

## HOW TO RETAIN THE BEST SKILL BY USING TALENT MANAGEMENT

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### **Introduction**

Talent Management, as the name itself suggests is managing the ability, competency and power of employees within an organization. The concept is not restricted to recruiting the right candidate at the right time but it extends to exploring the hidden and unusual qualities of your employees and developing and nurturing them to get the desired results. Hiring the best talent from the industry may be a big concern for the organizations today but retaining them and most importantly, transitioning them according to the culture of the organization and getting the best out of them is a much bigger concern.

Talent management is according to McDonnell (2011, p. 169) one of the most important factors in ensuring sustainable organizational success. The Boston Consulting Group & World Federation of People Management Associations found in their joint research project from 2012 that companies which excel in 22 key HR areas have a profit margin 2.1 times higher, and revenue growth 3.5 times higher than companies that do not excel in these areas. It was found that the three most important areas were talent management, leadership development and performance management and rewards. Furthermore, research by Bethke-Langenegger, Mahler, & Staffebach (2011) has shown that talent management practices with a strong focus on strategy have a statistically significant higher impact on the attractiveness of the company, the achievement of business goals, customer satisfaction and corporate profit. If the social responsibility of business is to increase profits, as Milton Friedman once wrote, the above proves that talent management is a tool for achieving increased profits. Despite this, prominent researchers within human resource management and strategy write that “the workforce is the most expensive yet poorly managed asset in most organizations” (Becker, Huselid, & Beatty, 2009, p. 56). The concept of talent management emerged after McKinsey & Company in 1997 created the now legendary catchphrase “War for Talent” to describe the contemporary business world as permeated by the scarcity of talent and the struggle of the firms to attract and retain human capital – their most important asset (McKinsey & Company, 2001). Talent management has since then developed and come to mean and encompass a multitude of things – not without academic dispute on what it really is. Five reasons that support the continued existence of talent management is that the knowledge economy will persist, the new generation that has begun to enter the labor force has different demands than their previous generations, organizations need new tools to manage their human resources, the HR department and the HR managers need to become involved in strategic issues, and the middle managers who are responsible for the employees, will have to take a larger responsibility for the talent management processes in their daily work (Wikström & Martin, 2012, p. 13ff). The reasons for advancing the knowledge of talent management and its implementation are many, and found both in business life as well as in academic research. When The Boston Consulting Group & World Federation of People Management Associations in 2012 asked HR professionals from around the world to rank their most important priorities, the three most pressing areas were found to be managing talent, improving leadership development and strategic workforce planning. In contrast, mastering HR processes and restructuring the organization were found to be of low priority. Priorities of medium importance were e.g. improving employer branding and managing diversity and

inclusion. Clearly, talent management is on the map and a growing concern for companies of today.

Talent Management in organizations is not just limited to attracting the best people from the industry but it is a continuous process that involves sourcing, hiring, developing, retaining and promoting them while meeting the organization's requirements simultaneously. For instance, if an organization wants the best talent of its competitor to work with it, it needs to attract that person and offer him something that is far beyond his imagination to come and join and then stick to the organization. Only hiring him does not solve the purpose but getting the things done from him is the main task. Therefore, it can be said that talent management is a full-fledged process that not only controls the entry of an employee but also his or her exit.

We all know that it's people who take the organization to the next level. To achieve success in business, the most important thing is to recognize the talent that can accompany you in achieving your goal. Attracting them to work for you and strategically fitting them at a right place in your organization is the next step. It is to be remembered that placing a candidate at a wrong place can multiply your problems regardless of the qualifications, skills, abilities and competency of that person. How brilliant he or she may be, but placing them at a wrong place defeats your sole purpose. The process of talent management is incomplete if you're unable to fit the best talent of the industry at the place where he or she should be.

Some organizations may find the whole process very unethical especially who are at the giving end (who loses their high-worth employee). But in this cut-throat competition where survival is a big question mark, the whole concept sounds fair. Every organization requires the best talent to survive and remain ahead in competition. Talent is the most important factor that drives an organization and takes it to a higher level, and therefore, can't be compromised at all. It won't be exaggerating saying talent management as a never-ending war for talent!

Principles of Talent Management:

There are no hard and fast rules for succeeding in execution of management practices, if you ask me. What may work wonders for one organization may ruin another one! For convenience sake however there are certain principles of Talent Management that one should follow or keep in mind.

### **Principle 1 - Avoid Mismatch Costs**

In planning for future manpower requirements, most of the HR professionals prepare a deep bench of candidates or manpower inventory. Many of the people who remain in this bracket start searching for other options and move when they are not raised to a certain position and profile. In such a scenario it is better to keep the bench strength low and hire from outside from time to time to fill gaps. This in no way means only to hire from outside, which leads to a skill deficit and affects the organizational culture.

Such decisions can be taken by thinking about the 'Make or Buy' decision. Perhaps questions like - How accurate is the demand forecast? How long is the talent required? Can we afford to develop? Answers to these questions can better help the talent management to decide on whether to develop or buy talent.

### **Principle 2 - Reduce the Risk of Being Wrong**

In manpower anticipations for future an organization can ill afford to be wrong. It's hard to forecast talent demands for future business needs because of the uncertainty involved. It is therefore very important to attune the career plans with the business plans. A 5 year career plan looks ridiculous along with a 2 year business plan.

Further, long term development and succession plans may end up as a futile exercise if the organization lacks a firm retention strategy.

### **Principle 3 - Recoup Talent Investments**

Developing talent internally pays in the longer run. The best way to recover investments made in talent management is to reduce upfront costs by finding alternative and cheaper talent delivery options. Organizations also require a rethink on their talent retention strategy to improve employee retention.

Another way that has emerged of late in many organizations is sharing development costs with the employees. Many of TATA companies for example sponsor their employees' children education. Similarly lots of organizations use 'promote then develop' programs for their employees where the cost of training and development is shared between the two. One important way to recoup talent investments is spotting the talent early, this reduces the risk. More importantly this identified lot of people needs to be given opportunities before they get it elsewhere.

### **Principle 4 - Balancing Employee Interests**

How much authority should the employees' have over their own development? There are different models that have been adopted by various corporations globally. There is 'the chess master model', but the flipside in this is that talented employees search for options. Organizations can also make use of the internal mobility programs which are a regular feature of almost all the top organizations.

These principles are just broader guidelines; their application varies across industries and organizational cultures.

### **Talent Management Process:**

People are, undoubtedly the best resources of an organization. Sourcing the best people from the industry has become the top most priority of the organizations today. In such a competitive scenario, talent management has become the key strategy to identify and filling the skill gap in a company by recruiting the high-worth individuals from the industry. It is a never-ending process that starts from targeting people. The process regulates the entry and exit of talented people in an organization. To sustain and stay ahead in business, talent management can not be ignored. In order to understand the concept better, let us discuss the stages included in talent management process:

- Understanding the Requirement: It is the preparatory stage and plays a crucial role in success of the whole process. The main objective is to determine the requirement of talent. The main activities of this stage are developing job description and job specifications.
- Sourcing the Talent: This is the second stage of talent management process that involves targeting the best talent of the industry. Searching for people according to the requirement is the main activity.
- Attracting the Talent: it is important to attract the talented people to work with you as the whole process revolves around this only. After all the main aim of talent management process is to hire the best people from the industry.
- Recruiting the Talent: The actual process of hiring starts from here. This is the stage when people are invited to join the organization.
- Selecting the Talent: This involves meeting with different people having same or different qualifications and skill sets as mentioned in job description. Candidates who qualify this round are invited to join the organization.

- Training and Development: After recruiting the best people, they are trained and developed to get the desired output.
- Retention: Certainly, it is the sole purpose of talent management process. Hiring them does not serve the purpose completely. Retention depends on various factors such as pay package, job specification, challenges involved in a job, designation, personal development of an employee, recognition, culture and the fit between job and talent.
- Promotion: No one can work in an organization at the same designation with same job responsibilities. Job enrichment plays an important role.
- Competency Mapping: Assessing employees' skills, development, ability and competency is the next step. If required, also focus on behavior, attitude, knowledge and future possibilities of improvement. It gives you a brief idea if the person is fit for promoting further.
- Performance Appraisal: Measuring the actual performance of an employee is necessary to identify his or her true potential. It is to check whether the person can be loaded with extra responsibilities or not.
- Career Planning: If the individual can handle the work pressure and extra responsibilities well, the management needs to plan his or her career so that he or she feels rewarded. It is good to recognize their efforts to retain them for a longer period of time.
- Succession Planning: Succession planning is all about who will replace whom in near future. The employee who has given his best to the organization and has been serving it for a very long time definitely deserves to hold the top position. Management needs to plan about when and how succession will take place.
- Exit: The process ends when an individual gets retired or is no more a part of the organization.

Talent Management process is very complex and is therefore, very difficult to handle. The sole purpose of the whole process is to place the right person at the right place at the right time. The main issue of concern is to establish a right fit between the job and the individual.

#### Talent Management Consulting/Outsourcing

Talent management, beyond an iota of confusion, is critical to organizational success. It's equally important for innovation, customer satisfaction, profitability and new product development of the organization. All go hand in hand. People are at the center of any organization. They are outside it as well as inside the same.

Unfortunately for talent management, not many organizations have realized the importance of it till date. They still consider it as an overhead, much of which may be attributed to the fact that it does not directly reflect in the balance sheet of the company. When we dwell into the reasons we find that somewhere those are the helm of affairs in HR fail to implement talent management in their organizations effectively. In addition many HR personnel either are themselves not convinced with the practice or lack the relevant skills to implement the same.

In such a scenario outsourcing is one way to look at solving the problem. The idea is that those who are best in the business will take care of the same. Talent management consulting organizations have people who are specialists in the department. After all it is very important to have a talent management strategy in place that is consistent, systematic and strategically focused. But there are pros and cons to outsourcing talent management. Let us analyze each of them.

#### Positive Aspects of Talent Management Consulting

Primarily organizations outsource their talent management because of underlying assumptions like - the management will be effective, efficient and result oriented, HR people will be spared of unnecessary engagement, employees can be focused in their respective domains and the like.

The following are some of the benefits or positive aspects of talent management

□ Talent management consulting firms employ proven talent selection, career planning and development, people orientation and retention tools after strategizing with the top management. This is contrary to the common in-house organizational practice which is very unsystematic and does not make use of any tools.

□ They are focused unlike in-house talent management team that has other things to take care of.

#### Negative Aspects of Talent Management Consulting

The negative views are based on the fact that since it's the employee data and the employees themselves that the talent management consulting deals with, there is a potential risk of the information getting leaked. However the negative aspects of talent management consulting are summarized as follows:

□ Talent management consulting/outsourcing demands access to your critical organizational/people data. There is a potential risk of any consulting firm gaining insights into organizational functioning.

□ Since organizations do not have a great belief upon the effectiveness of the practice they do not want to spend much on the same. There is a big cost attached to the outsourcing thing.

Organizations world over have begun to realize the importance of talent management especially after the economic downturn. Outsourced or otherwise, it is crucial for any organization that wants not only to survive but also excel in their respective sphere. The decision is theirs!

#### **Benefits of Talent Management:**

Talent management can be a discipline as big as the HR function itself or a small bunch of initiatives aimed at people and organization development. Different organizations utilize talent management for their benefits. This is as per the size of the organization and their belief in the practice.

It could just include a simple interview of all employees conducted yearly, discussing their strengths and developmental needs. This could be utilized for mapping people against the future initiatives of the company and for succession planning. There are more benefits that are wide ranged than the ones discussed above. The benefits are:

□ **Right Person in the right Job:** Through a proper ascertainment of people skills and strengths, people decisions gain a strategic agenda. The skill or competency mapping allows you to take stock of skill inventories lying with the organization. This is especially important both from the perspective of the organization as well as the employee because the right person is deployed in the right position and employee productivity is increased. Also since there is a better alignment between an individual's interests and his job profile the job satisfaction is increased.

□ **Retaining the top talent:** Despite changes in the global economy, attrition remains a major concern of organizations. Retaining top talent is important to leadership and growth in the marketplace. Organizations that fail to retain their top talent are at the risk of losing out to competitors. The focus is now on charting employee retention programs and strategies to recruit, develop, retain and engage quality people. Employee growth in a career has to be taken care of, while succession planning is being performed those who are on the radar need to be kept in loop so that they know their performance is being rewarded.

□ **Better Hiring:** The quality of an organization is the quality of workforce it possesses. The best way to have talent at the top is have talent at the bottom. No wonder then talent management programs and trainings, hiring assessments have become an integral aspect of HR processes nowadays.

□ **Understanding Employees Better:** Employee assessments give deep insights to the management about their employees. Their development needs, career aspirations, strengths and



weaknesses, abilities, likes and dislikes. It is easier therefore to determine what motivates whom and this helps a lot Job enrichment process.

□ Better professional development decisions: When an organization gets to know who its high potential is, it becomes easier to invest in their professional development. Since development calls for investment decisions towards learning, training and development of the individual either for growth, succession planning, performance management etc, an organization remains bothered where to make this investment and talent management just make this easier for them.

Apart from this having a strong talent management culture also determines how organization rate their organizations as work places. In addition if employees are positive about the talent management practices of the organization, they are more likely to have confidence in the future of their organization. The resultant is a workforce that is more committed and engaged determined to outperform their competitors and ensure a leadership position in the market for their organization.

### **Financial Benefits of Talent Management:**

There are pros and cons of every management philosophy and the associated processes. Talent management is no exception to it. While many organizations simply decline to have it under their umbrella because it costs the exchequer, still others approve of it equally strongly as an effective people management process.

Before we discuss the financial benefits of talent management the following may be of our interest and worth a thought:

1. Most of the organizations are short sighted, when it comes to people management.
2. People management may not go well with pure capitalists.
3. Organizations and industries are growing at a fast pace, faster than the rate at which talent is produced.
4. There is dearth of talented and skilled professionals both at the top as well as bottom.
5. Due to cut throat competition and a consequent lack of talented professionals the attrition rates have increased across all industries, especially so in services industry.
6. Poaching has become common place; employee retention has become the Achilles heel of corporations.

All the above mentioned statements clearly indicate that the talent is unable to keep pace with the growing industry and also that the industry has failed to breed the pool of talented individuals as per its requirements. A fast industry growth meant that there would be a need for talented professionals for upcoming avenues and unfortunately corporate seemed to miss out on this. Business houses nowadays have diversified interests in different industries, employment opportunities are fast coming up but unfortunately the talent pool is shrinking. This tells upon the finances of an organization in a big way.

Let's see how.

Less attrition means lesser expenditure on hiring: BPO's and start ups, for example where the attrition rate is the highest remain occupied in searching for people every now and then. Now this incurs financial losses to the organization. An organization not only pays an employee for his/her work but also spends a considerable amount on their training and development. There is transfer of skill and expertise and when the same employee leaves after a brief stint with the organization, it costs the latter.

The problem gets even worse when such a scenario occurs at the top level. An unoccupied executive position can cost an organization dearly. The solution - a proper talent management in place can solve this problem. The following facts become worth consideration here:

1. New employees cost the company 30-60 % more than the existing employee in terms of compensation only.
2. There is an additional cost incurred on training and developing the new individual.
3. The process of recruitments itself costs an organization in a big way, right from advertising a post, to attracting talent and finally short listing and hiring someone for the job. Often there is a compromise in hiring when the need is urgent. Organizations clearly need to look inside for solutions and design and develop better employee retention, rewards and recognition strategy. Performance management needs to be taken care of.

### **Conclusion :**

Executives and HR management have always been focused on basic talent management—acquiring, hiring and retaining talented employees. But, to drive optimal levels of success, business leaders need engaged, high-performing employees. The key to inciting a workforce to greatness is to align your talent management with company strategy, define consistent leadership criteria across all functional areas, and identify specific competencies (analytical, technical, education, experience) to cultivate for continuing growth.

Businesses that outperform their competition know that strategic talent management is essential in building the right workforce necessary for precise business execution. Executives use analytics and diagnostic tools to move beyond generalities or "gut feelings" into detailed analyses of workforce performance drivers. The ability to rapidly train and retrain employees according to business need, create opportunities for real-time collaboration, and support the workforce with better analytics are all benefits of a strategic talent management process that will drive true business success.

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