfy all the stakeholders' needs and wants. Researchers (e.g. Lawler, 2005; Farley, 2005; Rose & Kumar, 2006; Ordóñez de Pablos, 2004) point out that, by capitalizing on human resources and integrating it into the strategy of the business, suggested by Talent Management theories, a source of competitive advantage can be provided at the same time as, and by, making employees satisfied.

There are a number of studies that point out and study the connection between human resources (HR) Process and performance (e.g., Becker, Huselid, Pickus, & Spratt, 1997; Delery & Doty, 1996; Welbourne & Cyr, 1999; Wright & Snell, 1999).

However, researchers are still unable to identify the content of the “HRM black box” that is crucial when exploring HR’s impact on a firm’s intangible assets (Roehling, Boswell, Caligiuri, Feldman, Graham, Guthrie, Morishima, & Tansky, 2005).

HRM research in general has further been criticised (e.g. Wall & Wood, 2005; Fleetwood & Hesketh, 2006). Legge (in Storey, 2001) finds HR research to be at best confused while the worst cases are deeply flawed. She points out the common HR authors’ desire to once and for all show a link between certain practises that would lead to positive organizational outcomes. Berger and Berger (2004) point out that even after 70 years of human resource management growing in sophistication, no common approach, to meet the current and future needs, has been espoused for identifying, assessing and developing highly talented people. In the light of this, Talent Management has been conceived. Another problem with HR research is that different country specific laws and labour practises make, for example, American research hard to generalize to Europe.

With HRM being such a diverse and debated subject, embedded in the organizations, the questions arise; will talent follow the same but accelerated approach to leadership development in the organization, or will they have a specialist route? Where is the focus of the organizations’ development plans; do they focus on strength or address individuals weaknesses? What have I

found within the Talent Management area and how well does this correlate with the companies in the UK market of today?

## 1.4: Purpose

To identify how the most desirable leaders work with Talent Management, and implications following its practises.

## 1.5: Perspectives on Talent Management

As a concept in itself, talent management is actually quite difficult to define. It can be viewed from a number of perspectives, all of which give a different interpretation to the same activities within different organizations. The implications of each perspective on the development of the future leader could be quite stark. Table 1.1 summarises how the five different perspectives are operationalized differently through HR practices.

| Perspective   | Driver  | Recruitment & Selection  | Retention  | Reward  | Succession Planning  | Development Approach   |
|---------------|---|--|--|---|--|--|
| Process       | Use people management processes to optimise development and deployment of talent. | Competence based, consistent approach.                                     | Attention paid to processes such as WLB & intrinsic factors that make people feel they belong. | Calculated according to performance review and some element of potential.                 | Routine review process based on performance review cycle.                  | PDPs and development reviews as part of performance management. Maybe some individual interventions. |
| Cultural      | Belief that talent is the most critical factor for success.                       | Look for raw talent. Allow introductions from in-house.                    | Allow people the freedom to demonstrate their talent, and to succeed and fail.                 | Flexible package according to individual needs.   | Develop in-house if possible, if not look outside.                         | Individuals negotiate their own development paths. Coaching & mentoring are standard.                |
| Competitive   | Keep talent away from the competition.  | Pay the best so you attract the best. Poach the best from the competition. | Good people like to work with good people. Aim to be employer of choice.                       | Offer more than the competition. If people leave it won't be for a better reward package. | Geared towards retention – letting people know what their target jobs are. | Both planned and opportunistic approaches adopted. Mentors used to build loyalty.                    |
| Developmental | Accelerate the development of high potentials.                                    | Ideally only recruit at entry point and then develop.                      | Clear development paths and schemes to lock high potentials into career paths.                 | Increments based on development as well as performance.                                   | Identified groups are being developed for each level of the organisation.  | Both planned and opportunistic. Focussed on development into key roles.                              |
| HR Planning   | Ensure right people in the right jobs at the right time.                          | Target areas of shortage across the company. Numbers and quotas approach.  | Turnover expected, monitored and accounted for in plans.                                       | Clear salary scales and structures.   | Detailed in-house mappings for individuals.                                | Planned in cycles according to business needs.   |

Table 1.1: Differences in operationalization of HRM according to Talent Management perspective.

Firstly, there is the process perspective in which all people management processes are needed to optimize people within an organization (Farley, 2005). This perspective would put all the systems in place to enable a talented individual to carve out their career and succeed in their chosen organization. Provided they meet the competency requirements and performance requirements that the process requires, they will move forward. This could be one way of achieving the 'talent market' idea recently espoused by McKinseys (Bryan, Joyce, & Weiss, 2006) where individuals are expected to find the best opportunities for themselves, within the organization. This is supported by an Information Technology IT system to open up a nonprice-based competition across a range of candidates and job alternatives that silo mentality would previously have kept hidden.

Next is the cultural perspective that holds that talent management is a mindset (Creelman, 2004) where talent is believed to be critical for success (Michaels, Handfield-Jones, & Axelrod, 2001). Here talent is king and talented people can thrive or falter on their own merit. The opportunities are greater for the entrepreneurial. There are not the rules and processes to be adhered to for promotions that occur in the process perspective. In organizations playing by these rules, talented individuals have all the rope they need to either hang themselves or prove their competence and worth. This is perhaps the least structured approach to talent management and suits the mavericks in the workplace.

Thirdly there is the competitive perspective where talent management is concerned with identifying talented people, finding out what they want, and giving it to them – if not, your competitors will (Woodruffe, 2003). This is the perspective typically held by the large consultancy businesses or Public Relations PR/advertising businesses. In industries such as PR, where intellectual property is everything and accounts move when people do, finding a way to keep the most talented is everything (Bannister, 2005). This approach would tend to appeal to perhaps the most ambitious, or those who have chosen to work within industries where rewards are considered the greatest measure of one's achievement.

Next is the developmental perspective, which proposes talent management is about accelerated development paths for the highest potential employees (Wilcox, 2005). Here the organization wants to 'lock in' employees by targeting recruitment at entry level to the organization and then developing and promoting from within to maximise opportunities for high potentials. This perspective is the closest to reverting to the 'old psychological contract' of a job for life where your employer looks after your career.

Finally, there is the more general HR planning perspective which claims talent management is about having the right people matched to the right jobs at the right time, and doing the right things (Mucha, 2004). This is generally supported by a very sophisticated IT system which maps out various different

scenario options and future possibilities as people are moved around the company like a game of chess.

## **1.6: Defining talent**

Regardless of the perspective taken, the fundamental question of what is and what is not considered to be talent needs to be addressed. Tansley et al (2006) claim that 'talent management requires HR professionals and their clients to understand how they define talent, who they regard as 'the talented' and what their typical background might be. It also requires thinking about whether such recruits should be seen as particularly gifted.' If talents are considered to be 'gifted', then how many people are we talking about in an organization?

Berger (2004b) argues that only the top 3-5% are what he calls the 'superkeepers'. Chowdhury (2002) describes talented individuals as the spirits of an enterprise, being temperamental, creative, rule breakers and change initiators. Using that definition, I doubt any organization would want more than 3-5% of their workforce to be 'talents'!

The case study organizations ranged from one extreme to the other. Two organizations considered everyone to be talent as part of their egalitarian culture that did not want to deny anyone opportunities afforded to others. This said, they did then recognize that some individuals had talent that was

recognized as more relevant to the organization than the talent of others – but anyone could put themselves forward to be considered and developed, and everybody basically went through some of the same talent identification processes. This is one of the fundamental debates around talent management – the extent to which it is inclusive or exclusive. Take an exclusive approach and there is a danger that elitist tendencies will simply ensure that future leaders are in the mould of the current leaders; take an inclusive approach and there is the danger that nobody will believe that you are doing anything different, which could be demotivating for the ambitious, reward oriented and more goal driven members of the organization. Given that most organizations employing explicit talent management systems operate within capitalist national cultures, the meritocratic, capitalist ideal is bound to hold some appeal. In this context, would an ‘inclusive of all’ approach to talent management be likely to succeed in motivating and retaining the ‘ones with more relevant talent’ amongst the group? Bryan et al (2006) believe that a talent marketplace is not for all employees.

‘The majority of those at most companies are workers in the traditional sense: individuals who have skills that are largely interchangeable and can be managed adequately through line supervision (ibid:3). Hence they advocate a more exclusive approach. Organizations that have no explicit talent management system are still doing something with regard to talent management, only it is implicitly within their other HR processes and functions. Heinen & O’Neill (2004) claim that every organization has a talent

management system whether it is by default or design. Hence in non-capitalist countries there will be a less overt, non-explicit way of managing talent.

There is a danger that, if the talent management system becomes overly focussed on the definition of talent and the process of segmentation, the organization loses its feel for the distinct leadership requirements in different areas. Each market within the organization needs to be attended to in a way that is congruent with wanting to serve their market needs, so it is questionable as to the extent that workers become interchangeable pieces like a factory would exchange machine parts. While some organizations may have been successful at this approach (particularly franchising organizations), this approach is less likely to succeed in fast changing environments and industries where employees are considering themselves to be volunteers or investors in their organizations. Individuals are likely to feel dehumanised if they feel they are being moved around like replaceable parts, as it devalues their individual worth and only recognizes their ability to perform a task or role.

## **Chapter Two**

### **2.1: Literature Review**

Based on the purpose, the concepts that we find most relevant and coherent with the idea of Talent Management will be introduced and explained in the following section.

### **2.2: Talent Management**

HRM in all its forms has been present for a long time and is just what it says; how to manage the human resources in organizations. Unlike other resources like capital, inventories or machinery, the human resource is far more complex and changing (Cheatle, 2001) and the concept has evolved significantly during the decades it has been around.

Originally, HRM, or personnel administration, was considered only as an administrative matter of salaries and costs, (Michael, 2006) and measurements were only employee turnover, absenteeism and similar measurements (Phillips, 2005). Now, HRM in its most fundamental form is an employment management school seeking to build a company's competitive advantage through strategic use of cultural, structural and personnel techniques to develop competent and committed employees. This distillation aims to summarize the view of today's companies subscribing to the idea of people being one of their most valuable assets. This has led to the growing importance of HRM and also developed it as a strategic partner. Today it is recognized as an important part of a company's ability to meet their goals

(Decenzo & Robbins, 2002). However, there are critical voices being raised as to the ambiguity and contradictions of HRM, and although the authors of such texts do not deny companies their beliefs in that having the right people will lead to success, the authors rather point out the jungle of holographic discussions currently surrounding the discipline (Storey, 2001). The concept that recently has received most attention is Talent Management (Sandler, 2005).

Talents in the organization refer to core employees and leaders that drive the business forward (Hansen, 2007). They are the top achievers and the ones inspiring others to superior performance. Talents are the core competencies of the organization and represent a small percentage of the employees (Berger & Berger, 2004).

Talent Management is not just a new fancy word for finding and developing employees (Laff, 2006). Talent Management requires a systemic view that calls for dynamic interaction between many functions and processes (Cunningham, 2007). It is an ongoing, proactive activity (Schweyer, 2004). It is about attracting, identifying, recruiting, developing, motivating, promoting and retaining people that has a strong potential to succeed within an organization (Laff, 2006; Uren, 2007; Berger and Berger, 2004; Schweyer, 2004). However all this must be linked and integrated to the business context and the strategy (Farley, 2005). Although it requires a holistic, (Schweyer, 2004) systemic view (Cunningham, 2007), many researchers defines Talent

Management around different concepts and dimensions. This research will, however, distinguish and be built upon the four parts of the process; locating, assessing, developing and retaining Talent.

Talent Management needs an ongoing commitment from all levels of the organization (Laff, 2006; Uren, 2007) and can not be constricted to the HR department. If Talent Management would only reside within the HR department it would be too far away from the market and unable to react in time to changes. There is a discussion among researchers regarding who in the organization should manage Talent (Laff, 2006). Some say that the HR departments are facing the danger of extinction all together due to outsourcing and a shift in responsibilities to procurement departments (Ulrich, 1997; Donkin, 2007). Other organizations create training and Talent departments separate from the HR department (Laff, 2006). Further, some say that HR should be transformed into expert strategic partners (Ulrich, 1997; Lawler, 2005; Lawler and Mohrman, 2003). There are organizations that have managed the daunting task of creating an integrated approach with close cooperation between the HR department, executive staff and other business units (Pollitt, 2004a; Laff, 2006).

### **2.3: Integrating Human Resources in the Strategic Process**

Due to the importance of human capital in carrying out corporate strategy, a logical role of HR is to be a part of the development and implementation of the strategic process. The HR department should be established as a strategic partner to the company and not just a provider of administrative services (Losey, Meisinger & Ulrich, 2005; Ulrich, 1997) that now, for the most part, can be either replaced by technologies or outsourced (Lawler & Mohrman, 2003). Donkin (2007) argues that strategy is about what the organization is going to do and how it is going to do it, and it is the latter part that is the one the human resource department need to focus on. The HR's role is to ensure that the organization has sufficient capabilities to successfully implement strategy (Donkin, 2007). However, this requires the organization to be organized differently than required for the HR as an administrative function (Lawler, 2005).

Lawler (2005) states that one can consider the HRM within a company as a business in itself with three different product lines where the customers are the various constituents within the organization. The first product is the traditional administrative HR function; hiring, staffing, compensating and training. Secondly, the HR is as a business partner working close to the operations helping to develop effective HR systems and assisting to implement business plans and Talent Management. A way to do this is to establish so called "generalists", senior HR managers in key business units

acting as intermediaries between business units and the HR department, helping to implement Talent Management, and providing HR advices directly concerning change management or daily business.

However, this is a complex role with dual reporting duties and that requires a lot of resources and a deep knowledge of the business. The last product line is the strategic partner that should contribute to strategy based on HR considerations such as organizational capabilities and readiness (Lawler, 2005). HR can possibly contribute by making explicit the human capital resources needed and develop the capabilities necessary in order to carry out strategies or other initiatives (Lawler & Mohrman, 2003). Further, Lawler (2005) argues that it is through this role that human capital can be developed to be a strategic differentiator. The customer in this case is the strategists, typically senior executives, and provides input to the strategy formulation and implementation.

HRM should separate its reporting relationships between the administrative transactional function and a strategic unit influencing the strategy formulation and development (Lawler, 2005). The enhanced decisions about human capital are called Talentship (Boudreau & Ramstad 2005).

#### **2.4: Talentship**

Functions such as sales and accounting find their decision sciences within marketing and finance. In other words, the marketing department is the

strategic function leading up to, influencing and evaluating the more transactional sales. This helps them become better strategic partners to an organization and enhance the strategic rigidity of decisions made within these disciplines (Boudreau & Ramstad 2005). The same should be done with HRM in order for it to be a strategic partner as well (Lawler, 2005).

The pioneers of Talentship, Boudreau and Ramstad (2005), point out that similarly to decisions about other aspects of a business, the decisions about the Talent that is available to managers lacks quality at present, but will be enhanced by further development of Talentship.

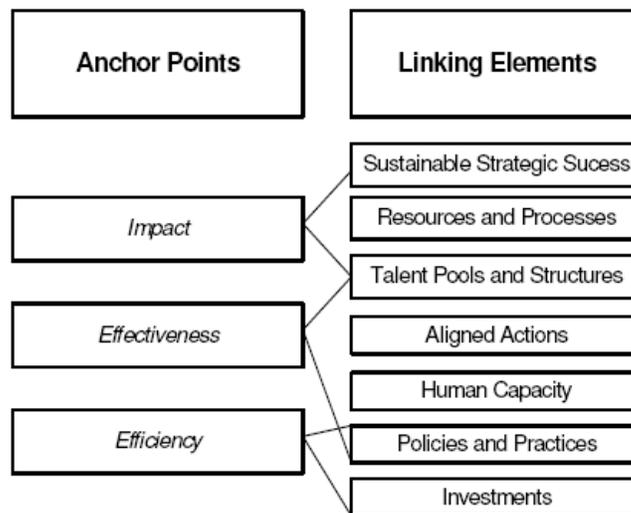


Figure 2-1 HC BRidge Model (Bourdreau & Ramstad, 2005)

At the heart of Talentship lies the HC BRidge model (Figure 2-1). It is a framework to coerce companies' decision makers to ask the right questions about HR. It integrates impact, effectiveness and efficiency and aims to link HR, Talent and strategic success; providing professionals with more consistency and a common language to communicate Talent decisions within an organization. Without such frames the amounts of data and opinions easily cloud key issues (Boudreau & Ramstad 2005).

Boudreau and Ramstad (2005) compare the HC BRidge to other frameworks such as finance's EVA (economic value added) which have become a valid part of accountancy decisions because of the models and tools that show the elements of the calculations together with the ways to combine them. This allows for the identification of elements where data is missing, thus simplifying the decisions when taking actions towards filling these gaps.

The three anchor points become defined by the linking elements. Impact reflects the hardest questions as it posts inquiries concerning how the differences in quality and availability of different Talent pools tie into strategy that can be compared to market segmentation, if we continue the comparison with marketing. Effectiveness is the anchor point that, in a simplified context, asks the question, "Do sales increase when a particular person receives training or incentives?" Lastly efficiency controls for the resource based information that needs to be brought to light, such as, the time used to fill a

position or what costs were incurred per hire. However, this framework does not stipulate certain actions, nor does it describe any specific situation. The HC BRidge spans multiple situations and decisions, setting up a logical way to describe situations, organize information, create deeper understanding and improve decisions (Boudreau & Ramstad 2005).

The aim with integrating HRM and strategy is to improve performance and as Lawler (2005) mentioned; to make human capital a strategic differentiator. According to numerous Chief Executive Officers CEOs in Laff's (2006) study, Talent Management is the best way to secure a competitive advantage.

## **2.5: Talent Management and Competitive Advantage**

It is generally accepted amongst management researchers that a sustainable competitive advantage comes from the internal qualities that are hard to imitate rather than, for example, the firms' product-market position. Human capital is such a resource. The resource and knowledge based views recognize the firms' knowledge resources as its tool for achieving a sustainable competitive advantage (Ordóñez de Pablos, 2004). Heinen and O'Neill (2004) argue that Talent Management can be the best way to create a long-term sustainable competitive advantage. A sustainable competitive advantage stems from valuable, company-specific resources that cannot be imitated or substituted by competitors.

For how long it can be sustained depends on isolating mechanisms such as social complexity and firm specificity (Hatch & Dyer, 2004). An example of an

isolating mechanism is when a knowledge based competitive advantage is embedded in the firm and not tied to specific individuals.

Research concerned with intellectual capital analyses knowledge stocks of organizations. Knowledge stocks can exist at different levels of an organization; individual, group and firm level. It is knowledge stocks at the individual level that are labelled human capital and it includes knowledge, capabilities, skills, experience and commitment of the individuals in the organization. At the group level, knowledge stocks are called relational capital and concerns the knowledge embedded with the relations between the organization and all its stakeholders. Therefore, it can be further divided into internal relational capital and external relational capital. Internal relational capital concerns the value that comes from the strategic relationships with employees and external relation capital from relationships with vital external stakeholders like customers, suppliers, shareholders among others. Structural capital is another word for firm level knowledge stocks. It is knowledge that from individual and group levels has been embedded in the structures of the organization and manifests itself like culture, routines, procedures and policies (Ordóñez de Pablos, 2004).

According to Nonaka and Toyama (2005), knowledge is created and transferred to the different levels of the organization through a process that includes socialization, externalization, combination, and internalization. Socialization is the first step when tacit knowledge is gathered and shared

before it is made explicit in the externalization process. In the combination process, internal or external explicit knowledge is selected, combined and processed to create systemized, complex sets of knowledge. The new established knowledge converts into new tacit knowledge in the internalization stage and the process repeats itself in a spiral of knowledge creation (Nonaka and Takeuchi, 1995, in Nonaka & Toyama, 2005). Human capital, relational capital and structural capital can all be sources of long term competitive advantage but the most significant evidence favours human capital (Ordóñez de Pablos, 2004).

Hatch and Dyer (2004) argue that when human resources freely can United Kingdom UK organizations, the assumption can be made that competitive advantages that rely on human capital easily can disappear with the employees leaving. However, if human capital is newly acquired from another firm it needs to be adjusted and integrated into the new environment and only a part of its knowledge is instantly recognized. For individual knowledge to become a part of the firms' competitive advantage it needs to be transferred and finally embedded in the entire organization (Ordóñez de Pablos, 2004). The time to tailor the human capital to its new environment and to find its best use is a cost and the result is not always that the knowledge can be wholly released in the new setting (Hatch & Dyer, 2004). A study of investment banks concluded that high performers rarely sustained their level of performance in a new organization (Deloitte, 2007b). This means that although human capital is the source of a competitive advantage it needs its system that it was originated from to be optimally valuable and

inimitable (Hatch & Dyer, 2004). This connects with Talent Management that needs to be firm specific to be most successful. It has to be customized to the organization's business and human capital context (Heinen & O'Neill, 2004).

## **2.6: Locating Talent**

HRM has always been about finding the right employees to fill the right position at the right time (Gubman, 1996). However, with today's shortage of qualified labour (e.g. Benjamin, 2003; Saldert & Kiepels, 2007; Åkesson, 2007), the scarcity of real Talents, (Bryan, 2007; Pollitt, 2004b) and the increased requirements of employees, this has become increasingly difficult (Pollitt, 2004b). Within Talent Management this is further specified into finding individuals with the possibility to become Talents.

## **2.7: Employer Branding**

The first step in order to attract the best people from the scarce resource pool of Talents is that the organization must be as attractive and welcoming as possible (Pollitt, 2004b). Although we have chosen to present employer branding as a concept under Locating Talent, the reader should note that the theory presented below also strengthens a corporation's ability to retain its Talent (Backhaus & Tikoo, 2004) which is further explained in a subsequent section.

A firm needs to have the attractiveness to be able to find suitable candidates, and to give the people that can add to the firms' competitive advantage a

clear view of the capabilities that are necessary and what values they can identify with (Uren, 2007). Schweyer (2004) points out that a corporation's career site is one of the most visited and therefore becomes an important tool where the employer brand will be communicated.

Backhaus and Tikoo (2004) identify the Employee Branding process as comprising of three parts. The first one is that a value proposition will be mirrored in the brand. Here specific cultural elements, images, management styles and concepts with particular importance for the company will be embodied. Further, Employee Branding becomes an external "marketing tool" allowing for these "softer" requirements of the firms' future employees to become visible. However, the last part is that it also has an internal effect where the employer brand becomes a promise from the company to the employee, and also something for employees to identify with and rally around.

## **2.8: How to Find Key Individuals**

In accordance with employer branding theory, Von Seldeneck (2004) points out that the first step in finding key Talent lies in the organization's ability to discover the profiles that best interlock with its own organizational culture and profile requirements. This precursor enables the employer to match candidates' specific backgrounds, work experience and personal qualities to create a good organizational fit. Further it is unlikely that all key Talent will come from within the own organization or be unemployed.

Researchers have found (Branham, 2000; Schweyer, 2004) that many firms recruit externally prior to looking at inside Talent. This could be due to factors such as corporate culture and managers fighting to retain their best performing people and consequently not wanting to lose them to other managers. However, the Talent managing organization will have tracked its employee's capacity and career aspirations so that it can encourage internal career mobility and it becomes important to monitor firms with similar cultures and methodologies to be able to identify individuals fulfilling the Talent needs of the company (Schweyer, 2004). The external Talents should not only concern professional head-hunters. In fact, employers should be able to identify the outstanding performers and up-and-comers in competing organizations (Von Seldeneck, 2004).

Although illogical to some, Von Seldeneck (2004) claims that, for the recruitment of key individuals, a slowing economy often presents ideal opportunities. Because of highly talented people's predisposition to manage their environment, a firm can take advantage of this by offering challenges, opportunities and compensations that suit the key Talents' palate while most firms are less aggressive or even dormant in their search for new top achievers. To attract Talent from competition, the support of individuals within the organization that have the passion, vision, integrity and ability to create an environment that will draw people in, is needed. This is also

supported by American firms' difficulty in retaining workers during the slow economy of 2002 realized by Frank and Taylor (2004).

Recruitments are expensive and it is imperative that the new employee stays at the position for a long time (Branham, 2000). One reason that a lot of recruitments fail is due to recruitment practises based on credentials which are poor predictors of performance. A better recipe for successful recruitment is "Hiring for Competencies" that is one of the building blocks that Talent Management relies upon (Dalziel, 2004).

## **2.9: Transparency**

The second big question facing all organizations is whether or not to tell people that they are considered to be talented. It would seem that if the organization takes the inclusive view and holds that everyone is talented, then it is safe to tell everyone, but if only a small group are recognized as talent, is it really beneficial to tell them? The 2005 What's Working Survey conducted by Mercer Human Resource Consulting found that 50% of employees who thought that their organizations could not meet their long term career objectives were thinking of leaving, while this number more than halved for employees who felt that their organizations could. Similarly, being given good opportunities for continuous learning reduced the number thinking of leaving from 57% to 32% (Mercer HR, 2005). This suggests telling your talented employees that they are considered talent could be advantageous. However, it does not all seem to be about opportunities. A Gallup study of 80,000

managers concluded that the greatest drivers of employee engagement and retention are intangible, mostly related to the way a line manager treats their reports (Branham, 2005). So if you tell an employee they are considered talented, they may be more likely to stay as they feel they will be treated better by their manager, and have more opportunities if they stay than if they leave. On the other hand, depending on how the organization constructs the remaining employee population, there could be a detrimental effect on the other employees who perceive that they are less valued and have less access to the development opportunities.

Not having a transparent talent management system could also seem a little subversive. It means that an organization is scheming a person's career and future without taking into consideration the response of the individual to their plans. Also, there are some people who might be offering extra discretionary effort in their work in the false belief that they are considered talented, while others are not in the false belief that they are not considered talent.

That is why fearless conversations have such an important role in any talent management system, being able to have direct and tactful conversations that inquire into what the employee wants to invest on and what the company can offer. Tice & Wallace (2003) discuss the concept of the reflected self as people coming to see themselves as they believe others see them. The person observes how others view them and then incorporate those views into their self-concept, to the extent that people actively attempt to create desired

impressions or appraisals of themselves in the minds of the social audience. Could a lack of transparency in a talent management system impact negatively on the reflected self resulting in less confident 'talent' under-achieving? Could a lack of ability in providing good quality feedback, both from manager and employee, hinder the possibility of the organization and the individual achieving the best possible outcome for both?

In the case study organizations, most tended towards a lack of transparency with one being completely opaque and secretive. The majority told the individuals concerned that they were considered talent but this was then generally held as a secret amongst those that needed to know rather than broadcast more widely, while only one organization was fairly open about where people stood in a public domain. The culture of the organization was the explanation for this choice; in a culture where Talent Management has a developmental approach, telling individuals their transient location on a talent map was believed to deviate from the original intention of the talent management ethos: to offer development opportunities that would ensure short and long term capabilities. This view within an egalitarian culture, led the organization to choose not to openly discuss 'placement' but to discuss feedback. Conger & Fulmer (2003) argue that succession planning systems have traditionally been shrouded in secrecy in an attempt to avoid sapping the motivation of those who aren't on the fast track, based on the idea that if you don't know where you stand you will continue to strive to climb the ladder. However, given that the employee contract is now based on

performance –rather than loyalty or seniority – they argue that people will contribute more now if they know what rung they are on.

Organizations could borrow an idea here from marketing – that of segmentation. Marketing segmentation results in each segment being targeted and treated differently by the organization , but does not necessarily mean that any one segment is more or less important than the other. The question is how the relationship with each specific segment can allow optimal benefit for the organization and the people in that segment. The notion of responsive segmentation can become particularly useful if an organization is struggling with operationalizing an approach to talent management that would recognize that every employee has talent. Some of the organizations we talked to are seeking to tailor learning and career development opportunities to the distinct requirements and potential contributions of different clusters of individuals. The motivation for such segmentation is to enable the organization to be responsive to the needs of groups within the internal ‘talent market’, and to changes in those needs. This would require, however, a segmentation process that was a little more sophisticated than most that we have seen to date based solely on performance and potential.

## **2.10: Recruiting for Competency**

“You can teach a turkey to climb a tree, but it is easier to hire a squirrel” (Hoogheimstra, 1992, p. 30). The quote illustrates what competency based recruitment practises are all about. The core meaning, according to Hoogheimstra (1992), is that a company should recruit based on personal traits and characteristics that are not easily taught or changed. If a person has the right competencies, specific tasks are easier and cheaper to educate.

Hoogheimstra (1992, p.27) defines a competency as “an underlying characteristic of an individual which is causally related to effective or superior performance in a job”. Thus, a competency can be any personal characteristic that is measurable and that distinguishes the poor performer from the superior performer. Pollitt (2004b) identified core competencies that organizations all over the world are looking for to be; the ability to adapt quickly to external and internal changes, the capability to shift attitudes and behaviours, leaderships skills, the ability to effectively influence and work through others, and to work with partnerships. Hoogheimstra (1992) provides other examples of competencies such as motives, traits, self concepts, content knowledge, and cognitive and behavioural skills. Motives are an individual’s need for achievement, the drive and thought pattern that influences the individual to perform. Traits are personal characteristics that determine how to respond or behave e.g. self-confidence, stress resistance or self-control. This is not to be confused with self-concept that is the individual’s attitudes and values and thus harder to change. Content

knowledge is simply the understanding of facts and procedures i.e. how to perform tasks or who to ask for help. The last group of the personal characteristics that can be competencies is the cognitive and behavioural skills, either concealed, like how one is reasoning, or observable, like active listening skills. Some of these competencies are easy to teach while others are much harder. Although, changing someone's motives are possible, the process is time consuming, difficult and expensive. The lesson from this is to employ based on motivation and traits and afterwards develop the knowledge and skills required (Hoogheimstra, 1992).

Regarding Talent Management, Cunningham (2007) identified two general strategic choices to consider when recruiting; aligning people with roles or, aligning roles with people. Aligning people with roles is shortly described as when there are previously agreed job roles and the focus is to align people to these roles. Aligning roles with people is the opposite where the focus is on the people and the job role is adapted to their specific characteristics. If focusing on aligning people with roles, the factors influencing performance are several. Selection, recruitment, placement and promotion are basically to find the right individuals, hire them, place them in the right position and later promote them. Promotion decisions are strategic choices linked to learning and development decisions. If the right capabilities are not to be found in the labour market, or internally, the question is whether the organization should hire/promote someone less than capable but a good learner that can be developed to perform well (Cunningham, 2007).

The other strategic choice identified by Cunningham (2007), aligning roles with people, has different strategic arenas of Talent Management. It is about adapting the roles in the work environment to enhance performance. The role is not to be confused with a job description, it is more. In addition to a list of responsibilities, or tasks, it also includes the relationships with others. This is related to the working environment where, in the best of cases, people can easily interact with others, share knowledge, and enhance their development through on-the-job learning. The design of the organization is important to support this and should provide opportunities for talented individuals for effective retention. Different kinds of rewards, not necessarily financial, are also a supporting factor and even the working method applied influences development. If someone in a role with limited responsibilities is restricted to only working on a confined part of the process he/she does not see the whole picture. People confined to routine work are unlikely to contribute with more than that work and this inhibits development.

### **2.11: Developing High Potentials**

Whether the focus is on individual competence or organizational competence, developing competence within the organization is key to creating a talent management system. Berger (2004c) argues that an organization should develop a list of its core competencies and assessment tools for measuring them; develop training and development solutions to support these core competencies; assess everyone against them and forecast potential; and

finally prepare action plans to ensure that the core competencies are covered. Redford (2005) believes the focus should be on the competencies rather than the future leaders per se, in an effort to find people who can do the jobs brilliantly, while Romans (2005) redesigned his entire organization using the human capital pipeline systems thinking model. This was based entirely on a system of role competencies rather than individual competencies. A consequence of this could be that it separates the competence from the individual and dehumanises the workplace, such that employees (be they talented or not) are merely fulfilling roles rather than engaging in their work.

In order to be sustainable, rather than a simple one hit activity, talent management needs an organizational commitment to continuous professional development (Clarke, 2001). This will be visible through the range of development experiences offered within the organization , moving away from the traditional classroom training based model, to include stringing together a range of meaningful experiences to build character. These could include coaching, issue development meetings, job rotation, interim and emergency assignments, task force assignments, extracurricular activities and so forth (Krewson, 2004). Phillips & Phillips (2004) argue that corporate universities can help by linking learning and strategy, and preparing employees for future challenges.

Ken Tucker of the Gallup organization sees most organizations focussing on individual's weaknesses rather than their strengths. Development plans are then drawn up to address these weaknesses, rather than people being paired with others with opposite strengths and weaknesses to work in teams (Digeorgio, 2004). He argues that while focussing on weaknesses may prevent failure, focussing on strengths leads to world class success, and people feel good about themselves, and find new ways of using their strengths for the organization's benefit. Focussing on strengths means focussing on existing capabilities rather than capabilities in need of development. Goodman (2000) also believes that institutions now need to be organising so as to bring out the talent and capabilities existing within their organizations, to encourage people to take initiative, and to give them a chance to show what they can do, and a scope within which to grow. He sees this as a shift from management to Leading, the nuance of which shifts the emphasis from a controlling development stance to an empowering development perspective.

Much of the talent management process is centred in the development of the individuals concerned. In order for them to progress through the organization to fulfil their organization's ambitions, they need to have a range of learning and development experiences to prepare them for their roles. The first issue here is where the focus of the organization's development activities lies: is it on addressing weaknesses that individuals and the organization have, or is it

on building on the strengths that are demonstrated to enhance them further?

In one of my case study organizations, they tried to play to people's strengths allowing them to become experts in their job role and quite specialist.

Another organization had three definitions of talented individuals: leadership talent, expertise talent and entrepreneurial talent. This again allows individuals to focus on their area of strength rather than having to be a great leader or specialist. Most organizations, however, tend to set development objectives that focus the individual on their 'areas for improvement' or weaknesses rather than playing to individual strengths in order to make employees 'better' all-rounders.

Questions also arise as to what 'development path' to map out for those identified as talent. One option is to have an 'accelerated path' whereby a talented individual follows the same career path as everyone else only quicker, while at the other end we have a 'differentiated bespoke' career path that is drawn up to meet their specific circumstances.

Graduate Recruitment programs are to some extent an example of the accelerated path, while the more bespoke paths were found in one case study organization that was going through a process of rapid growth. To some extent, talented individuals are likely to be self-directed learners (Tice et al., 2003). They will be highly motivated to learn and continually stretching themselves as they find this a positive rather than negative experience.

Indeed, this may be the way to sort the talent from the rest - do not provide any formal training and see how the individuals use informal mechanisms to develop themselves!

Care needs to be taken with the development path. An unintended consequence of an accelerated talent development path could be the arrested moral development of the talented individuals that are developed. Glover et al (1997) found that the amount of work experience an individual had correlated with levels of ethical behaviour, such that the more experienced an individual is, the more ethical their behaviour is likely to be. Ford and Richardson (1994) found that seniority within the company hierarchy seems to lower the levels of ethical decision making, such that the more senior within the organization a person becomes, the less ethical their decisions become. Taking these two findings in parallel suggests that some talent management ideas might actually lead to the development of less ethical leaders in the future. If an organization has an accelerated talent management system which results in people being fast-tracked through the ranks of promotions, they could actually be raising their seniority levels while reducing the amount of experience they have at each level, and thus contributing to a downward trend in ethical considerations and decision making on both fronts.

## **2.12: Challenging Assumptions about High Potentials**

There are a number of implicit assumptions in talent management systems that start with the assumption that talented individuals actually want to be managed, and extend to include the assumption that talented individuals can actually be managed. Tansley et al., (2006) recognize that employees' values and work preference can be of great importance.

While talent may be defined as a complex amalgam of an employees' skills, knowledge, cognitive ability and potential, if the employee is not motivated to achieve, does not have ambition, or is happy simply to come to work and do a good job because they see their work as their work and nothing more, then it may not matter how much you treat them as talent, they will not change their behaviour, nor will they meet your expectations.

With regard to whether or not talented individuals can actually be managed, Casse (1994) argues that the definition of human beings merely as resources is obsolete, demeaning and out of line with my sociological evolution. Many corporations fail to understand that the men and women who work for them need to be appreciated and valued for who they are, lest they lose their trust in their company's executives. Casse argues that HRM as a term is alien in Europe, ethically wrong and ineffective, and that moving from a HRM approach to talent management concept involves three key leadership challenges: knowing what talent is available; using this talent effectively; developing this talent further. We would add 'knowing what leadership talent

you need, both now and for the future', to this. Effectively using talent then requires three particular leadership traits: a positive and encouraging outlook based on the principle that 'your success is my success'; the ability to delegate and empower; and a strong imagination that will enrich each team member's job (as well as the leader's own).

### **2.12.1: Outsourcing HR Functions**

A strong recent trend is the Recruitment Process Outsourcing (RPO) to specialist recruitment agencies (Lawler, 2005; Grainge, 2007). RPO is when recruitment agencies take care of parts or the entire recruitment and selection process. This could be the source of significant cost savings and effective recruitment practises and allowing in-house HR personnel to focus on more strategic issues such as Talent Management (Grainge, 2007). Hansen (2007) identified that in the US, the most common reason for outsourcing HR practises is to gain expertise, followed by cost savings, access to technology and finally letting in-house HR department focus on strategic issues. However, RPO can never wholly replace an HR department but it can provide the general outsourcing benefit of being able to focus on the organization's core functions (Grainge, 2007). Lawler (2005) states that the HR department must still have the expertise in the outsourced process to be able to evaluate the performance of the outsource provider. According to Grainge (2007), staff welfare and other "soft" HR issues can never be outsourced.

Companies are now becoming more confident in the recruiting agencies and are creating larger contracts, when before only trusting them with limited responsibilities such as Résumé-screening and reference checking. Although, with greater responsibility put on the recruitment agency, the greater the importance for it to have a close contact and a thorough understanding of the outsourcing firm. It is recommended to have a flexible long term partnership with the outsourcing supplier to be able to scale up or down according to the business needs as well as having pre determined performance indicators. To ensure quality of the recruitment, the outsourcing firm can have a retention clause in the RPO contract as insurance against high employee turnover. A close communication between the parties is essential to ensure cultural fit and the understanding of recruitment needs. Some recruitment agencies operate on-site with their clients to ensure close partnerships. Even though it has initially been mostly about volume recruitment, i.e. temporary positions and contact centre staff etc. more and more firms outsource recruitment for executive positions (Grainge, 2007).

### **2.12.2: Headhunting**

When the baby boomers in executive positions will retire during the next couple of years there will be a gap to fill with talented people at high levels within organizations (Rogers & Smith, 2004). The recruitment outsourcing at executive level is called headhunting, or executive search. It is about identifying and selecting high performing individuals at executive levels (Cheatle, 2001). However, the failure rate is around 50% when finding

executives externally. Therefore, another option is to identify executive potential within the existing human resource pool focusing on attributes closely related to competence based recruitment explained above (Rogers & Smith, 2004). Crucial to any recruitment, external or internal is to measure who has the potential to perform well (Hoogheimstra, 1992).

*Locating Talents is about attracting, recruiting, selecting and positioning key personnel and individuals with the potential to become Talents. Since today's environment cater to rapid change, competencies, such as the ability to adapt, social skills and the need for achievement, are more important to base recruitment practises on then credentials. When HRM is recommended to become more strategic, a solution to free resources needed is to outsource non-core recruitment functions. The second research question is therefore:*

***How do UK firms locate critical Talent?***

### **2.12.3: Assessing Talent**

Neely, Gregory and Platts (2005) point out, in their extensive literary review of performance measurement, that the importance of assessment has long been recognized by both academic researchers and practitioners. Further there is a certain stability and safety in the ability to be able to quantify and rank different variables and there are web-based technologies enabling the storage and usage of massive amounts of information. A Talent Management System, using browsers, search engines, e-mail and database technology, can provide HR professionals with the tool necessary to collect, analyze and

assess vast amounts of data regarding Talents and other employees (Schweyer, 2004). Hustad and Munkvold (2005) acknowledged the potential of an IT system to support and improve strategic competence management, which is about the same as Talent Management, in their case study of UK telecommunication company Ericsson. Laff (2005) clarifies that with all this new technology, Talent Management is no longer reserved for the top levels in the hierarchies. Therefore an organization can assess all of its employees in order to find Talents. Another question regarding Talent Management is whether or not to make the selection of high performers visible and Laff (2006) argues that it is important for the high performer to know but it should not be publicly known.

Two dominating concepts within the assessment of Talents are Performance Management and Performance Measurement where the latter is the practical and technical task of assessing performance and the first is the broader concept making use of the results from measurements (Busi & Bitici, 2006).

#### **2.12.4: Performance Management**

In order to improve organization culture, systems and processes and to set performance targets as well as aid in the prioritising of resources, performance management is about managing performance measurements in order to make accurate use of the information received (Busi & Bitici, 2006). Performance management systems should give autonomy to individuals within their span of control, reflect cause and effect relationships, empower

individuals, create a basis for discussion thus improving continuous improvement and support decision-making. From this it is gathered that performance measurement and performance management have a symbiotic relationship and can not be separated, elevating the role of the manager of Talent relationships (Lebas, 1995). Further, research has shown that the best contributor to organizational success, measured in terms of profit, customer loyalty and employee retention, is the relationship between managers and their employees, which naturally includes the key Talent as well (Benjamin, 2003). However, Schweyer (2004) states that the diverse environments in business and human complexity add up to a volatile mix that does not lend itself well to predictability.

#### **2.12.5: Performance Measurement**

Performance measurement is according to Neely;

*"the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data" (1998, in Busi & Bitici, 2006 p.13).*

Table 2-1 lists the most common measures in leading organizations according to Phillips (2005). Although they are sometimes difficult to grasp, they do reflect the potential success factors and challenges in the organizations of today. These measures, or the underlying human capital issues, can contribute to growth, development and the sustainability of corporations everywhere by allowing the company better information about its employees

which in turn enables it to make better decisions. Further, Phillips (2005) also notes that, although, some of these measures might seem old and outdated, they do all represent important measures that can guide actions that create opportunities and solve problems.

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|---|--|
| <ul style="list-style-type: none"> <li>1. Innovation and Creativity               <ul style="list-style-type: none"> <li>Innovation</li> <li>Creativity</li> </ul> </li> <li>2. Employee Attitudes               <ul style="list-style-type: none"> <li>Employee satisfaction</li> <li>Organisational commitment</li> <li>Employee engagement</li> </ul> </li> <li>3. Workforce Stability               <ul style="list-style-type: none"> <li>Turnover and termination</li> <li>Tenure and longevity</li> </ul> </li> <li>4. Employee Capability               <ul style="list-style-type: none"> <li>Experience</li> <li>Learning</li> <li>Knowledge</li> <li>Competencies</li> <li>Educational level</li> </ul> </li> <li>5. Human Capital Investment               <ul style="list-style-type: none"> <li>HR department investment</li> <li>Total HC investment</li> <li>Investment by category</li> </ul> </li> <li>6. Leadership               <ul style="list-style-type: none"> <li>360 degree feedback</li> <li>Leadership inventories</li> <li>Leadership perception</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>7. Productivity               <ul style="list-style-type: none"> <li>Unit productivity</li> <li>Gross Productivity</li> </ul> </li> <li>8. Workforce Profile               <ul style="list-style-type: none"> <li>Demographics</li> </ul> </li> <li>9. Job Creation and Recruitment               <ul style="list-style-type: none"> <li>Job growth</li> <li>Recruitment sourcing and effectiveness</li> <li>Recruiting efficiency</li> </ul> </li> <li>10. Compensation and Benefits               <ul style="list-style-type: none"> <li>Compensation</li> <li>Employee benefits</li> <li>Variable compensation</li> <li>Employee ownership</li> </ul> </li> <li>11. Compliance and Safety               <ul style="list-style-type: none"> <li>Complaints and grievances</li> <li>Charges and litigation</li> <li>Health and safety</li> </ul> </li> <li>12. Employee Relations               <ul style="list-style-type: none"> <li>Absenteeism and tardiness</li> <li>Work/life balance</li> </ul> </li> </ul> |
|---|--|

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Table 2-1 The Most Common Human Capital Measures (Phillips, 2005)

The measurements of human capital displayed in Table 2-1 will later be compared to the measurements reported by the most attractive UK employers.

### **2.12.6: Scorecards**

Performance measurement has been criticised for lacking the link to strategy, thus becoming too focused on internal processes (Busi & Bitici, 2006). The development of Talent is commented upon by Phillips and Phillips (2004), and they note that it becomes and has become a strategic decision for organizations considering the costs involved in training and development. They argue for the notion that the Talent that contribute the most also should have access to larger portions of the training budget. Further, they recognize the unimportance of these kinds of statements if corporations have no way of assessing their employees, and a scorecard approach is suggested.

Scorecards provide both, the quantitative and qualitative measurements of contribution, and provide critical information (Phillips & Phillips, 2004). A scorecard can take many shapes and forms, but they have caught the attention of management across the board, allowing for a quick comparison of key measures and the examination of the human capital status in an organization. Therefore, this tool has become an important way of shaping the direction of human capital investments, improving performance or employing pre-emptive Programs to maintain desired levels (Phillips, 2005).

According to Huselid, Becker and Beatty (2005), the workforce scorecard has three elements leading up to workforce success; the mind-set and culture, the competencies and the leadership and workforce behaviour. The statement of success in this case is based upon these three steps directly correlating to the

execution of an organization's strategy and that it is driven directly by the employees' skills and exerted efforts. The importance here also lies in discovering the measures that really drive the strategy, which also leads to greater understanding of the key components of the most important positions within the company.

Huselid et al. (2005) also point out the importance of differentiating job positions and employees and denominate it as one of the key attributes of managing the workforce. This is similar to the employee segmentation of Talent by Berger and Berger (2004).

In this case, the scorecard should illuminate the "A"-positions so that "A" performance can be identified hence enabling the positioning of the right people in the right positions as promoted by Collins (2001). A difficulty of implementing Talent Management is that it requires the evaluation and differentiating of individuals that can be a source of conflict that many want to avoid (Uren, 2007) not the least in a social democratic or liberal environment.

*Assessing employees has shown to be a vast and thoroughly researched area. Although the face value of practises, such as tying a person's performance to a few measurable variables, might seem a bit dated, practises such as keeping scorecards have once again caught the attention of researcher and practitioners alike. It therefore becomes important to ask:*

*How do UK firms assess critical Talent?*

### **2.12.7: Developing Talent**

Developing Talent, i.e. the learning and performance improvement of high performers, is an essential part of Talent Management (Frank & Taylor, 2004). Ordóñez de Pablos (2004) states that firms can protect their human capital from being eroded by making knowledge, skills and capabilities more unique and/or valuable by a so called “make system”, or internal system of HRM, which comprises of comprehensive training, promotion-from within, developmental performance appraisal process, and skill based pay. Building on performance management systems, Frank and Taylor (2004) predicts that in the future, employees will receive custom made responses to task or skill weaknesses continuously.

Michaels, Handfield-Jones and Axelrod (2001) states that although everyone can not become organizational superstars they can push the limits of what they can accomplish. Therefore, organizations that embed development into their very core can attract more Talent, retain it longer and have better performance over the long run. There is, however, a divergence from this academic truth. Most companies deliver poor development possibilities, but new approaches on development will simplify this by using already available tools i.e. job experience, coaching and mentoring. Table 2-2 will display the change of mindset regarding development.

| Old Approach to Development                              | New Approach to Development  |
|--|--|
| Development just happens                                 | Development is woven into the fabric of the organization                               |
| Development means training                               | Development primarily means challenging experiences, coaching, feedback, and mentoring |
| The unit owns the Talent; people don't move across units | The company owns the Talent; people move easily around the company                     |
| Only poor performers have development needs              | Everyone has development needs and receives coaching                                   |
| A few lucky people find mentors                          | Mentors are assigned to <i>every</i> high-potential person                             |

Table 2-2 Comparison of Development Approaches (Michaels et al., 2001)

### 2.12.8: Job Experience

As a part of the new paradigm of development, it is identified that people need challenges and experiences to grow, and as Michaels et al. (2001) point out this is especially true for high-potential employees. Further they point out the importance of stretching the abilities, not being afraid to promote and assign projects to people without the specific relevant experience. Timing is, however, important since moving people too fast will undermine the ability of the employee to achieve any motivating results and wilt the learning process.

It should also be pointed out that Michaels et al. (2001) put importance, not only on stimulating people through "bigger jobs", but also stress the fact that employees need different jobs e.g. line-to-staff UK's, starting projects from

scratch and fixing projects in trouble. Thus, this gives the pool of Talent many different challenges throughout their careers.

### **2.12.9: Coaching**

Michaels et al. (2001) attribute great importance to coaching as a part of the new paradigms of development and they are supported by Thach (2002) who finds coaching to be a great improver of effectiveness. Employees need knowledge of their strengths and consequently the areas where they can improve to be able to develop in the best possible manner.

Further, there is also a chance of derailment of highly talented people if no feedback is given, and then the lack of these practises becomes directly harmful to a business. Feedback should be given to allow for people to illuminate areas which they need to improve. Coaching builds on this knowledge and contributes instructions, guidance and support to allow employees to act on the feedback that they are given. This process should ideally be built on the coaches own experiences and be communicated through storytelling. This does not only make the manager appear more humane but also instructs and comforts (Michaels et al., 2001).

Further, Michaels et al. (2001) point out that leaders who are exceptional at providing vital development tools such as feedback and coaching should do so frequently in both verbal and written form. Including both genuine

affirmation, but also provide direction on how the employee can grow and improve.

### **2.12.10: Mentoring**

Another important way for developing Talent is according to Friday and Friday (2002) mentoring. Further, Michaels et al. (2001) notes that, a manager builds self esteem in the high-potential employee by offering praise, encouragement and support by believing in the employee's ability to achieve above everyone's expectations. However, the mentor's role also requires the communication of painful feedback, but from the mentor position a bigger picture should be visible so that further encouragement and advise on how to develop from the source of the feedback can be initiated. This is in line with Friday and Friday (2002) that also recognizes that employees involved in mentoring experience greater career satisfaction and commitment.

As with most of the concepts within Talent Management, mentoring needs to become an integral, embedded, part of the organizations whole strategy in order for a firm to reap its benefits. Michaels et al. (2001) call this the institutionalisation of mentoring and they point out that although there might be sporadic everyday cases of mentoring for a select few, which have found mentors themselves, few companies explicitly assigns mentors to high potential Talent. However, their research shows that mentoring is valuable for the development of Talent.

### **2.12.11: Training**

Although development is no longer synonymous with training it is, according to Frank and Taylor (2004) still the most used approach and Michaels et al. (2001) point out that it is not completely without value when it comes to Talent. Especially management development can be enhanced by foundational managerial education and high-impact leadership development. The latter that can only be delivered in a face to face environment where the instructor is a well respected senior leader within the organization. This becomes an arena for development based on the solving of real and important business problems.

Foundational managerial education on the other hand, is the knowledge of academic disciplines taught in M.B.A. or executive education Programs which become particularly useful for those facing transitions in their careers. Daniels (2003) note that it is how the training will be integrated into the job which is the main consideration of these approaches.

According to Michaels et al. (2001), these Programs have in common that they introduce new skills, concepts and knowledge. The high-impact leadership approach also provides in a powerful action-learning format. Further, this approach to development immerses the employee in the leadership principals and values of the company, and also facilitates the creation of trust-based networks and spontaneous mentoring relationships. It also becomes important to implement this way of developing into the

mindsets of the participants so that they learn first hand what it takes to successfully lead the organization.

As training easily becomes a high cost activity for any company, Daniels (2003) goes through the evaluation of training and the importance of looking at its impact on the organization. Training must never be seen as a panacea as it does not eliminate core organizational problems however, it can provide vast improvements. Although, Frank and Taylor (2004) provides a different view, in their analysis of future trends within Talent Management, when arguing that technology based learning systems will become readily available and provide effective solutions to training needs.

#### **2.12.12: Succession Planning**

Succession planning is something overlooked by many companies, according to Grubs (2004), and this becomes an increasing concern considering the departure of the baby boomer generation and the void they will leave behind them. Succession management can be executed with many goals in mind, and it is important for an organization to identify these. Not only because the internal development of people or the potential successor to the CEO have different requirements, but also because the target audience for the Program needs to be determined. Role-based Programs target key positions critical for the business success. Individual-based Programs focus on specific employees that have great potential for future advancement while Pool-based Programs are created to facilitate the move of any number of people that could fill

several positions within the company. The next step becomes the establishment of e.g. leadership competencies or qualities that are considered to be a part of desirable candidates' profiles. This is integral so that the long term strategies can be built and supported by the HR practises (Grubs 2004).

It is more costly to loose employees and hire new ones then to make the efforts necessary to keep them (Branham, 2000). Therefore it is increasingly important for organizations to employ succession planning. To know who will take the place of someone that leaves or gets an internal promotion, i.e. succession planning, is important but, other than in the case of retirements, could be problematic since the question of who leaves often is unpredictable. As Cunningham (2007) notes, this calls for organizations to be proactive and have a pool of people that can be promoted into leadership roles, hence invest in the development of junior manager graduates etc.

This approach is not so much to succession plan, i.e. to identify who will succeed their manager, but more about succession development that is recognizing the need for the organization to be flexible and able to choose from several options when someone leaves. One supporting example to this is the possibility that it is the planned successor that leaves first. Another danger with succession planning is that the manager has pointed out successors of his own image thus discriminates candidates perhaps more apt for the job (Cunningham, 2007).

### **2.12.13: Career Management**

The direct opposite of successor development is career guidance and Cunningham (2007) describes this as where the individual's career choices and development is in focus instead of what position to be filled. Today's increasingly changing environment makes the corporate ladder more diffuse and career moves are not necessarily vertical. Future development opportunities can be more important than a vertical promotion without it.

Herman (2005) concurs and states that advancement is not synonymous with promotions in the traditional sense of the word. However, a lack thereof is presented in his research as a main reason for employee turnover. This added complexity makes career choices more difficult and guidance is appreciated by many, providing younger employees with a variety of paths for the future, simultaneously enhancing communication.

### **2.12.14: Retaining Talent**

Retaining and Developing Talent can not be entirely separated although the structure of this research may imply this. The purpose is only for the reader to be able to follow a clear structure when indulging in the broad concept of Talent Management. Actually, locating, assessing, developing and retaining all should, in practise, be wholly intertwined under the umbrella of the concept.

Employee retention is about the efforts of the employer to keep its desirable employees and thereby reach company objectives (Frank, Finnegan & Taylor,

2004). Further, as Herman (2005) points out, a retention plan also helps with avoiding unwanted loss of human and intellectual capital, reducing the costs of employee turnover and improves the workforce stability and engagement. In his research we also note the five given reasons why people leave, which all except compensation which ranked lowest of the five, has to do with cultural and communication issues such as the perceived feeling of the company culture or reputation, lack of encouragement and support from managers or a lack of feedback that makes employees feel unnecessary. This is also supported by Benjamin (2003) and Frank and Taylor (2004) that recognized poor management as the number one reason for why employees leave. The above mentioned research highlights the link between culture and communication. Roehling et al. (2005) point out that there is a likely, symbiotic relationship between HRM and organizational culture which is something that Collins (2001) further states as being a strong success factor.

#### **2.12.15: Employee Engagement**

Employee Engagement is a concept within Talent Management closely connected to retention. Low in engagement always leads to high employee turnover, and consequently organizations that manage to create a highly engaged workforce have a very low employee turnover (Frank et al., 2004). It is a part of Uren's (2007) definition of Talent Management, defined as, to create an environment that engages the individual to perform at their best and stay committed to the firm. Another definition is;

*“bringing discretionary effort to work, in the form of extra time, brainpower and energy”* (Towers Perrin, 2003 In Frank et al., 2004 p.15).

Although Employee Engagement is a psychological construct hard to define and measure, it is generally about how the employee feels, the intentions behind actions, and the extra efforts exerted. Engagement has been directly related to positive financial performance as well as customer relationships. The major part of the workforce is not engaged and the cost of this is substantial (Frank et al., 2004). This provides a further relation to Talent Management where it is the top percentage of employees that are regarded as Talents thus logically they would be the most engaged.

Engagement has been developed from classic motivation theories. Intrinsic motivation was about making someone doing something for its own sake and not in order to receive a reward, which is in line with engagement (Frank et al., 2004). Motivation is also a part of several definitions of Talent Management (e.g. Heinen & O’Neill, 2004; Schweyer, 2004).

#### **2.12.16: Motivation**

Underneath any individuals competencies are the engine of action, their social motivation. Personal motives influence and direct professional behaviour and is thus important to identify. A persons’ motivation translates into strong or weak points when dealing with competencies. The motivation profile of an

individual determines how he/she will use and display competencies (Bernard, 1992).

Bernard (1992) describes motivation as a combination of three social motives that forms a person's motivation profile; the drive for achievement, the desire to maintain friendly relationships with others, and the drive for power. The drive for achievement characterizes itself through a tendency to take reasonable risks and the desire to take responsibility for results, a permanent concern for personal improvement and how to do things better, faster or differently. The desire to maintain friendly relationships makes people focus on establishing and maintaining relations at work and they are more sensitive to factors influencing them. Power, or the will to influence, is the third motivator and is concerned with the desire to impress and influence others, build a reputation and to spontaneously offer support and advice.

Empowerment is seen as another motivating factor (Holden, 1999). Empowering employees contributes to cost reduction, productivity, business performance and knowledge creation, thus a more sufficient use of personnel than just pushing buttons or other repetitive, simple tasks (Hatch & Dyer, 2004; Glen, 2006). It is about moving from direct control and, instead, creating commitment to the organization's goals and thereby improving the quality of products and services. Thus, getting employees involved is developmental and could help release creativity and create knowledge (Holden, 1999).

Holden (1999) also points out that employee involvement differs in strength in different national contexts due to legal structures and industrial practises. His study on empowerment in UK banks revealed that, supported by the legal system and strong union involvement, the workforce were well informed and involved in some decision making through mechanisms both at operational and strategic levels.

In a survey presented by Branham (2000), pay ranks low on the scale of employee commitment and motivation. However, Heinen and O'Neill, (2004) note that rewards are important for Talent Management practise. Something that is supported by Branham's (2000) claim that pay linked to performance becomes a powerful motivator for people with the potential to perform at high levels in the organization.

### **2.12.17: Not Retaining the Wrong People**

After discussing the importance of finding, assessing, developing and retaining the high performing individuals, it seems obvious that the opposite, not keeping the ones that do not perform at a satisfactory level, is equally important.

The 3-5% of employees in an organization that do not live up to the expectations for performance of the organization, can not work with others and/or do not meet competence requirements, can be classified as "misfits"

(Berger & Berger, 2004). Misfits need either a special development Program with close supervision, or if it is the job role that is the problem, be reassigned to a work where they can improve performance rapidly, or be removed from the organization entirely (Rosen & Wilson, 2004). Even though it can be difficult to lay someone off, it is sometimes necessary because they can negatively influence the entire workplace chemistry (Rosen & Wilson, 2004), innovation, creativity and cooperation within, as well as outside the organization. If an organization tolerates bad behaviour amongst its employees it will have difficulties recruiting and retaining the best performing Talent, poorer client relations, damaged reputations and less investor confidence (Sutton, 2007).

However, an extremely important fact here is that in the UK it is almost impossible to lay off anyone. Legislation (Mabon, 1995), the strength of the unions and the UK collectivistic thinking make UK employees much safer than, for example, American counterparts (Frazee, 1997). According to UK law, incompetence is not a reason, and not even embezzlement or alcoholism is necessarily adequate reasons for dismissal (Mabon, 1995). Therefore, UK employees can disobey supervisors to a large degree without retribution (Frazee, 1997).

Research has found that managers have the biggest impact on whether employees leave or stay, (Branham, 2000) thus they have a great impact on their subordinates and negative interactions have a bigger impact than

positive ones. Many examples have been found of managers with abusive behaviour against subordinates resulting in lower job satisfaction, concentration, productivity, bad mental and physical health as well as high employee turnover. It is not only bad performers that can have a negative effect on the organization, even high performers can cost more than they are worth due to costs induced by their behaviour. Pushing out subordinates, legal costs due to law suits, unhappy co-workers all represents substantial costs no matter how good someone is at the specific task they are to perform. Performance and treatment should not be dealt with as separate issues (Sutton, 2007).

### **2.13: Reflections on Theories**

As Keegan and Boselie (2006) note there is a consensus approach to HRM research that has resulted in a lack of critical texts in the subject matter. Further, they review the research over a six year period and find an aversion to bringing up a discussion when it comes to HRM as well as a reproduction of standard assumptions when it comes to the more specialized journals. This has implications when it comes to any statement of a "best practises" type of theoretical framework since it affects the drive of new emerging practises from research (Keegan & Boselie, 2006).

Further, HRM practises linked to performance have been severely criticised due to inconclusive research results due to inappropriate research methods (Wall & Wood, 2005) and biasing motives (Fleetwood & Hesketh, 2006).

Examples of biased motives are consultants and consultancy firms that make money on selling their services and are hired if the firm thinks they can help it improve performance. In addition, HR professionals threatened by the recent trend towards outsourcing of the HR function have turned to the academia in order to find “proof” for their importance (Fleetwood & Hesketh, 2006).

Notable is that many of the articles are written by HR consultants and consultancy firms, thus has a commercial value for the writers. However, the collection and critical review of a significant number of different articles and books in my overview will hopefully eliminate any potential bias.

The ability to generalize across borders is always a question in research. Different countries have different regulations and practises affecting HRM. However, this is something considered during the process of this research and will be further discussed in the analysis.

Frazer (1997) states that the UK is more “Americanized” than many other European countries and thus suggests that American research, with some exceptions, could be applicable in UK. This borders on methodological issues further discussed in the subsequent section.

## **Chapter Three**

### **Method**

#### **3.1: Research Methodology**

The subjects within personnel or human resource management are particularly multifaceted. One can focus on particular areas such as specific compensation plans, worker safety, recruitment practises or any other aspect of this complex discipline. However I have chosen to focus on Talent Management, which encompasses the localisation, assessment, development and retention of people that embody the core values of a business and become a part of its competitive advantage.

In light of the purpose of this research , where I aim to identify the specific behaviours of a certain group of companies, a qualitative methodological approach will be employed. Even though the setup could lend itself towards both qualitative and quantitative research I believe it is important to bring in the values behind the strategies and processes being utilized. Earlier quantitative research within HRM has been severely criticised to not grasp all variables of such a multifaceted subject as HRM, thus not producing reliable results (e.g. Wall & Wood, 2005). Qualitative and quantitative are the two main methodologies within research. The difference between the views mainly stem from qualitative research's focus on processes while quantitative research focuses on correlations between variables.

However, this is a gross simplification, and a fairer explanation would be that the qualitative methodology wants to provide a more thorough understanding of different social experiences while including values into the inquiry, which is necessary in order to answer the purpose of this research . In contrast, the analytical quantitative research assumes a value-free context. Supporters of the last methodology, mainly from the “hard” sciences such as physics and chemistry, argue the importance of measurability and criticise qualitative research for suffering the fallacies of researchers own personal biases and beliefs (Denzin & Lincoln, 1994). However, with this in mind, a qualitative approach has been chosen for its ability to provide answers to how and why in order to obtain a deeper understanding of Talent Management.

### **3.2: Case Study**

Within qualitative research and the social sciences there are several ways of conducting the actual research; experiments, surveys and case studies to name a few. When choosing what study to conduct, one needs to consider the different conditions e.g. the research questions to be answered, the control needed for behavioural events and also if the context is a historical or a contemporary phenomenon (Yin, 1994).

Research questions within qualitative research can, according to Yin (1994), be divided into two groups. The first group has questions that ask; who, what, where, how many and how much. For example, these can be used to ask questions such as; who will be promoted if X leaves? or; how many were

satisfied with the training Program? These types of questions lend themselves to the survey and archival analysis studies. The next group builds on questions of how and why, e.g. how does X decide which employee segment gets the largest amount of training?, or why does X segment its employees in that particular fashion? These types of questions are utilized in experiment, history and case studies (Yin, 1994). As the research questions aim to identify and explain how and why the companies make use of Talent Management practises, this research fall within the second group.

Considering the contemporary, bordering on future, nature of the Talent problematisation, this research will use a case study approach since there are numerous events to take into consideration. Further, the focus is on contemporary and future Talent Management practises and not historical events. This is in line with a second classification of case studies presented by Yin (1994), dealing with the control over behavioural events. When there is a need to control for behavioural events or if it is possible to replicate the events, an experiment method should be used. If not, one needs to classify the type of study to be used further. If the focus lies on historical or contemporary events for example; a contemporary event is best studied by a case study while the historical event intuitively leans towards a historical study.

Expanding from Yin's (1994) writings on case studies, Stake (1994) differentiates between three various kinds of case studies. First, the intrinsic

study which is undertaken when a better understanding of the case is the desired result. Secondly, an instrumental case where the case itself plays a supportive role to the main interest and provides knowledge to strengthen the research. Finally, the last of Stake's (1994) case studies are a collective approach where the object is to understand a phenomenon by using a plethora of independent instrumental case studies to obtain insight into the studied area. The latter will be employed for this research because it is the phenomena of Talent Management in UK that is subject for investigation and not the specific companies examined.

### **3.3: Case Design**

The cases in this study are; how and why Talent Management practises are utilised in UK firms. Defining the actual case, or cases, is one of the most important tasks when conducting a case study according to Yin (1994). I interviewed one or two managers respectively at seven companies and their practises each became separate shallow cases. Although, Stake (1994) believes that it is necessary to build the case around something concrete like a person or a department, I am focusing on the practises employed, even if one could argue that the HR departments are a base for my research. Yin (1994) further develops the method of case research by differentiating between single case and multiple-case design. The latter, which often becomes time consuming and expensive, also becomes more robust than a single-case design. I chose to call each company's practises a case to follow Stake's (1994) values of building a case around something concrete as well as

for the added robustness. Because I wanted to identify the practises of UK's best employers it became intuitive that more than one HR department would be scrutinised, hence reason called for a collective case study.

When selecting the cases, it is, according to Yin (1994), imperative that this is done according to replication logic. He describes two different paths to aid in the selection. The literal replication approach is described as several cases that one predicts will fare similar results. Secondly, a theoretical replication approach consists of multiple cases with predicted different outcomes explainable by using literature. The latter will be used for this research i.e. theoretical replication.

The companies to be interviewed for this research were selected from a list of UK's best employers published 2007 (E24.se). This was done with the assumption that these companies, who displayed superior performance in the employer field, would be a group that had heard of and employed Talent Management. This would make them a fine base for this research. A short survey (appendix 1) was prepared and sent out to contact people at all of the 30 companies. This was done in order to receive access to the relevant interviewees and to verify the assumption that the companies were familiar with the concept of Talent Management. The reader should note that there are vast differences in industry between the companies approached, and I do not intend to structure any of my findings with this variable in mind. However, I can group all of them into a large corporation context. I received

an approximate 40 percent response rate and continued to book the lengthier interviews.

After the first couple of interviews, some companies had requested anonymity and therefore it was decided to mask all identities of firms and interviewees. I chose to leave out company names and descriptions, as well as individuals' names, and replace them with letters. An alphabetical range has been used for renaming the companies, and this letter also corresponds to the letters given to the interviewees e.g. Ms A at Company A and so on. This will have no implications in regards to answering my purpose since the cases are not firm specific, but rather the actual practises are what I have investigated in order to identify the UK firms' use of Talent Management.

### **3.4: Management of Empirical Material**

Within qualitative research there is a notorious cornucopia of dangers. Self-delusion and unreliable or invalid conclusions are common protagonists in the failure within the qualitative methodology. Seale and Silverman (1997) bring up the problems of rigor in qualitative research and resist the notion of qualitative research having an invalid and unreliable disposition. On the basis of that, I sort fact from fancy in everyday which intuitively should apply for science as well, and adding to this that many methods have been developed to ensure rigour; one of which is;

*"Recording data objectively and comprehensively, including the use of tape recorders" (Seale & Silverman, 1997 p. 380)*

### **3.5: Gathering of Empirical Information**

Supported by the methodological approaches presented, I conducted nine oral interviews in total with seven of the companies contacted. This is one company less than originally planned but, due to last minute circumstances, the interviewee had to cancel. However, time and resource constraints prevented me from visiting all companies that I approached. Therefore, companies A, B and G were interviewed by phone and recorded to prevent any loss of information. Two interviews were made on October 20<sup>th</sup>, 2008 and October 25<sup>th</sup>, 2008 with Company A; one with the Country Process Owner of Resourcing and Workforce Administration and the other with the Talent Manager, which provided complimentary information on Talent Management. At Company B we interviewed the Director of Talent Management and Leadership Development on October 23, 2008 and at Company G on November 9<sup>th</sup> 2008, where I sourced out information from the HR Service Centre. I used the interview guide seen in Appendix 2 and a semi structured format was used where I encouraged the interviewee to develop answers further and to give examples. About an hour was used for each interviewee.

Two, hour-long interviews were also made in person on October 30<sup>th</sup> 2008 with the Regional Manager of the Attractive Employer Function and the Regional Managing HR Strategist of Company C. My last face-to-face interviews were made on the 2 and 3 November 2008 with Company D, E and F respectively. At Company D I met with the Human Resource Manager, at

Company E; the Recruitment Lead and the Head of Management Planning at Company F.

For all of these, the timeframe was held and the interview framework used. A tape recording device was also utilized in order to objectively capture the information told by the interviewees. The last interview was conducted over the phone as well, which in summation has divided my empirical gathering as equally as possible between the face-to face encounters and the telephone. At Company G I talked to Ms G who is responsible for the Long Term Recruitment and Graduate Program. Due to the high engagement of all the participants and the consistency in the time the interviews took, I felt no difference in quality between face-to-face and telephone interviews. Although, face-to-face interviews have been described as more informative as you can observe the reactions of the interviewee, I did not experience any significant difference.

As described by Yin (1994), the main source of information, when it comes to case studies, is the interview. This is based on the notion that most cases look at human affairs and the information surrounding these would be hard to convey in a non personal context. Further, Andersson (1985) goes into the structure of an interview giving the interviewer two main schools; the oral interview and the written interview. Intuitively the oral format lends itself to greater flexibility, allowing the interviewer to reformulate questions or explain questions further if this becomes necessary. There is also an advantage to the

oral interview in that a connection can be established between the two parties which allows the interview to transform from a monolog into a dialog where more information can be reached and follow up questions can probe deeper. However, the written interview does not stand without its graces. This format is cheaper and more easily distributed in large quantities, but with this comes the risks of respondents ignoring or choosing not to answer the interview giving a less than satisfactory base of information.

Andersson (1985) also points out three trade-offs in the structuring of an interview. Open ended e.g. explain?, and closed questions e.g. how many people do you employ?, model the first trade-off. The advantage of not limiting the interviewee in their answers is attributed to the open format while the time savings and ease of interpretation give closed formats greater comparability. Here Yin (1994) points out that; open-ended interviews do particularly well in the case study format because it facilitates the communication of values and opinions. The ability for the interviewee to suggest further knowledge also becomes a valued bonus. Andersson's (1985) second trade-off lies in if the interviews goal is to cover a broad area on the surface or dig deep into a narrow one. They are seen as two extremes and connected back to the initial trade-off where open-ended questions should be used to dig deep while the more closed approach is better suited towards broader studies. The last of the trade offs is the structure interview versus the unstructured one. Once again, connecting to the first trade-off where the closed format lends itself better to the structured, while the ability to

communicate in an open interview allows for an unstructured approach. Worth noting is also that Yin (1994) points out that the problems of biases, problems to remember and inability to convey information accurately are the main weaknesses of the interview as an information source. As seen in Appendix 2, we chose an interview format with open ended questions.

### **3.5.1: Analysis and Interpretations**

Shenton (2004) states that there is great resistance to accept the trustworthiness of qualitative research, however there are frameworks that ensure rigor, which is something that supports Seale and Silverman's (1997) claims. Shenton (2004) takes this further by focusing on four criterions; Credibility, where a researcher aims at displaying the actual phenomenon under scrutiny. Transferability, which undertakes the role of providing a level of detail in order to illuminate for the reader in which general environments the research could be applicable. Dependability, where the authors should strive towards creating a replicable study, and finally Confirmability, where steps are taken in order to showcase the findings that emerge from the empirical information and not from the preconceptions of the authors.

Only upon the basis of this can we draw conclusions and derive meaning from the interviews. This involves interpreting the distilled raw transcripts after the filters of reduction and display, which has made it all the more manageable. However, the risk of a skewed analysis due to the biases and wrongful

interpretations of the authors and interviewees are still high and can only be combated by proper verification as is noted by Huberman and Miles (1994).

### **3.5.2: Credibility**

In order for researchers to ensure their readers that they have, under scrutiny investigated the phenomenon, Shenton (2004) suggests a number of treatments e.g. relying on recognized methodology, where I have leaned primarily against Yin (1994) and Stake (1994), or iterative questioning where I continually during the interviews refer back to earlier stated information in order to ensure its trustworthiness. Shenton (2004) also suggests that the scrutiny of peers and tutors adds credibility; this is also something that this research has gone through.

### **3.5.3: Transferability and Dependability**

According to the research of Shenton (2004) transferability is obtained through clarifying the context from which the background data is obtained. However, she also argues that it might be too high an aim for any one study to obtain transferability, but any researcher should at least strive towards this utopia. I mainly strive to create transferability in this study by a clear red thread throughout my work that allows for the reader to follow in what manner interviews were made and how the companies were approached, but also with what lenses I then transform the raw transcripts into my empirical findings. Further, dependability also strives for readers to be able to

duplicate the study, and this is done by having methodological chapters and the use of overlapping methods (Shenton, 2004).

Rudestam and Newton (2001) point out that one should be mindful of the generalizability of any case study and so should? the readers of this research . The limited time and exposure that I have had to these organizations would intuitively allow for criticism if I were to claim the absolute truth when it comes to any aspect of my purpose. However, by being clear with my methodology I will allow for easier transferability of any findings on to other situations.

#### **3.5.4: Conformability**

Corroboration of the empirical material will be achieved with a structural solution as is possible according to Rudestam and Newton (2001). I am unable to have any prolonged engagements with the investigated firms that could help identify misrepresentations. However, I will use technological solutions e.g. the utilization of tape recorders, to improve the rigor of the notes that will be taken during interviews. Additionally, I will pursue any opportunity to verify information given by interviewees.

Shenton (2004) also brings up the importance of triangulation as an important part of conformability. In this study I build one corner of this methodological polygon in my theoretical framework whiles the other points will be made up by my exposure to the seven different companies

encompassed by my study. Further, Shenton (2004) points out the importance of the authors admitting their own beliefs and assumptions as well as any shortcomings of the method. This is crucial to my work and therefore I devote a separate section to illuminate these issues.

### **3.5.5: Reflections on Method**

As I have a purely theoretical background within the subject of Talent Management I am mainly influenced by the conclusions of the researcher and companies behind the books and articles I have read. This lack of actual first hand experience might then effect my ability to look past already published facts and my interview questions might be heavily influenced.

For some, the omission of company names and descriptions might feel limiting, however, this measure has allowed me to delve deeper into the actual practises of the companies as the assurance of anonymity allowed the people I interviewed to disclose information about practises that would otherwise be too integral to be published.

### **3.6: Empirical Findings**

*In the following section the empirical material collected from companies in the UK is presented. First, a short summary of the pre-study is presented. Following is the information collected at interviews structured in line with the structure of the Frame of Reference chapter and the interview questions (Appendix 2).*

In the short pre-study (see Appendix 1), there was unanimity between all the respondents. All companies that answered had heard the expression Talent Management and claimed they used it to some extent. Additionally, all companies employed some form of succession planning and most companies reported the use of outsourcing in their recruitment practises.

### **3.6.1: UK Companies' Definition of Talent Management**

As explained by the Talent Manager at Company A (Ms A2), Talent Management is very much equated with competence development, but with an organizational focus. With a foundation in the strategy, where everything is initiated, Company A decides everything from the amount of resources needed for the different processes to what type of profiles that should be identified and consequently developed. Talent Management is a continuous process that is based on yearly reviews that identify where key positions exist in the company and who currently occupies them. From this, evaluations of the performance are made in order to identify gaps and possible areas of development. This is also the situation where managers present action plans to fill the found gaps and development plans for the identified Talents. All this is later summarized and brought up to the highest levels of the company. Company A is pretty well advanced in these processes and they have been in place in the current format since 2005, however, Ms A2 notes that this is nothing new but something that has almost always existed. What is new is the process that gathers all these different fields under one focused activity that has allowed for better control and nimbleness. According to Ms A2, the

main concern for the board is the future supply of managers, however she sees that this process is crucial to the competitive advantage of Company A.

The Director of Talent Management and Leadership Development (Mr B) at Company B points out that the word "Talents" is too infused with values and thus he dislikes using it. However, since he understood the meaning of the concept, his definition of Talents was; someone who shows a significant excess of the required capabilities, attitudes and drive. Talent Management is consequently defined as the recruitment, development and termination of employment of those high potential employees. Company B does not have a complete Talent Management system yet, but it is under construction and implementation. Since Company B is a service company, Mr B said that the employees are definitely connected to the strategy of the organization and provides a competitive advantage. He stated that it is "how" the service is provided that is most essential. Important issues are the creativity and innovation of employees.

At Company C, the Regional Manager of the Attractive Employer Function (Ms C2) defined Talent Management as the process of how to seize presumptive leadership candidates. The HR Strategist (Ms C1) at the same organization described it in a little more detail when stating that it is about finding the right employees for the future and to take care of them. Although the specific term Talent Management was not used in the organization she was familiar with the concept. The government agency, Company C, is not so much

competing on the market, however, it is competing for employees and its industry suffers from the lack of Talents. Talent Management practises have always been important, according to Ms C1, but increasingly so now when the baby boomers from the forties retire.

A Human Resources Manager at Company D (Ms D), when asked for a definition of Talent Management, explains that it is about retaining and developing the Talents, but also to find the Talents both already employed and those that are to be employed. Company D does not use the concept as such, although, it is a concept encountered frequently when meeting with suppliers etc. The processes it involves, however, are used and it is very much connected to the strategy and competitive advantage of Company D although it tends to be a statement everyone says. Since the HRM work at Company D is quite decentralized, it is hard to give a concrete example that this is really so. However, one of the company's three stated core values is "respect for the individual" thus implies that the personnel questions are of strategic nature. There is stated in the strategic plan that these issues are to be addressed but otherwise, much is done locally at the business units.

The Recruitment Lead at Company E (Ms E) defines Talent Management as the ability to attract and retain the desired people in a long term perspective. Further the most weight is put on the ability to attract Talents since employees are the main assets of the company.

Even if the Talent Management expression is not used at Company F, the Head of Management Planning defines it as locating high potential people and placing them in the right positions within the company. For Company F, it is important that this is a visible process in order to show that they invest in their employees as they identify and follow these Talents throughout their careers in order to secure their retention and further development.

According to Ms G, responsible for the long term recruitment and graduate program at Company G, Talent Management is seen as closely related to strategy and is a structured way of identifying future leaders and other key personnel as well as key positions and ensuring the right development for these people. Ms G has, herself, worked with these terminologies for four years but feels confident that similar processes have been in place for at least 20 years, and all the work done on the subject has its foundations in the company's strategy. Yearly strategic goals are set at the highest business group level where the targets are formulated e.g. which groups of employees to focus on or where extra recruitment is needed. This is then orchestrated by a central HR department. However, it is important that the strategic connection trickles down into the different business units of Company G since they act with a lot of autonomy.

### **3.6.2: How UK Companies Locate Talents**

Although Company A is not yet in full control of the issues surrounding the identification of Talents, Ms A2 states that this new process they are working with allows them to catch more of the actual Talents since it has allowed the company to better gather information of high potentials throughout the company. It has a highly developed internal recruitment process, which ties into the culture of the company, so no formalized process exists to identify and track external Talents. There is, according to Ms A2, internal guidelines to have 90 percent internal recruitment within the business group. Ms A2 states that Company A focuses on capabilities when looking at Talents, where drive and commitments, attitudes and values, and achievements are tracked. These create the basis of the different leadership roles that the company has identified. As Company A is a traditional type of company there are many key positions that are not traditionally leadership positions. Therefore, there has to be a future for many types of people within the company, and although the company works extensively with giving clarity and focus to their employees' jobs, Ms A2 states that the strengths of employees are utilized by allowing employees to act freely within their roles. The goal of Company A is that Talent Management should be an ongoing and continuous process within the company that later amount up to the yearly reviews. It should be through this process that the skills and positions are identified, diverting a bit of the focus away from the yearly standardised sessions. Company A does not outsource any of these processes since this work is viewed as one of the pillars and large success factors of the company. It is seen as crucial that the knowledge

and ability to be able to identify, develop and retain the future leaders exists in house.

The Director of Talent Management and Leadership Development states that Company B has not yet clearly defined their key Talents, but even though there is no systemized process, he still feels they have an idea of who these people are. According to Mr B, the company has done much work, and has come far, in the work of defining which competencies that they want to look for when recruiting. This also ties in to their view of competencies being the most important characteristics to look at when locating new employees. As for the outsourcing of different functions, recruiting companies are seen as good compliments to the internal staff. Cost has big impacts on the decisions on when to go in-house or outsource. It is important to note that outsourcing is more of a resource question than a competence dilemma.

Ms C1, the HR Strategist, stated that Company C is aware of whom its Talents are and they are identified through a yearly review. She realized that communication skills have become more and more important, coming from a prior focus on technical expertise. Externally, Company C is working towards universities for finding employees, and it also has a certified trainee Program. Ms C2 emphasized that the recruitment is not only aimed at finding future managers/ leaders but future good employees. In addition, Company C is creating awareness, in order to awake, or grow, interest for the company, already in primary and secondary schools. Ms C1 explained that recruitment

of leaders is based mainly on two factors. The first one is leadership ability that is a requirement for all management positions. Secondly, depending on what level the leader is to operate in they are judged against factors such as seeing the whole picture and cooperation. The search for suitable candidates internally is an ongoing process that is important in order to show the employees that there are opportunities to grow within the organization. However, external recruitment is also used and an act of balance between internal and external recruiting is required. Company C is experiencing an organizational change regarding HRM where an HR centre had been established a year ago at the UK headquarters making HRM more centrally managed. At the HR centre, the recruitment of leaders is performed, both internally and externally. Headhunting firms are used for management recruitment on regional level. Ms C2 explained that you have to weigh the benefits between internal and external recruitment practises. She stated that, of course, the individual must have basic merits, such as finished education etc, although more important is qualities such as the ability to;

*“cooperate, work with other people and see the broader picture” (Ms C2, 2008-10-30).*

Younger people are recruited more based on values since they lack experience whilst older people have a bigger “backpack” with past achievements. In addition, it is important for the employees to be positive and have a positive aura because it is important that you can have fun at work.

According to Ms C1, people are employed to a certain work assignment, however, since Company C employs many generalists i.e. roles stretching over diverse areas, there is room for some adaptation according to special competencies. In addition, the many different work roles provide a bigger chance to find a work role suiting someone's competencies. In Company C, interviews are sometimes outsourced to recruitment firms as well as headhunting for senior positions. This is done because of limited resources, and or quality issues. There is no fixed system rather it depends on if the capabilities to find the right person to the right position are available in house or not. Ms C2 continued to explain that the in-house recruitment resources are becoming scarcer thus the outsourcing is increasing.

There is no Talent Management process in Company D for locating Talents. However, one strategic action aiming for locating Talents externally is the trainee Program. Internally, there is more focus on the identification of future managers by a management planning process employed with a yearly review at each business unit that later is summarized centrally. Further, Talents are located within their respective areas of expertises when needed, at their local business unit level and this maybe supported by actions such as education etc. As in many other large corporations, Company D is recruiting internally and always looks within before looking outside the company. Concerning key employees, it is hard to say how many of them are recruited externally or internally since it is hard to identify who exactly they are.

*"All positions are key in some way" (Ms D, 2008-11-02).*

Although Company D is too big for Ms D to provide one answer regarding whether recruiting for merits or competencies, she was of the opinion that it is how someone is as a person, with leadership skills, that is more important, when becoming a manager, than if someone is a good specialist. However, for some tasks, specialist knowledge is, of course, required. In Company D, due to its size, it is hard to say if individual competencies can form their job roles. In the production line, everyone has a fixed job description they are to follow. For other positions there is an underlying job description for everyone. However there is more freedom with responsibility and roles can be adapted to competencies. Also, Company D makes sure that Talents are moved around among positions to find the one that fits best, eliminating the need for big adaptations of roles. Company D is firstly looking at the person currently in that key position and after that identifies what is needed for that role in the future. At some parts of the organization it is also implemented a "seniorship" Program where individuals in key positions are "seniors" that should have someone they have chosen as successor to help develop and finally make ready to take the role. Company D is managing around 80-90% of the HR functions in-house. It has contracts with some of the recruitment firms that can help with some difficult specialist recruitments or when the in-house departments are to busy. There is a company philosophy to manage everything in house although departments themselves can propose that

something should be outsourced but the costs and benefits of it has to be shown.

Company E has very clear demand profiles on all of their employees and has a long tradition of knowing who it wants and what to look for. These profiles are, according to Ms E, derived from both merits and personal characteristics. It is important that it is the right kind of person that is to be employed. Further, Company E has a strict and formalized internal promotion scheme that is completely based on the performance of the employee. This also effects the job descriptions that are clearly defined on the first levels but provides increasing possibilities to find niches towards the top. The Recruitment Lead does, however, tell us that recruitment, outside the approach of college graduates, of specialists is where Company E employs the services of headhunting companies or other outsourced recruiting functions. Company E is itself an outsourcing company. However, it also uses outsourcing services when recruiting. Approximately five years ago Company E recruited 70-80% directly from the universities, but now it is forced to recruit more and more experienced staff and specialists so the percentage has decreased to about 60%. With this kind of recruitment, outsourcing is a good solution.

The localisation of Talents at Company F is a highly institutionalized process with clear measures and yearly reviews in order to systematically collect the information on these high potential candidates in a database. There has been

a change over the last few years where Company F has opened up more towards external recruiting for higher positions, which is an effect of the aging workforce with many managers coming closer towards their retirement. However, the internal recruiting rate is still around 70 percent according to Mr F. Outside recruiters are mainly used when it is hard to find the right candidates.

Recognition is a key part of Company G's Talent Management work and, as with many other of the processes under this term, it is a standardized yearly procedure where department managers report Talents to a collective database, for managers there is also the segmentation of "High Potentials"; which can assume new positions within a short period of time, "Potentials" that have a bit further to go before they enter higher management positions and finally "Key Position Holders" that are at important stages in the company but not yet subjects for reassignment. The main recruitment focus at Company G is internal, which ties into the culture where the nurturing of Talents is an important way of filling positions from below as well as ensuring possibilities to development for their employees. Given the autonomy of the different business units, it becomes impossible to give a general answer to what characteristics are most important for recruitment, however, Ms G has the feeling that the personal traits of candidates are valued the highest in the end.

Ms G wants to promote the benefits of keeping an open mind when it comes to job positions and she has the feeling that Talents are given the opportunities to put a personal imprint on their position. For Company G it is important to be open towards different candidates, and not to make job descriptions too rigid since this might deter candidates from applying. Company G has recently developed a centralised HR department from which the different business units can acquire recruiting services for their individual needs. For higher positions, Ms G has the feeling that the recruitment is handled almost exclusively by this internal department, but there is nothing that stops them from using outsourcing options of complimentary services such as head hunters in particularly complex situations where external candidates are also targeted.

### **3.6.3: Employer Branding**

Ms A2 closely links employer branding to Talent Management since it creates the foundation for future supply of Talents. She sees it as the company's ability to attract outside Talents as well as a means of retaining them.

On the question of Employer Brand, Mr B admits that Company B lacks a clear brand. Work is being done in the area, but most efforts are focused internally where the main goal is to instil pride in the employees working at Company B. He also notes that the lack of an Employer Brand or the work this far has not impacted the company's ability to recruit new employees.

Ms C2 was aware of the term employer branding but was not sure what the company's public brand actually was. However, she continued to describe the values of the organization, the plenty and diverse work tasks available and focus on employees, as the factors communicated from the organization. Internally, the personnel strategists throughout the organization worked for creating a positive attitude towards the company to become "ambassadors". Ms C1 agreed that a significant part of the employer brand is the breadth of positions and work tasks available that makes the organization attractive. Internally, the employer brand also acts as a promise to the employees, emphasized by the company's vision that it is possible to stay and grow within the organization. An important fact in this case is that since Company C is a Government agency, there are regulations inhibiting the use of advertising as private sector companies can.

Company D is working a lot with employer branding. The company has visits from kindergartens, as well as taking in interns and visits from local primary and secondary schools, mainly to try and awake an interest for technology. It also has cooperation with trade oriented high schools as well as an own high school where the students has employment from the start. This is to awake the interest for the industry whereas when dealing with universities it is to promote the company. It is done by lectures and visits to trade fairs at the universities as well as company visits by the students etc. There are a couple of employees at Company D that are solely working with employer branding

issues. The results of this work are seen at investigations such as Företagsbarometern.

Employer Branding is something that Company E takes seriously, and according to Ms E they mainly push their international status and ability to offer a broad range of challenges. The performance culture is also a prominent feature that attracts people who enjoy and thrive in that type of environment.

At Company F employer branding is something that is worked with in higher levels of the group, and there is a significant difference in the external and internal communication. The latter mainly focuses on health and the happy employee while the external focus is on showing corporate responsibility as well as illuminating the possibilities at Company F.

Viewed as both an internal and external process, employer branding at Company G has a systematic focus. Externally, this manifests itself mainly as visibility towards attractive groups of possible future employees through a lot of contact with both high schools and universities. Internally, it is however more tied to the cultural values of vision and behaviour. This takes the form of a document that is updated every three to five years, and is actively reviewed yearly with the employees in order to avoid it becoming just a research document.

### **3.6.4: How UK Companies Assess Talents**

Company A recognize Talents through an annual mapping. Ms A2 stated that performance management is seen as a complementary pillar to the Talent Management processes at Company A and is crucial for identifying and tracking group financials as well as individual deliveries. The individual performance measures as seen as the very core of the process of employee development where gaps and areas of improvement are identified. This is a process, which is under implementation right now, which aims at creating a cultural change as Company A has identified the need of creating a performance culture Ms A2 mostly works with management, and there it exists clearly structured ways of measuring and segmenting. In this system, employees are segmented from "Developing" to "Solid" and finally "Distinctive" which incorporate both the drive of the "Developers" as well as the knowledge of the "Solids".

Measurement is an absolute prerequisite for Talent Management processes according to Mr B, and Company B is currently implementing a segmentation of its workforce starting with the management levels during 2008. Although there is no official investigation, Mr B has a gut feeling that the new clearer assessment is being received well from the employees the unions.

In Company C, measurements can be based on the job description, with responsibilities and authorities, and different assignments. It is the supervisors that should see the performance of employees and personal

follow ups is provided if something is lacking. A scorecard method is used and general performance measurements are performed every 4 months. There are both individual competence plans and collective training according to Ms C2. Ms C1 agrees that it is important to measure performance and that it is done at two levels. The first base of assessment is on individual assignments which also is the easiest to evaluate. The second one is the overall work role, which is more difficult to measure.

Evaluation of the work role is performed with periodical performance review meetings and there is also an evaluation model used at salary negotiations. Important to stress is that it is not only measurable factors that are significant. However, Company C does not segment its employees according to any variables. Ms C1 acknowledge the need for the company overall to be better at giving feedback on performance. It also depends on the supervisors where some are good at giving feedback and some are not so good and it is the role of the Personnel Strategist to identify the strengths and weaknesses of managers.

Company D does not work with balance scorecards or such although employees are continuously evaluated by their supervisors at least once a year.

The Recruitment Lead attributes Company E's strong American foundations to the fact that performance measurements have such a key role. These take the form of highly standardizes goals and yearly performance reviews where

both hard and soft measures are evaluated, and even though it is important to perform in accordance with the goals, a majority of the focus is put on softer issues such as the clients' perception of the employee and so forth. The yearly evaluations are also supported by half year follow-up reviews which help to give the employees feedback on their performance. This becomes key since wages are based on the yearly results.

Measurements play an integral part in the management and planning of Talent and succession, but also bonuses at Company F are tied to performance, which makes assessment of employees important on many levels. According to Mr F, the measure of goal fulfilment is only one part of their rigorous process. Actually, most importance is put on measuring softer variables such as leadership ability or subordinate and manager opinions about the Talents communicative skills, performance orientation and people orientation. In a sense, these measures, in cooperation with the experience of the Talent, allow Company F to segment employees into groups of potential managers to top executives. Further a specialized matrix is used in order to enable the segmentation based on potential.

Ms G sees assessment as closely linked to the strategy. This goes through a top-down planning approach where goals are followed up as well as new three year plans are developed, first at the group level then at the business unit level all the way down to the individual one. It is important for Company G that employees are allowed to be a part of their individual goals and

promote a dialog with managers, as well as have follow up milestones during the year.

As for the segmentation of employees based on any measured variables, Ms G assumes that their database has the ability to segment their workforce. She does, however, doubt that this is something that is done since it is viewed as a sensitive issue by most.

### **3.6.5: How UK Companies Develop Talents**

Company A uses individual development plans for their Talents that leads to a vast difference in the actual practises used for development. However, the company does not rely on traditional training in order to achieve the desired effects. Instead, a lot of on-the job training and stretch assignments are viewed as the best methods. Historically, it might look like the advancing segment of the employees has received the most resources. However, this is not true since it is much more critical to identify the reasons for, and what measures are required, in order to get the low performing individuals back on track. Further, the Talent Management process has created a better ability to track the results of all resources placed on development. According to Ms A2, succession planning is a well developed and categorised process at Company A with clear segments based on the time a particular individual has to possible deployment. The Talents that are targeted by this program are unaware of it, and Ms A2 feels strongly that this is the right way of doing things since promises of promotions do a lot of harm if the opportunities may

never materialise. Even though Talents are not told about particular positions, the company does communicate their commitment in developing individuals.

Mr B would like to compare the development work of the company's employees with other big UK companies; with a well established mentorship and coaching process. However, as with the assessment, new processes are in the works where new systematic processes will ensure the development through on-the-job experiences. The attention to individual employees is very dependant on the specific needs of that person, which also ties into the resources allocated towards development, where the need governs the resources used.

In a large company, such as Company B, it becomes impossible to track every possible succession candidate for every single managerial position according to Mr B. However, he does note that they do track key positions on the basis of having successor information that makes it easier to act when the need to fill a new position arises. Further, these identified candidates are not told of their inclusion into succession schemes because of the experiences that those sorts of promises can so easily end up disastrously e.g. the opportunity never materialises, which leads to the Talent becoming disgruntled and leaving the organization . Instead candidates are prepared with more general preparations for more responsibility. This also ties into Mr B's statement that Company B has no interest in careerists as well as that this large company is not able to be a wage leader.

Company C utilises a couple of training Programs. In one of them, employees under the age of 35, are given the opportunity to try on leadership roles through role plays, have seminars, and are assigned coaches or mentors. This is done both to see if the employees are interested in and ready to take on a leadership role and for the HR personnel to spot internal Talent. Seminars are important because it gives the opportunity to create networks, which Ms C2 emphasizes as important. Ms C1 also adds that a lot of the development at Company C is done by allowing Talents to work alongside managers in order to gain job experience. Further, there is a mentorship program where people can be assigned mentors. h

However the development for each employee is highly individualised so no general examples can be given.

In Company C, the managers are responsible for the development of their employees and are assigned a limited amount of resources for this. Therefore, resources for development depend on the resources available to each manager and the manager's perception of the best use for them. This leads on to a possible downside, being a government agency, that there are measures of productivity other than a clear goal of profit. However, Ms C1 was not necessarily of the opinion that it made the organization less effective because of the high demands on the managers and their complex roles. Internally, Company C has a pool of possible successors that are identified through the training Programs. Although the company has a flat

organizational structure and there are limited vertical promotion opportunities, it is trying to focus not so much at the manager position rather than finding different work tasks and horizontal movements. The successors become aware that they are in the successor pool when they have reached that stage. There is both an upside and a downside to this. The upside is that it is motivating for the employee that is recognized and notices that the organization is willing to invest in him/her. The downside is that, once the employee is informed, he/she wants to advance within a certain time and can be disappointed if it takes longer.

In Company D, the responsibility for the individual development is with the individual, but on top of that are the supervisors and HR staff for support. For the Talents, it is cooperation between the local HR departments to make sure they are getting development and perhaps are moved around. All the job openings are posted internally first, encouraging relocation which provides for opportunities to broaden individual skills and knowledge. There also exist, to some degree, internal headhunting where Talents are spotted and recruited between departments. Mentorship Programs are not used. However, Ms D believed that it exists informally with employees having internal or external mentors on their own initiatives. Since development at Company D is one's own responsibility, it is firstly with the immediate supervisor one applies for educations or such. There are thousands of internal educations available at Company D and it is during the yearly meeting with the supervisor where an employee can discuss this. The company sees very positively on this and it is

rare that someone is denied education applied for. At higher managerial courses there is a nomination system where a few are nominated to go. Development is not only about courses but is just as much about job rotation, to be a guide for someone else, try positions at a subsidiary or internationally, etc.

At Company D, succession planning is different on different levels of the organization. For executives, it is the existing executives who decide how this is to be handled. On the middle manager level, it is connected to the management planning review where it is identified who is ready to take the next step. Ms D admits, however, that sometimes they are unprepared when someone leaves that they had not suspected. At the "Seniorship" Program there is only one successor identified. For the Management Planning Program, candidates are classified and the hottest candidates, i.e. the ones that will be managers within two years, should be aware that they are "A-candidates" and there is a development plan connected to this that they are to go through hopefully before entering a management position. Ms D sees only benefits with being clear and letting them know, in contrast to before when it was not clear. At that time she saw only drawbacks where some were displeased and left and afterwards found out that they were considered management material that perhaps if they knew would have stayed. This is something that has changed towards the better.

The development processes at Company E are highly individualised and governed from the appointed career counsellors who both acts as a type of mentor but also control the resources and helps develop the employee's career path. Although, at the once a year promotion, there are educations that are general world wide. A lot of the development occurs as a result of job experience, but the corporate university course format still has most of the focus. The type of work performed at Company E does not cater to strict successions planning since there are not fixed positions to replace. People are promoted only once a year and if there is a shortage of competence at the next level someone can start to get extended responsibilities but is not promoted earlier. A downside to this is that, if someone is not promoted, they know that it will take at least a year until the next chance and this is also shown in the increased employee turnover after the promotion opportunity. However, Ms E said that since the goals and performance measurements are so clear and communicated to the employees they should know if they have the chance to be promoted or not.

Based on the segmentation made with the assessment practises at Company F there are a number of training programs that the Talents can attend at a sort of corporate university. Additionally there is also an institutionalised mentorship program with trained mentors to support the Talents, and Mr F points out that these mentors are not exclusively sourced internally.

Once again the great autonomy between the different business units makes it hard for Ms G to give a general answer regarding development of employees.

Although, it can be said that the individuals segmented into the Talent groups of "High potentials", "Potentials" and "Key position holders" do have access to more development resources. Besides these, every employee has a development allowance that sets the boundaries. Development is seen as a very important part of the yearly individual planning, and is generally split between the more traditional training as well as development by experience practises in an equal manner.

Company G has recently initiated a succession planning initiative at the group level. This was historically handled by the different units. This is done in order to be able to overview the organization's needs for succession as well as to promote movement between the business units since it is important to have someone in the pipeline. Employees at Company G are, however, never promised or told about the positions that they are being considered for since this would contradict the policy that every open position should be announced. Once again this opens up the company's eyes to candidates it might have overlooked as well as enables it to track employees in the organization that wants to move.

### **3.6.6: How UK Companies Retain Talents**

Ms A2 believes this to be another crucial process for all large companies because of the aging workforce, and she believes that companies that have not worked with retention internally will face a future war for Talents. Consequently this is seen as one of the largest challenges for Company A and it works proactively with the issues surrounding retention with tools such as risk analysis as well as matching reward systems and particularly in the UK market; perks such as house-cleaning or corporate involvement in society.

According to Ms A2, one should also not underestimate the power of recognition, such as creating awards of different kinds.

Since the personnel of Company B are its primary asset, retention is vital. Mr B feels that the high retention rate is achieved by a dialog and synchronisation of expectations between the company and the employees. This clarity should be present from the first steps of recruitment and is the main process for retention. He also adds that compensation and promises of promotions is not an effective or desirable way of retaining people.

Retaining key personnel is essential in Company C and Ms C1 perceived the organization to be very good at it. The reason for this is the span of positions available through the organization where someone does not have to leave the company if dissatisfied with the current position. Ms C2 attributes successful

retention to the work with values and that everyone should be a part of the company and work towards a common goal.

*"Our trademarks are to be open, trustworthy, creative community builders"*

*(Ms C2, 2008-10-30).*

Salary was also discussed and recognized as important but not the most important factor. It is also individually different how important it is. Another importance is to have different "golden jobs" to which employees strive for and conclusively to give a lot of praise. Ms C1 also points out the importance of retaining employees, and continues to state that Company C mainly uses the company's broad possibilities as a means of retention. She pushes the notion that; it is important to have other jobs, besides the managerial, which are viewed as being high status positions within the company. However, the importance of feedback and acknowledgement should not be underestimated.

As stated earlier, Company D regards it very important to retain employees because it takes time and costs a lot to learn the company culture and the technically advanced products. However, some employee turnover is healthy and it is measured in two ways. The first one is internal turnover, which is only positive since it is developmental to UK jobs within the organization. The ability to UK jobs within the organization is a part of the retention work that is marketed early as well as the opportunities to go and work internationally, which many now find attractive in an employer. Another motivating factor for some is to receive increasing responsibilities. Company D is trying to show

that there are different promotional paths than the vertical and this is also a benefit of being a large corporation that people can move from managerial positions to specialist positions and to another managerial position etc. External turnover, though, is not generally positive although it sometimes is. Key personnel, naturally, are never good to lose.

Another issue discussed is the shift of criteria younger people are looking for in an employer. Nowadays, factors such as environmental issues are important no matter what position someone is applying for. People are also taking longer parental leaves and putting greater emphasis on the private life.

The retention of employees at Company E is mainly based on the fact that they have employees who identify with the culture of the company. Ms E describes it as crucial to build a strong sense of belonging and a feeling of pride about the workplace. Further, the development of employees is also an important variable to retention as well as honorary assignments. The issue of promotion is also a variable here, previously the culture was more or less to go "up or out" but now there are more opportunities to specialize, thus making horizontal career moves. Monetary compensation is a part of the ability to retain, however, development and acknowledgement is more important.

Retention at Company F is all about creating an environment of well being, according to Mr F. This is done by having a very open and friendly culture

that promotes the movement internally of employees, creating career opportunities both horizontally and vertically. This, as well as the many perks given by the company, aims to create a fun workplace.

At Company G, the retention process has its foundation in the recognition of the employees as individuals, involving them in many decisions as well as including them heavily in their yearly goal setting. This puts a lot of focus on having managers that can openly recognize and give feedback to their subordinates. According to Ms G, there is also extensive work being done on increasing the status and attractiveness of specialist positions since they have seen the need for creating both vertical as well as horizontal career paths since not all Talents want or are suitable for managerial roles.

### **3.6.7: Management of Low Performers**

At Company A there is a low-performer category in the performance management process and the company puts considerable resources towards discovering the reasons for these peoples' low performance.

On the issue of underachieving employees Company B, once again, has no systematic process in place. Mr B however, wants to implement more performance management.

After identifying underachievers by supervisor or performance measurement in Company C, there are personal dialogues with the person to get to the root

of the problem and to discuss possible solutions such as relocation or further training. Ms C2 stated that managers were of the opinion that it was better before the centralization since they had the HR department closer. This meant that they could react faster to underachievers. However, since this organizational structure has been set for only a year it is too soon to judge it. Ms C1 was of the opinion that Company C treats its employees very kindly and supports and helps its employees to a large extent, perhaps more because it is a government agency. This also is important for the other employees to see.

In Company D, the first action with underachievers is to see if there is some other job assignment that would fit them better. There is a process where first positions within the own job group is considered, then the own department and finally the entire company. After that the company has outside partners that can help dealing with this issue. Ms D regards the company to be good at taking care of its employees which is a fruit of its long existence.

At Company E, it is the career counsellor's duty to investigate the reasons for an employee's low performance, and then push/help the employee back on track, however Ms E points out that it is every employees responsibility to perform. The whole culture is built upon high performance, thus making it highly undesirable to lag behind the curve.

The assessment tools at Company F also enable the management and planning of succession, and in accordance with UK law all registered Talents are notified. Mr F also sees favourably on letting potentials know that the company has high hopes for them and that they are investing in the Talent since this promotes higher levels of investment from the employee towards the company as well. However, specific positions are never promised to individuals. Instead Company F works with groups of potential successors for every position. Also no management position can ever be filled without the acceptance of higher managers, something that is put in place in order to avoid promotions solely based on friendship. When it comes to underachieving employees at Company F there is actually a department solely devoted to the task of discovering the source of the low performance as well as solving these problems which is usually done by reassignment.

According to Ms G, there exists a segmentation of both low performing managers and low performing employees in order to be able to follow their progress and better support them. Company G can be seen as a quite lenient company. This materialises in the support of employees not owning up to their set goals by identification of the reasons and possible development or reassignments as measures to combat this. The process before an employee is made redundant is therefore a lengthy one.

### **3.7: UK Characteristics**

Company A has not encountered any processes within Talent Management which have clashed with UK culture. However, UK has strong unions and the individual measure of performance can be a touchy subject. This is, however, mostly an issue at the blue collar level.

Mr B sees the largest hindrance with UK culture to be an avoidance to talk about actual work and focus more on softer issues. However, there is a feedback culture, which is good, it just needs to be more focused on performance. The avoidance of this might be imbedded in the fact that UK people identify with their work so much that a criticism of their performance might be interpreted as an attack directly towards their person. A personal reflection that Mr B has is that the major losses of employees originate in a perceived lack of feedback and leadership and not because of Company B's need to fire underachievers. The policy leans more towards development rather than termination of these employees.

Ms C1 brings up the American culture as an example and uses it to describe the lack of clarity in UK communication which makes it hard for some managers to give accurate feedback. However, UK culture, and leadership, simplifies and promotes teamwork which is a good thing. Company C is actually not an international company but Ms C1 believes that, for example, companies in the US are better at being clear and have a different kind of leadership. In the UK, it is very pleasant and democratic and everyone does

things together. This makes it more difficult for the managers in the UK and the democratic approach is not really as good as the more American style. UK managers should increase the clarity of expectations and consequences.

Company D tries to impose its UK values, respect for the individual etc., internationally. The production that is a major part of the company is heavily standardised after a UK model, which influences the international sites. However, of course the international subsidiaries have to adapt to local conditions and regulations. Additionally, the company has many UK expatriates all over the world that also has an influence over wherever they are.

At Company E, American values reign and Ms E sees no clash with the UK, and further she thinks that the employees highly appreciate the candour that comes with their performance and feedback culture.

The feeling that Mr F has about UK culture effecting Talent Management is the historical lack of performance cultures. There is also an aversion in managers to let high performers go to other positions or projects within the group.

Company G believes that local cultures are allowed to influence the local business units, although under the umbrella of the Company's document, setting global policies concerning issues such as respect for the individual etc.

Ms G stated that from the highest level, this is treated as a way of taking advantage of the diversity provided by a global corporation.

|                  | Defining   | Locating   | Assessing  | Developing  | Retaining   |
|------------------|--|--|--|---|---|
| <b>Company A</b> | Competence development, but with an organisational focus   | 90 - 95 percent internal recruitment, drive and commitments, attitudes and values, conduct and achievements                                    | Annual mapping, clearly structured ways of measuring and segmenting  | Individual development plans. On-the-job training and stretch assignments   | Risk analysis and matching reward systems. Give recognition   |
| <b>Company B</b> | The recruitment, development and termination of those high potential employees                       | No systemised process, competencies being the most important characteristics   | Currently implementing a segmentation of its workforce starting with the management levels                       | Well established mentorship and coaching process. New systematic processes to ensure development through on-the-job experiences | Achieved by a dialog and synchronization of expectations between the company and the employees  |
| <b>Company C</b> | Finding the right employees for the future and to take care of them                                  | Balance between internal and external recruiting is required, communication skills important   | Measurements based on job description, responsibilities and authorities and different assignments                | Highly individualized. Training programs, job experience and mentorship   | Important to have other jobs, besides the managerial, which are viewed as being high status positions                                   |
| <b>Company D</b> | Retaining and developing Talents, finding them both internally and externally                        | No Talent Management process, externally is the trainee programme, Internally management planning, always looks within before outside          | No balanced scorecards, although, employees are continuously evaluated by their supervisors                      | Responsibility for individual development lies with the individual. No institutionalized mentorship program                     | Ability to switch jobs within the organization is a part of the retention work  |
| <b>Company E</b> | The ability to attract and retain the desired people in a long term perspective                      | Clear demand profiles on all of its employees, formalised internal promotion scheme linked to performance                                      | American culture, highly standardizes goals and yearly performance reviews                                       | Highly individualised. Corporate university, tied to performance. Job experience important                                      | Employees that identify with the culture and build a strong sense of belonging, feeling of pride about the workplace                    |
| <b>Company F</b> | Locating high potential people and placing them in the right positions                               | Institutionalised process with clear measures, more towards external recruiting for higher positions which is an effect of the aging workforce | Integral part of management, Talent and succession planning. Most importance put on softer variables.            | Training programs linked to assessment. Corporate university and institutionalised mentorship                                   | Creating an environment of wellbeing by an open and friendly culture which promotes the movement internally in many directions          |
| <b>Company G</b> | Strategic, structured way of identifying future leaders, key personnel/positions and developing them | collective database, main recruitment focus is internally, tied to culture of nurturing  | Assessment closely linked to strategy. Important to allow employees to be apart of their individual goal setting | Development allowance, split between the more traditional training and job experience   | Recognition of the employees as individuals, involving them in decisions as well as including them heavily in their yearly goal setting |

Table 3-1 Summary of Empirical Findings

## **Chapter Four**

### **Analysis**

*The following section will provide an analysis drawn from the Empirical Findings with respect to, and in comparison to the Theoretical Framework.*

*The analysis is based upon the research questions; How do UK firms define Talent Management? and further; How do UK firms locate, assess, develop and retain critical Talent?*

As my study showed, the term Talent Management is well known, however few companies work with the term directly and prefer adopting their own dialects to the processes that it encompasses. Nevertheless, the different definitions were not without consensus. The focus on high achieving individuals as well as the notion that Talent Management bridged all processes from first contact to retention could be derived from all interviewees and ties well into theoretical statements made by Laff (2006), Uren (2007), Berger and Berger (2004), Farley (2005), Schweyer (2004) and Cunningham (2007). It should, however, be noted that many of the companies viewed Talents as candidates for leadership positions. This might be because of the historical fact that you promote your best people upward in an organization which consequently means more leadership responsibility. However, all top performers are not necessarily suitable for, or want, managerial positions.

However, almost all companies talked about the importance of embedding the notion of careers not only being a climb vertically but that horizontal careers for specialists not seeking management positions should be just as desirable. Not only does this spotlight the importance of specialists within the company but it should also increase the ability to attract and retain Talents since positions in top management are limited and might not be well suited for all Talents. By opening up towards top specialist positions getting as much attention as management a company creates more visible career paths and does not force high achievers into positions for which they are not suited or have no passion.

There was also a consensus among the companies that their Talent Management processes did contribute to their competitive advantage which corresponds to the statements of Ordóñez de Pablos (2004). As Heinen and O'Neill (2004) point out, Talent Management can be the best way of creating a sustainable advantage from the human resources of a company, which might explain why these large highly successful firms all were so updated on the processes of Talent Management.

The strategic ties were, however, harder to pin down with certainty, and although all companies reported the Talent Management practises to be of strategic importance, few had clear ideas about how the strategic link was achieved and maintained. This finding further supports the notion that

Boudreau and Ramstad (2005) brought up when describing the lack of a decision science for the Talent issues.

#### **4.1: Locating**

As we expected, and stated in the Background (1.1), there is a great tendency towards internal recruiting with some firms even having percentage goals to aim towards. This directly contradicts Branham's (2000) and Schweyer's (2004) finding that most companies recruit externally before looking at internal Talent. However, Ms D mentioned that sometimes managers are reluctant to let go of their high performing subordinates which in this literature was one of the reasons for external recruiting. It is only in companies C and F where there is a systematic process in place of locating Talents.

The companies investigated agreed with theory (e.g. Hoogheimstra, 1992; Pollitt, 2004b) that recruitment should be based more on competencies than merits. Examples mentioned of competencies were in Company A; drive and commitments, attitudes and values, conduct and achievements. Company C pointed to the basic requirement but emphasized abilities such as cooperation and to see the broader picture. Other companies mentioned leadership and communication skills, and personality characteristics.

The decision whether aligning people with roles or aligning roles with people, proposed by Cunningham (2007), seemed to be dependent on the level within

the organization it concerned. At lower levels there are often fixed job descriptions that are to be followed and more room for individual adaptations is provided higher up in the organizations. However, Company E was the company that showed most clear job roles although the projects performed varied significantly. Additionally, the larger organizations saw the diverse and plentiful number of positions on the workplace as a factor eliminating the need for adaptation to specific roles since there is very likely another position that fits better. Ms A2 agreed with Cunningham (2007) that it is developmental for employees to break free from routine work and to act more freely.

Given the size of the investigated companies, it is not surprising that they had the resources to keep a lot of HR competencies in-house. Company A stated the reason for this that it is one of the pillars and significant success factors of the company. However, only a few shunned away from using recruiting firms for the more senior and specialist positions. In line with Hansen (2007) the motives for outsourcing was mainly to gain expertise but also when internal resources was scarce. Notable is that only one of the companies mentioned costs. The aging workforce, with the retirement of the baby boomers, appears to have favoured recruitment outsourcing providers. Several of the companies found that outsourcing and external recruitment now is increasing.

Not unexpected due to the selection method applied, most of the companies put a lot of efforts into Employer Branding. Much of this work was early

contact with schools, in order to awaken interest, as well as communicating opportunities within the companies and company values. The result of the external Employer Branding efforts is also measurable. However, Company B and Company D disagreed where Company B could not attribute an impact from Employer Branding and Company D clearly had seen effects. The division of internal and external effects, proposed by Backhaus and Tikoo (2004), was clearly seen and the internal Employer Branding work was considered as important as, or even more important, than the external. The internal process aimed towards making proud, motivated and happy ambassadors of the company. Backhaus and Tikoo's (2004) first part of the Employer Branding process, that a value proposition is mirrored in the brand, was obvious in Company E where its performance culture is clearly promoted.

#### **4.2: Assessing**

Assessment of employees was present at all companies which is no surprise and only further confirms the findings of Gregory and Platts (2005) who have done research into the wide acceptance of performance measurements from both academic researchers as well as business professionals. The reach and complexity of these practises were however heavily influenced by the company culture, and as some companies noted; UK has traditionally had a bit of an aversion towards creating performance cultures.

In companies like A or F where there was an already implemented methodology for the measurement process, the interviewees all reported that

the newer outlook allowed for the tracking of more employees. This was also found by Hustad and Munkvold (2005) in the company Ericsson where they found that the new technologies spread the use of these practises beyond the top tiers of the organization. However, as we observed in Company B top-levels still seem to be the main focus and an intuitive starting point for the roll-out of new measurement processes.

In all companies, we observed the use of measures in order to help support decision making, identify areas of development as well as making straightforward measures of achievements. The company that diverged the most from the group is Company E with its highly structured and performance driven organization where the outcomes of the measurements directly guided promotions and salary levels. It should, however, be noted that E has an outspoken American culture which it sees as a strength in attracting the people that it wants. Here we find a closer similarity to the methods promoted by Berger and Berger (2004) where high achievers receive the largest part of development budgets.

However, in accordance with Lebas (1995), measures in the UK companies we investigated, were used to achieve greater individual knowledge of the employees. This allowed the companies to better focus their efforts to develop and empower their employees. In the case of Company B and other similar companies where services are the core of the companies' sustainability, performance measures and management, something stressed

by Busi and Bitici (2006), are more outspokenly important since the need of accurately using the information that exist closely ties in with their ability to satisfy their customers.

Much like Phillips' (2005) measures, presented in Table 2-1, we observed a reliance on both hard measures such as actual goal fulfilment, and softer measures such as perceived leadership ability. However, even companies like E which heavily relied on performance, claims to favour the softer measures when it comes to choosing the more important of the two. Something that time and time again was mentioned as an important thing to measure was the drive of an individual. This was mentioned as a competence by Hoogheimstra (1992) and can also be tied into the engagement of employees (see Frank et al., 2004) and many others of the areas discussed under development.

Much as theory suggests (Philips, 2005), variations of the scorecard is the dominant format used in order to examine the status of a firm's human capital. This influences the resources deployment as well as enabling easy storage and comparison of the different Talents throughout the organizations. An exception was, however, found in Company D which claimed no use of the scorecard methodology. As we had no chance to view its system we can not comment on its practises. Although, this does not mean that Company D is in any way less aware of measures and management of performance, as yearly reviews were explained to be very similar to the other companies investigated, thus this might just amount to conflicting terminologies.

Although most of the practises observed were in line with the descriptions of scorecards, such as the focus on the mind-set and culture, the competencies and the leadership and workforce behaviour, mentioned by Huselid, et al. (2005), companies like F segmented their measures a bit differently with a 360 degree feedback perspective that looked at the different measures of interest i.e. performance orientation, wide perspective, communicative skills and people orientation from both subordinate and manager views.

In the companies, scorecards also help with segmenting the workforce, although this is not a practise openly admitted by all, there were pretty clear examples of groups in line for succession or development programs at a majority of the investigated organizations, and this sort of positive segmentation was seen as rather natural. Only at Company A was the segment of low performers willingly brought up, they also claimed to put most development resources towards this group which directly contradicts Berger and Berger's (2004) statement that top performers should be given the most resources. It is my belief that this is closely tied into a UK cultural view of helping rather than firing (Frazee, 1997) but also due to UK legislation that is more protective of the workers' rights (Mabon, 1995). This is something that was communicated by all of the companies, with a slight exception in company E which, although it identified low performers, has a much lower tolerance and sterner view on this group in the workforce.

### **4.3: Developing**

Development is such a diverse field, however all firms exhibited development views explained by the new paradigm of development proposed by Michaels et al. (2001). However, some had far more advanced views on the ability to develop their Talents through stretching their competencies and giving them new experiences rather than depending on traditional training formats. Job experience and internal job rotation were generally seen as the best development methods although training and leadership courses were considered complementary, in line with the “internal system of HRM” proposed by Ordóñez de Pablos (2004). Formalized mentorship or coaching Programs were used to a various degree in the different companies and if not, the role of the employee’s immediate supervisor was stressed. This covers the basic message of Thach’s (2002) theory that it is crucial to receive feedback on performance in order to identify development needs. Interestingly, being assigned as a mentor for someone else also was seen as developing, thus developing for both parties, also mentioned by Friday and Friday (2002). Generally, development was found much to be the individual’s responsibility with the company providing the resources, coaching and opportunities.

After the assessments, several examples of segmentation were found, especially for people identified as having the potentials to become managers. These were classified after abilities and then on how long they had to possible promotion or after their age i.e. Young Potentials. Phillips and Phillips (2004)

argued for the notion that the Talents that contribute the most also should have access to larger portions of the training budget. This would lead to a polarization of the workforce which is not correlating well with the UK culture. Consequently, this was not found in this investigation of firms in UK. Company A even stated that it was far more important to get low performers back on track. Otherwise, resources for development were very much dependent on the individual development plans and in communication with the immediate supervisors. Tendencies, in line with Frank and Taylor's (2004) prediction that employees will receive custom made development continuously, were also encountered. Further, as Michaels et al. (2001) identified, employees are not only stimulated by vertical promotions but also by different types of jobs which was frequently encountered with companies focusing on relocation of employees both horizontally and vertically in developmental purposes. This tied into a dilemma not previously encountered in literature regarding on how to substitute vertical career paths when organizations becomes flatter.

Whether or not having a strict succession plan varied across companies, levels in organizations, and seemed to be dependent on the nature of the company. Examples of one successor candidate identified, as well as pools of identified potential successors were both encountered. The views differed regarding whether or not letting employees know that they are seen as successors, or potential successors, in the organizations. Reasons stated for not telling were; building hopes that November not materialize, and to keep the option open

for other candidates. Reasons stated for being open about it were that it is motivating. Thus a consensus was communicated that it is motivating, but the hopes the motivation relies upon must materialize, otherwise the employee will be more discontented than if he/she had not known in the first place.

#### **4.4: Retaining**

As pointed out by researchers such as Branham (2000) and Herman (2005) the retention of employees is directly tied into cost savings, which might be one of the reasons for the unequivocal consensus concerning these issues. Further, engaging the workforce leads to a lower employee turnover (Frank et al., 2004) and is a part of some researchers' definition of Talent Management (Uren, 2007). As with theory, the retention of Talent in the investigated organizations is closely linked to development. Although slight variations in company culture exists, monetary compensation is not viewed as a major part of retention strategies, but instead, much like Bernard (1992), Holden (1999) and Branham (2000) recommend, recognition, feedback and development are the main strategies employed. It is also a lack of these aspects that according to Herman (2005) are the main causes of employees leaving.

The size of the companies and the ability to UK jobs within the organization, even across national borders, was found both as a factor within attracting Talent but also a key component in retention. This is further supported by Pollitt's (2004a) investigation of another UK company, Electrolux, also employing Talent Management processes.

Most notably, several companies brought up the importance of managers' roles in encouraging and recognizing the work of the employees as a main function of their retention processes. Practises which are supported by Benjamin (2003) and Frank and Taylor (2004) which find poor management as the number one reason for employee resignations. This also ties into the importance of the company's integration of a healthy culture into their HR practises, as seen in Company F and G, which is identified as a strong success factor by Roehling et al. (2005) and Collins (2001). These factors also have motivational factors according to Bernard (1992) and further build an employee's personal drive which has been named as one of the key variables in identifying Talents.

As for rewards all companies except E, which can be seen as the American of the group, had moved away from the more traditional views of compensation and its ties to retention. Branham (2000) among others have observed that pay grades rank low on both its ability to motivate as well as retain, however, there are some links to performance (Heinen & O'Neill, 2004) and this is recognized although Companies like A and F mentioned other non monetary perks as important in their work with Talents.

There is a noteworthy distinction to be made between internal turnover and external as Company D noted. Further, Company F experienced that some managers were reluctant to let go of their Talents but the company

encouraged them to move around in the organization. This tie into the discussions on careers by Cunningham (2007) and Herman (2005) which touched upon the importance of Talent mobility expanding past the traditional vertical climb into other directions as well. At a majority of the companies, we observed an expressed thought about this set of problems and they all exhibit quite advanced formulations of this problem already.

With regards to low performance, Company A displays the most advanced concern over resource allocation and development towards low performers, as this is their employee segment which has enjoyed the most resources. We attribute this to a strong cultural belief rooted in the UK value system. On the opposite side, and more in line with researchers which promote a quick termination of employment of these employees (Berger & Berger, 2004), we found Company E which in turn has a much stronger Americanized performance-cantered culture. This observed diverge, from the mostly American literature, probably has its explanation in such phenomenon's described by Mabon (1995) or Frazee (1997) which note that the UK law and unions create a much more stable work environment for the employees as well as making it very hard for companies to lay of employees. This was especially observed at Companies C and G that seemed very lenient when it came to low performance.

## Chapter Five

### Conclusions and Discussion

*This concluding section will answer the research questions which in turn answers the purpose of this research . Embedded in the conclusions is a discussion of the findings outside the research questions but relevant to the purpose. Finally, suggestions for future research are presented.*

The investigated companies seem to have answered the researcher's call to link HR processes with strategy. Given what we have observed in these UK companies, we can draw the conclusions that an advanced awareness of Talent issues exists, and processes are being implemented to combat the future war for Talents. The actual practises were surprisingly coherent with what we observed in the, predominantly American, literature. This leans towards the assumption that the cultural differences between my two societies can be bridged in this business context. However, the difference in organizational culture between the typical UK firms and the one with an American culture were highly visible but UK firms seem to look towards the more performance oriented American cultures and hope to emulate some of its features.

The companies mostly recruit internally both generally and for key positions. However, we found that they are forced to depart from their former reliance on internal Talent resources as an effect of the aging workforce, favouring

outsourcing providers. In hindsight this could probably had been avoided if the current practises had been in place earlier.

All of the companies are in some way measuring performance and it is most often tied to individual development plans. We found that rather than being performance centric, i.e. companies looking at sales figures or other "hard" variables, the focus is more towards behavioural and competence based variables which are treated as tools to aid decisions regarding development. This is evidence of a UK cultural factor which shows an aversion towards singling out individuals and motivating them with salary increases and bonuses. However, a tendency was seen that companies were adapting or wanting to adapt a clearer performance culture.

The views on development were that on-the-job experience is most important and other methods such as courses and training are complementary. There is a focus on job rotation and horizontal movements recognising that Talents are not necessarily leaders. Another interesting finding from my work is that most companies saw the breadth of career paths that they could offer their Talents as both a developer and a process for retention. The traditional vertical promotion scheme is no longer sufficient when it comes to retaining Talents. This is also a consequence of the flatter organizations which seems logical but has not been found in any literature. Further, as Company D stated, they see a shift towards that the younger generation of employees have different criteria and demands on their employers than the previous

generations, where a vertical climb and a fancy office were more important. An implication of this is that companies that solely focus on building their vertical career paths might find this motivational tool obsolete.

Since Talents encompasses specialist knowledge and/or leadership ability, and both are vital to a company, an increase in status of the specialist career path becomes a vital part for retaining people that add to the competitive advantage of a firm. Apart from development, recognizing employees and giving unambiguous feedback were the main strategies identified for retaining employees.

Firms agreed that letting potential employees know that they are considered Talents would be motivating, but the hopes the motivation relies upon must materialize, otherwise the employee will be more discontented than if he/she had not known in the first place.

The implication of the work with Talent Management in UK is; since the companies investigated employed, or were about to employ, Talent Management processes, it seems that they are well prepared for the future war for Talents and will better cope with the gap occurring when baby boomers retire, which will be a problem. Thus, firms adapting to Talent Management, and recognising the strategic importance of it, can gain a competitive advantage against others not concerned with these practises.

### **5.1: Managing Diversity within a Talent Management System**

For some organizations it is not just a question of being able to manage talent per se, but of being able to manage different types of talent, for example talented women. In Fortune 500, female executives are leaving at twice the rate of men due to frustration with their work environment, i.e. they are out of synchronizations with the corporate culture, and see little opportunity of advancement (Dickinson Shephard & Betof, 2004). In line with this, 77% of new businesses are being opened by women, and a 2002 Leaders Edge Research Study of 100 high-level women leavers revealed reasons for leaving were culture, communication (lack of) and career development. Flexibility and life/family balance were also raised. Changes employers could have made to keep them were inclusion, flexible environment, feedback and career planning. They felt underutilized.

This gender differential could be more fundamental than simply being a communication issue. Gilligan's cognitive-developmental theory of morality proposes that in addition to the universal moral principle of justice there is a second universal moral principle, the principle of caring. Caring is defined as a morality of responsibility and relationships, a sensitivity to the needs of persons. As the individual develops, they progress from concern for survival (caring for self) to concern for goodness (caring for others) to concern for truth (caring for self and others). Gilligan sees most men as desiring separation, a goal compatible with the principle of justice, while most women

reflect a desire for attachment, a goal compatible with the principle of caring (Gilligan, 1982). This fundamental difference to moral reasoning could underpin the communication, culture and empowerment issues that senior-level women encounter in the workplace.

Women and minorities face greater challenges in organizational entry and in moving up the organizational ranks because a mentality of white male managers continues to control the bulk of the power in organizations and largely determines a company's hiring, compensation and performance evaluation practices (Ng & Burke, 2005). In addition, gender and ethnic stereotyping contributes to the lack of acceptance of women and minorities as authoritative figures, and a lack of similar others makes it difficult for them to network effectively. Affirmative action programs, however, only served to make women and minorities feel stigmatized (ibid).

In all my case study organizations, diversity management was espoused as being important, but only one organization actually went as far as monitoring it, and another actually used diversity criteria as a selection process for development programs within the previously selected talent pool. There is a great danger with talent management that people will nominate others as talented because they find them easy to work with, are like they are, remind them of what they were like in their former days, and so forth. Ensuring that the talent pool is selected to include a diverse group can be problematic for

some organizations, particularly those who have homogenous senior management team as a starting point.

However, care needs to be taken so that those members of the talent pool who represent diversity in the organisation do not feel they have been selected purely on the basis of the nature of their difference. Preferential selection procedures, whether they are misperceived or real, give rise to assumptions of incompetence, regardless of the basis of discrimination (Heilman & Alcott, 2001). People who are targeted to benefit from affirmative action efforts may in fact be tainted by them, as it is perceived that they have been in need of special assistance to succeed. What people think another expects of them is likely to influence their behaviour. The expectations influence self-efficacy judgements causing the individual to feel that they are actually deficient in the relevant skill or talent rather than proficient or talented in it.

## **5.2: What is the contribution of talent management to the development of future leaders?**

While talent management systems maybe established with the best of intentions for both the organization and the individual, the actual achievement of the benefits intended November be more difficult than anticipated to achieve. The history of the organization, its culture and the sensitive nature of some work environments can lead organizations to include everyone in the talent pool, without any attempt to differentiate between them. While this November appeal to the more egalitarian amongst the workforce, the lack of segmentation results in the talent management system being little more than an enhanced performance management process.

The culture of the organization will impact on the perspective taken on talent management, and talented individuals are likely to choose, in the longer-term, to work for organizations whose culture is more closely aligned to their personal values. If an organization does take a more exclusive approach and does segment a talent pool, they then face the question of transparency. At its worst, high transparency might disenfranchise those who are excluded from the talent pool while over-boosting the egos of those who are included, or it might put the identified talented individuals under such pressure that they fail to perform well as they fear whether or not they can continue to meet expectations. At its best, high transparency could have a number of benefits: 1) supporting an open culture where information is exchanged freely

and constructions about talent are discussed frankly; 2) prompting some difficult conversations about performance that may have been avoided; 3) motivating individuals to influence the way they are defined (particularly when all definitions are attractive); 4) providing clarity for people about opportunities and choices (specially if coupled a transient definition of talent).

The issue also arises as to whether or not the identified talented individuals want to meet the expectations placed on them or not. People go through phases in their lives when different elements of their life take on different levels of importance, and talented people may prefer to have the option of stepping off the ladder every so often to focus their energy on family or other pursuits.

Developing the talent can also be difficult. Push them too far too quickly and there is the danger that they will over-focus on the organization's needs at the expense of wider moral and ethical principles, but leave them unsupported and undeveloped and they are likely to leave.

In making choices about the talent management approaches, organizations should consider the kind of leadership that the organization is looking to foster for the future. The processes that are used to identify, develop and communicate with 'talent' are likely to have a significant impact on the kind of leadership that the organization develops. In this sense, the approach that an organization uses needs to be congruent with the type of leadership the

organization needs in its future. Whatever system is in place, if it is effective, a significant number of the future leaders of the organization will be those individuals who thrived, were noticed or succeeded within the talent management system of choice.

To some extent, the need for talent management systems is an organization - made issue. Organizations' responses to business process re-engineering, Total Quality Management, TQM and the down-sizing that dominated the previous decade have now resulted in the realization that actually they do need good people, and having wiped out layers of managers, they perhaps do not have the pool of people ready for senior positions that they once had. Having taken job security and development opportunities away from individuals, and putting career management and employability firmly on the individual's agenda, organizations are now trying to reverse this trend by enticing individuals back to the idea of loyalty to one organization, and they want more say in their careers. Talent management systems may yet have the potential to provide a rigour in defining business critical skills for an organization, behaviours required now and in the future, and enable focused development for different talent segments. Will they be able to achieve this? Time will tell.

### 5.3: Talent Management

With businesses going global and competition becoming intense, there is mounting pressure on organizations to deliver more and better than before. Organizations therefore need to be able to develop and deploy people who can articulate the passion and vision of the organization and make teams with the energy to perform at much higher levels.

These people build and drive the knowledge assets of a corporation, the value of which has been established to be many times more than the tangibles. The capacity of an organization to hire, develop and retain talent is therefore the most crucial business process and priority on the CEO's agenda.

#### Key Business Processes

The following matrix appropriately defines key business processes for an organization:

|                        |      |                      |                        |
|------------------------|------|----------------------|------------------------|
| Impact on shareholders | High | Leveraging Processes | Key Business Processes |
|                        | Low  | Support Processes    | Service Processes      |
|                        |      | Low                  | High                   |

Impact on customers

Figure 5.1: Key Business Process

Talent management is a key business process and like any business process takes inputs and generates output.

### The process of talent management

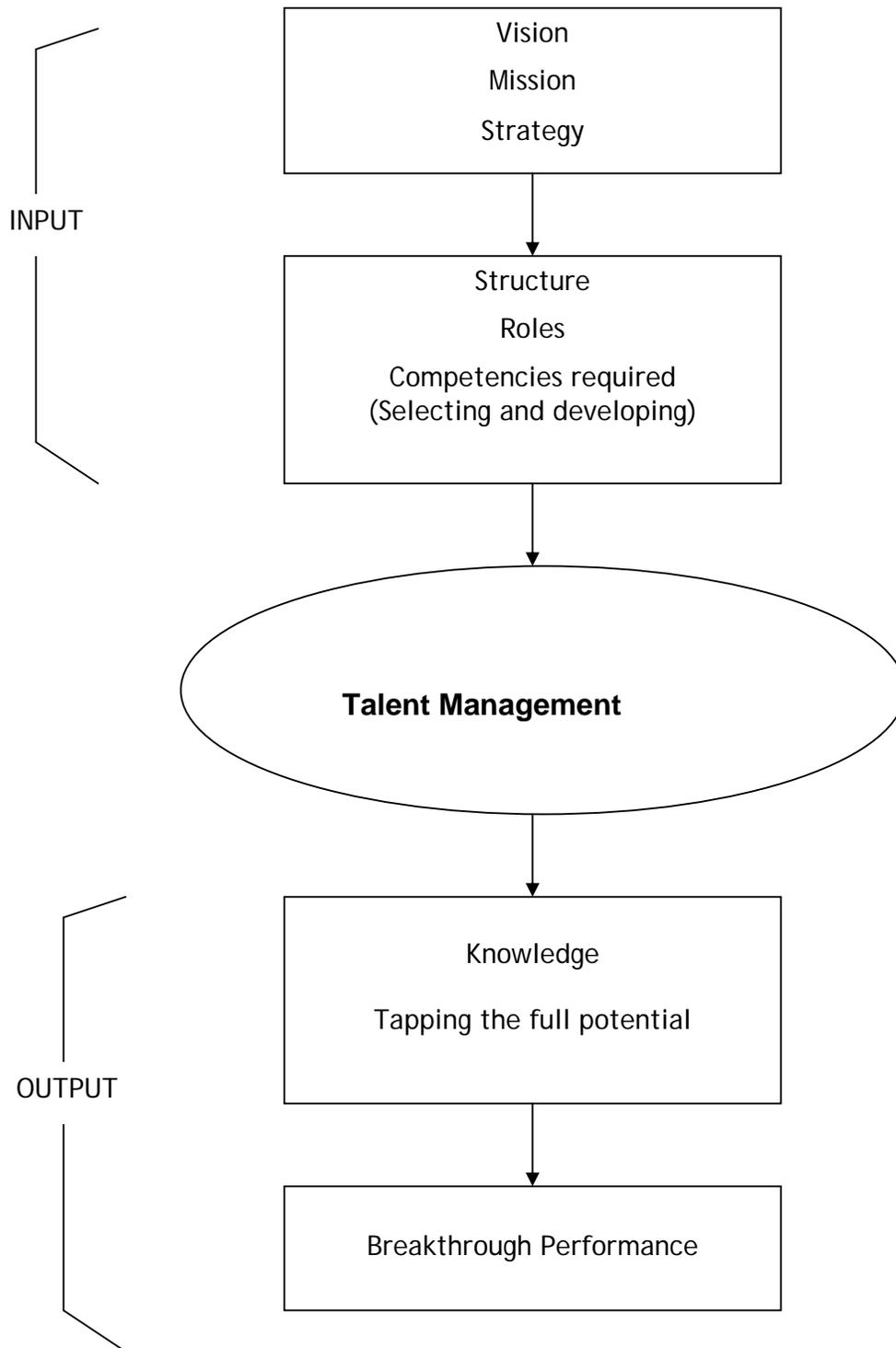


Figure 5.2: The process of talent management

#### **5.4: Talent Management v/s Traditional HR Approach**

Traditional HR systems approach people development from the perspective of developing competencies in the organization. This can actually be a risk-prone approach, especially for companies operating in fast evolving industries, since competencies become redundant with time and new competencies need to be developed. Thus, over time, the entire approach to development of people might be rendered obsolete calling for rethinking the entire development initiative.

Talent management on the other hand focuses on enhancing the potential of people by developing capacities. Capacities are the basic DNA of an organization and also of individual potential. In fact, the following appropriately describes the role of talent management:

|   |   |  |
|---|---|--|
| <b>D</b>  | <b>N</b>  | <b>A</b>   |
|   |   |  |
| <b>Point of Departure</b>   | <b>Navigation</b>   | <b>Point of Arrival</b>  |
| Translating organizational vision into goals and mapping the required level of capacities and competencies to achieve goals | Aligning individual values and vision with organizational values and vision         | Clear understanding of the varied roles within the organization and appreciation of the value-addition from self and others leading to building a culture of trust, sharing and team orientation |
| Assessment of talent to profile the level of capacities and set of competencies possessed within the organization           | Enhancing capacities to learn, think relate and act through development initiatives | Individual growth to meet and accept varied, incremental and transformational roles in an overall scenario of acknowledged need for change   |
| Gap analysis and identification of development path   | Helping individuals realize their full potential through learning and development   | Developed individuals enabling breakthrough performance  |

Table 5.1: The role of Talent Management

## 5.5: The focus of talent management

At the heart of talent management is developing the following intrinsic human capacities:

### 1. Capacity to learn (measured as learning quotient LQ)

Enhancing an individual's capacity to learn improves the person's awareness. It adds to the person's quest to know more and delve into newer areas. This capacity is developed by holistic education that teaches how to learn, an enabling environment and good mentoring. Capacity to learn comprises of the following:

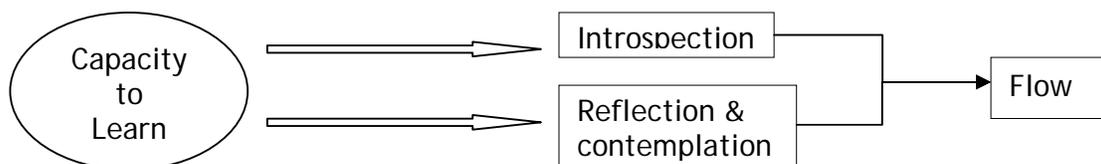


Figure 5.3: Capacity to learn

- Introspection is the individual's willingness to look back and learn, ability to learn from mistakes and identifying areas of improvement.
- Reflection and contemplation is the individual's ability to observe his own thoughts, actions and emotions/feelings and using the awareness to improve further and perform better.

- Getting into the flow is the individual's ability to get into a new experience and flow with the experience. It is the person's child-like ability to derive joy out of learning.

## 2. Capacity to think (measured as conceptual quotient CQ)

An individual's quest to know more leads his mind to create images.

Enhancing an individual's capacity to think helps the person not only to take learning to a higher level of intellect but also improves creativity. Capacity to think comprises of the following:

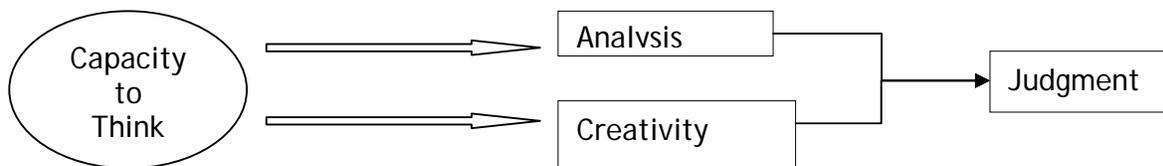


Figure 5.4: Capacity to think

- Analysis is about asking the right questions and breaking complex things into simpler elements.
- Creativity is about generating new thoughts and breaking the existing patterns of thought.
- Judgment requires both. This is what helps an individual take quality decisions.

### 3. Capacity to relate (measured as relationship quotient RQ)

It is important for an individual to be able to relate to his learning and thoughts. This leads the person to be able to relate to other individuals and the environment around him. The outcome is indeed a sense of belongingness and an environment of trust at the organizational level and team spirit at the individual level. Capacity to relate comprises of the following:

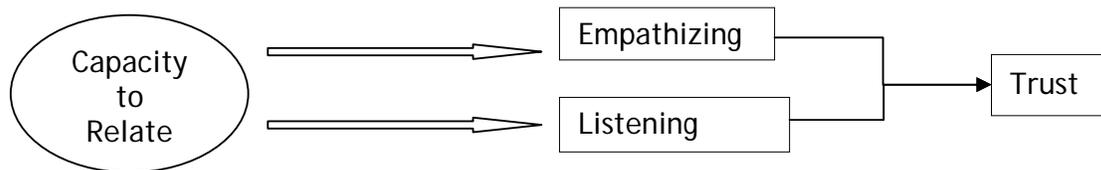


Figure 5.5: Capacity to relate

- Listening is the individual's ability to listen with warmth and respect. Active listening is free of biases, evaluation and pre-conceived notions.
- Empathizing is the ability to put self in someone else's shoes and getting out of one's own shoes.
- Trust requires a combination of both empathizing and listening. It is about authenticity, openness and genuineness.

#### 4. Capacity to act (measured as action quotient AQ)

Action is how the above three capacities of an individual are manifested. It is the individual's ability to enact his intentions. Following are components of capacity to act:

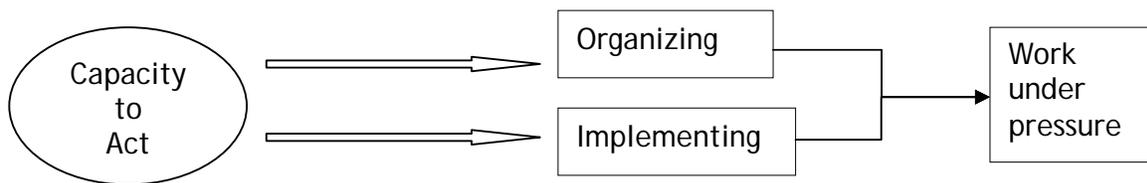


Figure 5.6: Capacity to Act

- Organizing refers to the individual's ability to organize his time and resources so as to enable him to convert intentions into reality.
- Implementing means delegating, attention to detail, and focus on the right process.
- Perform under pressure means the ability to work under pressure and time constraints and handle multiple tasks without negative stress.

The individual's values help in discriminating amongst alternatives and act as the bedrock for decisions. They act as multipliers in enhancing the individual's capacities, a sigma of which reflects the individual's true talent.

Thus:

$$(LQ + CQ + RQ + AQ) \times \text{Values} = \text{Talent}$$

Organizations provide individuals the opportunity and space for physically manifesting their talent into performance for achieving individual and organizational vision. Talent manifests into performance as follows:



Figure 5.7: Talent manifests into performance

Thus the domain of talent management focuses not only on development of individual's intrinsic capacities, but also on culture building and change management to provide the other elements listed above for manifestation of talent into performance.

The service and consulting areas of talent management that thus emerge are:

- Talent appreciation
- Potential enhancement
- Acquisition of talent
- Knowledge management

Grow Talent offers services in all the above areas. Grow Talent's offerings are based on the models discussed above and follow a unique methodology.

## **Talent appreciation (TAP™)**

TAP™ services from Grow Talent are focused on assessing the way individuals learn, think, relate to others, and act. Tap is used to evaluate the capacities, competencies and values of individuals for assessment of potential for career development and succession planning.

This is intricately linked to helping organizations map their capacity and competency requirements and then assessing talent to draw up individual development plans. The talent profiling thus done for organizations helps them identify critical competencies to be developed and capacities to be enhanced in order to meet future business requirements and achieve plans.

## **Potential enhancement (PEP™)**

The focus of PEP™ is to create learning experiences and solutions for individuals that will help convert their talent into competence. It also involves designing learning events and processes that enhance the potential of individuals.

Two intrinsic components of Grow Talent PEP™ are:

- Capacity building modules - which focus on enhancing the four capacities of individuals
- Competence building modules – which focus on specific areas like consulting skills, problem solving, service quality, strategic selling, process designing, interviewing skills, etc.

## **Acquisition of talent (ACT™)**

Grow Talent's approach to helping organizations acquire talent is based on the following:

- Helping organizations define roles for specific leadership positions based on 'preferred futures' and strategy
- Identifying the competencies required for each of these jobs
- Determining the levels of fundamental capacities of learning, thinking, relating and acting needed to acquire these competencies
- Defining the values which are needed to display the desired behaviors
- Identifying individuals who would fit into these positions
- Enable organizations and individuals to establish mutually acceptable contracts for employment and lay the foundation of win-win relationships

## 5.6: Knowledge Management

As said earlier, the domain of talent management includes culture-building and change management. Knowledge management services from Grow Talent are aimed at leveraging knowledge for performance by creating an environment for sharing by building trust. The focus of knowledge management is to connect people and technology to capture and harness the tacit knowledge of the organization. By making trust the bandwidth of communication, knowledge management enhances sharing and thereby creates an appropriate environment for talent to translate into performance.

With its comprehensive spectrum of services for talent management and unique methodology, Grow Talent is strongly positioned to help organizations gain a competitive and sustained talent advantage.

***In summation, we found the UK dialect of Talent Management to correlate with the general frame presented by theory. UK firms are mostly locating Talents internally but are willing to use external outsource providers for difficult or resource demanding recruitments. Talents' competencies are more important than their credentials. Within the frame of their job description, Talents are encouraged to find creative solutions to solve their tasks, as a contrast to a rigid job description which outlines what, and how, to deliver what the company expects from them. UK firms are increasingly using assessment, with clear feedback, as foundation for the individual development plans. Within the individual development plans there is on-the-job training, job rotation and different forms of mentors. This is also a part of the retention process which focuses on recognition, relocation and career management.***

## **5.7: Future research**

Based on the selection method, the companies not on the list of the best employers were consequently excluded. However, these companies could very well also employ Talent Management or have good reasons for not employing Talent Management. Thus, a similar investigation with a more random selection method could provide complementary information with interesting results.

Additionally, a follow-up study can be made in order to discover if the Talent Management strategies are actually being implemented in the manner that they were described.

A line of thought occurred; is there a link between poorly implemented Talent Management processes and the increased outsourcing, for recruitment of senior positions, observed? Is this because of the failure of developing internal competencies or just a natural trend of the business environment, is something worth investigating?.

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## **Appendix 1 - Pre-study**

**Dear Sir,**

I am a student from Greenleaf University in USA. During the Autumn winter 2008 I will be conducting interviews with UK's most attractive employers (Företagsbarometern 2007) as an empirical base for my research within the field of Business Administration Management.

The research aims to investigate these successful employers to be able to identify common strategies around how they identify, assess, develop and retain their key talents. My goal is that this will amount to an increased understanding of the problems surrounding Talent Management, which has been identified as one of the future challenges for all firms.

As an initial phase it would help my work tremendously if you would take a minute and answer this short Yes or No questionnaire in a returning email at [Rawamleh@hotmail.com](mailto:Rawamleh@hotmail.com).

1. Do you have an active strategy to be one of UK's best employers?
2. Have you heard the term Talent Management?
3. Do you use "Talent Management"?
4. Do you have a plan for the future supply of key competencies?
5. Do you handle your own recruiting (as opposed to hiring recruiting firms) when it comes to key competencies?
6. Do you wish to participate in an hour long interview concerning HR and Management questions?
7. If no, would you recommend us to contact anyone else?
8. Regardless of your prior answers, do you wish to receive this research upon completion?

**Best regards,**

**Raida A. Al-Awamleh**

## Appendix 2 - Interview Questions

### Definition

1. Please describe what Talent Management is for you?
  - a. In what way do you use it?
  - b. When did you hear about TM – when did you start working with it – why?
2. If, and in that case how, are these practises linked to the company's strategy?
  - a. Does this contribute to a competitive advantage? (give example)

### Locate

3. Do you know who your Talents are?
4. For key employees, how are they usually found and recruited?
  - a. Internally in the company or not – why?
  - b. Recruiting based on merits or competencies?
  - c. Do you try to meet different job descriptions with a person who responds to that description? Examples – what are the benefits/drawbacks
  - d. Do you allow people's competence to form a job role? Examples – what are the benefits/drawbacks
5. How does your company find out what skills to look for when filling important positions?
6. Do you outsource HR functions?
  - a. What parts?
  - b. Why?
7. Are you familiar with the concept of employer branding?
  - a. Tell us about your company's employer brand.
  - b. How have you built it and how is it sustained?

### Assess

8. Is it important in some way to measure performance?
9. How does your company measure performance?
  - a. Do you segment your employees according to any variables? (measurable or not measurable)

### Development

10. Tell us about how you develop your employees?
  - a. Is there any difference in the level of development resources allocated for different employees?
11. Do you have a plan for future supply of key competences?
  - a. Have you identified possible successors?
  - b. If "yes" do they know it?
  - c. Do you see problems with this?
12. How do you deal with underachievers?
13. As international companies, are there specific UK characteristics that hinder the deployment of these practises?

### Retain

14. How important is it to keep key personnel?
  - a. What actions do you take in order to retain key personnel
  - b. Give examples

### **Appendix 3 – UK's Most Attractive Employers**

Ernst & Young

SCA

SKF

Accenture

Atlas Copco

Capgemini

E.ON

Epsilon

Ericsson

Handelsbanken

Ikea

NCC

Nordea

Posten

Saab

Sandvik

Scania

SEB

Siemens

Skanska

Sony Ericsson

SSAB

Stora Enso

TeliaSonera

Vattenfall

Vovlo it

Vägverket

Öhrlings Pricewaterhouse Coopers

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## HR MANAGEMENT

# Critical Issues in HR Drive 2006 Priorities: #1 Is Talent Management

We recently asked HR professionals to tell us about the most critical issues they will face in the next six to 12 months. The results of IOMA's *HR Critical Issues Survey* indicate they will be busy with a number of initiatives.

Talent management was by far the top issue, identified by nearly three-quarters of the 231 respondents. Comments about attracting, hiring, retaining, training, and developing employees, as well as the problem of succession planning, are below. It is clear that this topic will be a long-range project for HR professionals and other senior executives.

The responses discussed concern HR topics that do not include benefits, compensation, and 401(k) plans, but IOMA did collect data about the separate issues affecting those "sub-areas" of HR. Highlights of the findings are in the three accompanying figures.

### TOP CRITICAL ISSUES

We asked respondents to identify their top five issues; then we tabulated the number of responses received for each issue. The leading issues:

1. Talent management, including staff retention and development and succession planning: 74.2%.

2. Employee engagement and enhanced productivity (that is, how to get more from current employees): 60.7%.

3. Leadership training and development at all levels of the organization: 59.8%.

4. Using technology for efficiencies, cost savings, and better HR operations: 55%.

5. How HR can become more strategic when there is corporate resistance, and how to define "strategic" within the individual organization's parameters and business goals: 45%.

6. Developing and implementing the "right" HR metrics to provide information required by corporate leaders about human capital management's contribution to the business: 44.5%.

7. Cost control (including dealing with HR department staff reductions, centralizing HR functions, and outsourcing): 35.8%.

8. Integrating HR functions, including general HR, benefits, compensation, payroll, safety, etc., for maximum productivity: 31.4%.

9. Compliance with federal, state,

and local laws (including the FLSA, the ADA, workers compensation, etc.): 30.1%

10. Automated hiring functions, including applications and testing: 20.5%.

### COMMENTS ON THE ISSUES

We asked respondents to discuss why the issues they cited are critical to their organizations, as well as the priority in addressing them. Here are comments about key issues from survey respondents:

- **Talent management.** In addition to being ranked as a top issue by so many respondents, this subject drew the most comments.

"Talent management is critical and has the most importance due to its direct impact [on] the profitability and future growth of the business," wrote a regional HR manager. "Creating and using proper metrics is a unique challenge to every business. When approached properly, HR can show the impact each employee has on a business, both positive and negative."

Succession is another driver that is making talent management such a crucial issue right now. Talent management is "critical because many of the

top leaders are or will be retiring and it is too expensive to continually hire persons from outside the organization,” noted a university training officer.

“We also want current employees to take more ownership of their work and to develop more innovative [and] efficient and less expensive ways of completing their job tasks. [Talent management is] also critical because we are increasingly facing more competition for our ‘customers.’ Priority: HR being seen as a strategic partner, implementing HR metrics, and integrating HR functions for maximum productivity.”

New and upcoming shortages of qualified employees is another reason that HR is focusing on talent. “The job market is becoming a scary place,” said an office manager. “I believe that the numbers of qualified candidates are greatly reduced to the numbers we’ve been used to since 2000. It is critical that we find the *best* ways to attract, retain, and develop top quality candidates.”

Retention was most on the mind of this human resources coordinator: “Staff retention is important especially when there is downsizing within the organization. We, as an HR department, are trying our best to hold onto those employees that have toughed it out and to keep them happy and productive. The integration of HR functions is one that we as an organization are working on currently and have had many successes, which leads me to believe that it is our greatest priority currently.”

Hiring shortages and the related need to get current employees to fulfill more roles headed the list of issues for this HR project manager: “Our business has been experiencing tremendous growth resulting in a lot of needed overtime. We have difficulty finding highly skilled production employees, and as such the need to develop and train existing employees beyond our normal development plans is heightened.”

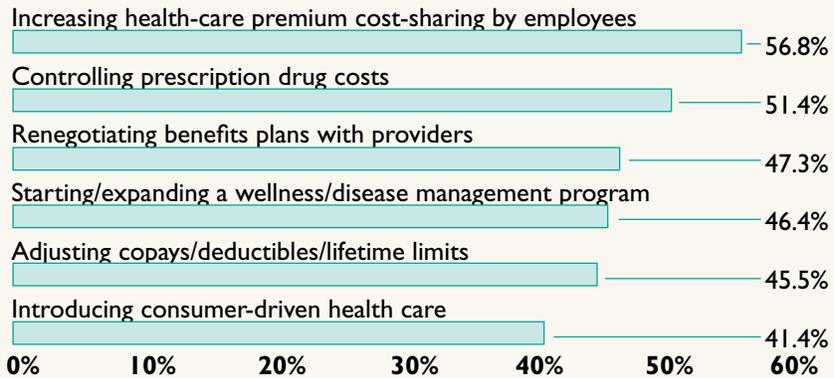
• **Leadership training and development.** Although this issue is a subset of talent management, a number of respondents singled it out for comment as a separate matter.

“The issues are critical because they directly impact the business’s ability to

provide superior service consistently within budget constraints,” explained a human resources manager. “Priority issues are leadership training/development, talent management, and succession planning.”

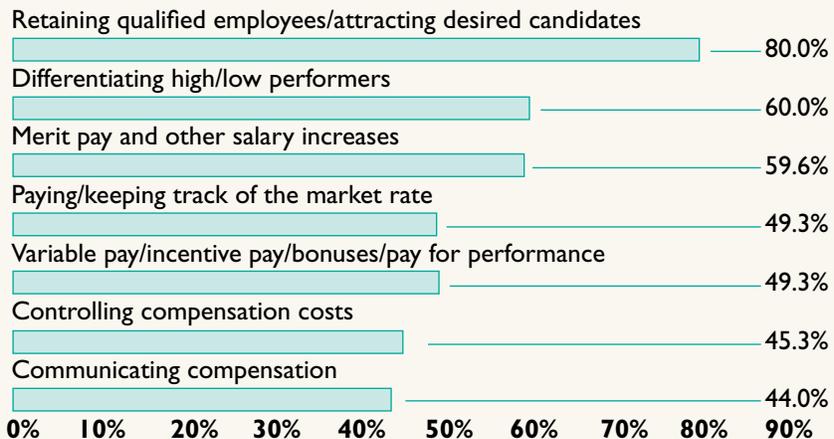
Another reason to stress leadership:

**Figure 1. Most Critical Benefits Issues\***



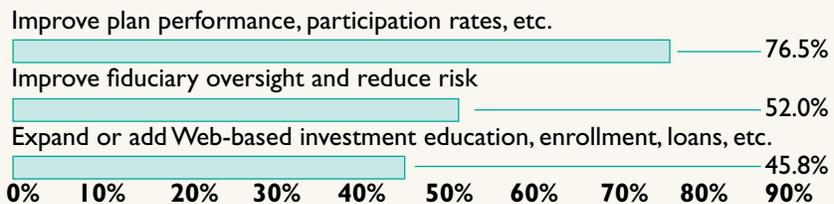
\*Multiple responses were submitted by survey respondents

**Figure 2. Most Critical Compensation Issues\***



\*Multiple responses were submitted by survey respondents

**Figure 3. Most Critical 401(k) Plan Issues\***



\*Multiple responses were submitted by survey respondents

(Source for all figures: IOMA’s HR Critical Issues Survey)

“Leadership training and development is critical because it is the only way the entire organization can move in the same direction,” wrote a consultant. “Metrics is basic to measure the effectiveness of the organization.”

● **Employee engagement and enhanced productivity** are this year’s “other” hot topics—discussed at every HR conference and meeting—although there are few hard-and-fast answers about how to succeed at engaging employees and obtaining the related productivity. Many respondents wrote that they consider this to be a key issue, but are at a loss on how to motivate workers when it is getting more difficult to provide meaningful rewards.

Some suggested strategies included pay for performance, restructuring the organization, focusing on leadership development and talent management, aligning HR with business objectives, and providing support to workers.

● **HR becoming more strategic.** It’s no longer just about HR getting a “seat at the table”—strategic HR may be crucial to efforts to save some businesses.

“This is a health-care organization, and the challenges of meeting increasing demands for highest quality services in the face of limited and ever-decreasing resources are monumental,” wrote a director of human resources. “As a business is heavily dependent upon its human capital, it is critical (in my mind) that my HR staff work to create the necessary culture change that will allow greater recognition of how poor HR practices result in a significant drain on the bottom line (these are real dollars, folks!) and how good HR practices are fundamental to organizational success.”

“At all levels, we are asked to do more with less,” wrote another HR director. “We need to achieve buy-in from all levels in order to achieve our goals.”

“The critical areas selected by our firm are the areas we can push and create strategic measures from HR and the top down,” said an HR generalist. “We have really been focusing on training using executive coaching and moving the same approach to the mid-managers as well to create a succession of leaders. Product is becoming so closely defined that the only edge companies are going to have is their employees.”

● **Cost control.** Always a popular subject among HR professionals, cost control continues to be a challenge despite the improved economy in many areas of the U.S.

“Cost control is number one,” wrote a human resources generalist. “We had a salary freeze for 2005. Although expanding in the areas of finance and IT, we have not filled positions in other areas. [There are] no monies for education, mileage reimbursement remains at the 2004 level, and we have outsourced all of our claims management.”

Benefits costs continue to be a headache, noted another HR professional. “Benefits continue to escalate in cost and expectations continue to grow. We need to manage both cost and expectations.” Agreed a director of HR: “Benefits costs are skyrocketing and represent a very large piece of our budget. As a small organization, we have no meaningful ability to negotiate with carriers, so we’ve practically exhausted all reasonable cost-sharing methods.”

A manager was even blunter: “Cost control and improving productivity are key since our company is facing severe cost pressures. We can prove our value only by proving we can improve our existing functions. Since compensation and benefits are among the highest expense items in the company’s budget, there is little need to try to be strategic. If we can prove that we can improve our productivity and keep up

the corporate culture, we can survive the outsourcing craze. If we cannot, goodbye job.”

● **Legal compliance.** “Compliance is one of the biggest problems we face,” wrote a vice president. “The laws are very vague, and you get contradicting information from seminars, lawyers, print media, etc. We’re a small company, and keeping up with the laws is becoming very difficult.”

Another spin on legal compliance came from an HR professional who is dealing with immigration and language issues: “We are hiring more and more non-English speaking employees (construction field employees). Getting these workers to understand benefits and to participate in benefits programs is a challenge, as is any kind of communication. We also feel the federal government needs to do a much better job in making the determination of legality to work easier for the employer and to give more of a safe harbor from discrimination law violations for employers trying to do due diligence in verifying that applicants and existing employees can legally work.”

● **Technology use for efficiencies, cost savings, and better HR operations.** “In order to do more with less people, we need to utilize technology to the max,” wrote a corporate manager of employee relations.

Beyond efficiencies is a need to keep up with changes in business, according to a director: “As technology changes the way in which we do business, it is crucial that we have the right staff with the right skills in the right places.”

● **Metrics.** “Talent management and HR metrics are top priorities,” said a vice president of people services. “We are transforming the organization from paternalism to a meritocracy, while shifting management focus from basic ROI metrics to a broader, balanced scorecard.” □

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