

# Talent Management : For Leadership Development and Succession Planning

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## Abstract

Talent management is a much heard buzzword in the corporate world these days. Organizations are focusing on managing and developing talent for competitive advantage in the short run as well as in the long run by adopting systematic approach for talent management. Emphasis is on developing the mechanism to identify knowledge, appreciate and develop the talent in the organization. The basic idea behind this paper is to develop conceptual framework on talent management based on existing practices followed in the corporate sector. In many organizations it is used for succession planning as well. It aims at planning the organization's strategies to achieve its goals by integrating the needed system and processes to develop a talent mindset. Evolution of people management began from personnel and moving from human resource management, it has arrived and is focusing on the management through talent management. It identifies skills and does management development of the people with a high capacity and competence. Need of the hour is for developing such kind of HR policies which aim at attracting and retaining the talent.

Keywords: Talent management, Competence, Performance, Succession Planning .

## Introduction

Talent management deals with employees' life-cycle and various related aspects such as selection, development, compensation, succession and performance management. Talent management is a process through which the competency and abilities of the various employees working in the organization are managed as well as developed. It aims at exploring latent qualities of the employees by nurturing them and helping them to improve to get better results. Availability of "talent" in the organization implies there are individual stars present among existing employees (pfeffer, 2001). Not only hiring of the best talent is the purpose of the organization, they focus on the training them as well as transforming them as per their culture and requirement. Idea is to get best out of the employees for the benefit of the organization and also developing the best workforce in the organization.

Talent management is a continuous process and it aims at meeting the requirement of the organization with regard to hiring, retaining, developing as well as promoting. The concept of talent management as well as training has become very popular in the corporate world dealing with HR and training. That evolution of talent management began from Personnel Department dealing with hiring and compensating the people and it moved towards the concept of strategic HR. The organizations realized about the importance of recruiting the right people and giving them proper training along with focusing on compensation packages and various other facilities with regard to employees' welfare. These days ability to attract and retain talent is becoming a significant challenge for HR practitioner and their organization across the national boundaries. (Hiltrop, 1999).

The evolution of HR functions has changed HRM from Personnel Department as a support function to a strategic function looking after recruitment, organizational design, compensation packages and communications systems thereby doing the work of a strategic human resource management. From the strategic HR, it has moved to the concept of business integration through focusing on performance management, succession planning, system integration and leadership development. All these things come under the purview of advancement of HR functions having futuristic view about the organization and its talent, thereby coming under the umbrella of the concept of talent management.

## Objectives

This concept paper is developed to define and identify the importance of talent management and discuss its development and contributions in improving not only employability but retention of talented people by reducing turnover resulting in competitive advantage which is key for business success. The paper will explore the importance of knowledge, competence and employability and their relationship with respect to talent management. The paper will also explore the need for developing strategic management development programme for talent management. Talent management and its relationship with HR management is explored and a brief summary is presented. Similarly the role of talent management in the succession plan of an organization is studied and explained. Towards the end, this research paper will explain, in a step by step manner, talent management process, its importance, the various challenges faced by different organizations to incorporate talent management programmes.

## Talent Management – Concept

Talent Management is a systematic and professional approach undertaken to attract, develop and retain people with the suitable capacities and capabilities and right attitudes to meet current and future organizational needs. Talent management involves individual and organizational development in response to a dynamic business environment. The talent management is a key strategy to identify the skill gaps in the organization and an effective and continuous process for recruiting highly skilled employees from the industry. The importance of talent management cannot be ignored. It is necessary to recruit the best employees for good performance with the help of talent management process. The concept of Talent management is viewed by different HR practitioners in different ways. Talent management is viewed as collection of usual HR department functions, practices, and activities in areas such as recruitment, selection, training, development, career planning and succession planning (Byham, 2001; Heinen & O'Neill, 2004; Olsen, 2000). Talent management is also viewed in terms of availability of talent pools as and when need arise. This view is closely related to succession planning or human resource planning as it focuses on availability of internal talent pool rather than external pool (Jackson and Schuler, 1990). The scope of talent management includes incorporating a recruitment process which is effective and efficient and uses competency based principles to hire the people. Objective is to achieve consistency in managing the people and align the workforce by making them accountable. High performers are kept happy and succession plans are made.

The talent management can be described as a process followed by the organizations to install and build better performance management systems and develop competency management systems and ensure succession planning for the future. The HR function has become an integrated function focusing on best practices to achieve the objectives of the organization. It is a continuous and integrated process for recruiting, training, managing, developing, compensating and identifying critical skill gaps. Proper workforce planning is done keeping in view present as well as future requirements. Talent management is a forward looking function. It deals with futuristic requirement while emphasizing on identifying and developing the present training. The talent management improves organization's performance and it is a tool for the growth and change for the better in future. Talent management is also the process of the anticipating the requirements of human capital for the organization and doing planning to meet those needs. There is a shift in thinking about recruitment and hiring. It has moved from simple recruitment to hiring and retaining the competent and productive employees. The focus is on developing futuristic approach of utilizing the human resource by following a holistic strategy which is suitable for the organization. It is a development of the management systems for training and retaining top performers in the organization.

The policy of retaining the capable and competent people has to be different from the normal workers in the organization. It is necessary to have better quality of relationships with the talented people in the organization. Management of talent will be for the competitive advantages. Organizations need to work on work life balance issues which will affect the decision of the employees to stay in the organization or leave. This will also affect the turnover situation in the organization. It is necessary to develop the strategies which will not only reduce the employee turnover it will also create sense of job satisfaction which will change the attitudes of the competent people and organizational management will become better. The negativity will go down and job attitudes as well as dedication

towards the organization will improve. There are many ways of doing so. The recommendations can be for having flexible hours, minimum working hours, sound training and development opportunities and friendly work policies in the organization. This will result in better use of talent in the organization.

## Review of Literature

Study conducted by Lockwood (2006) revealed that talent management practices and policies influence employee engagement level. Human resource oriented talent management practices and policies result in more engaged employee and lower turnover. Berger and Berger (2006) in their study provided simple and applied approach for talent identification, measurement, retention and talent management in current ever changing business environment. Von Seldeneck, (2004) mentioned in his study the best time to recruit talent is at a time when economy is facing slow down. By offering new schemes for compensation, organizations can attract highly talented people who would get easily inclined towards the organizations offering improved compensation in order to manage their environment of job insecurity in current organization. Further, internal human capital should have vision, desire, reliability and ability to attract talented people from outside. Cunningham (2007) for talent management identified two strategic choices that are available to firm while recruiting: matching people with roles and matching roles with people. Matching people with roles implies there are previously agreed job roles and ultimate goal of recruitment is to match people to these roles. Matching people with roles is just the opposite. Here the focus is on existing qualities, capabilities, and talent of the people and then later on matching job with specific qualities of the person so recruited. In matching people with roles if right capabilities are not found externally or internally then the question is should the less capable people be hired or promoted to perform the job. However in that situation person so hired or promoted can be developed to match job requirements (Cunningham, 2007). The other strategic choice of matching roles with people involves adapting roles with the capabilities of the employees to enhance performance. The problem here is if people are confined to routine work only then they will be able to contribute more than that work, thus inhibiting their development (Cunningham, 2007).

## Components of talent management system

The fact that human element can help to bring about competitive advantage is well established. In this context use of technology in managing human resources has taken off recently. Many organization these days use HRIS (Human Resource Information System) that involves use of technology to maintain human resource data. Talent management systems implemented strategically, keeps an organization on the leading edge.

Talent management systems of an organization usually consist of four components or pillars: recruitment, performance management, corporate learning and compensation management.

1. **Recruitment level**-The recruitment of talented individuals is critical for organizations' success. Recruiting employees can be a challenging task. This requires use of best recruitment software applications to hire the best talent before the competitors do. To develop talent within the organization it is necessary that organization hire high quality candidates at recruitment stage. Usage of recruitment software with inbuilt features of applicant tracking system facilitates HR manager to identify, contact and continuously engage potential candidates. Many portals are engaged with providing and facilitating candidates who are looking for jobs and HR managers are increasingly using these web portals for recruitments.
2. **Learning Management Level** – Continuous learning opportunities within the organization facilitates employees to develop their potentials to the fullest. In view of the competitive environment it is necessary that employees keep their knowledge updated. Learning management systems built within HRIS help to do formal training programmes and other formal career development courses.

It is established that organizations need to develop employees well in advance to handle executives' roles in future. Corporate learning professionals at Face book and Google focus on millennial employees development and peer to peer learning. Millennial employees or Generation Y are those born between 1980s and 1990s. Millennial employees accord more importance to identity and meaningful work. Learning professionals create identity and meaningful work by promoting ownership and autonomy.

3. **Performance management level** – Many organization have been following annual performance review to identify strengths and weakness of the employees and areas of improvement. Now industry is moving from

traditional performance management methods to more frequent and development oriented methods. To increase employee engagement and drive performance, Adobe Systems, a software company based in San Jose, California, shifted review process from annual to quarterly recognizing the fact that large numbers of employees change their job after review process is done. It is not that low performers leave the job but rather average or high performers decide to change the job. This creates challenging situation for HR managers to retain and manage existing talents efficiently so that they do not leave the organization in search of better opportunities outside.

4. **Compensation level** – Compensation management is the primary way to motivate the employees and improve their level of performance and achievement. In the past, function of compensation management was handled by HR department using mundane softwares like Microsoft Excel that was actually very tedious. Now talent management providers have suggested use of compensation management software that involves use of paid software to automate tasks of compensation management. Compensation software is believed to increase employee motivation by bringing visibility into bonus and other employee incentives. Now there is a growing trend to link compensation to performance. However management school generalizations suggest that objectives should be provide for everyone and compensation should be linked to the objectives. Another change that is suggested by talent management providers is to extend incentive compensation to all the employees rather than limiting it to sales executives only. Linking performance to compensation at all levels in the organization can be used as a tool to drive particular behavior at work.

Organizational success to a large extent depends on attraction, retention, development and management of talent. In the last two decades nature of workforce has undergone massive transformation. With increase in mobility of workforce, presence of MNCs and increased availability of diverse and more empowered workforce, talent management has undergone a massive change. Talent management professionals' work in ever changing environment that is very much uncertain and complex and requires professionals to skillfully craft talent strategy for better and efficient utilization of human resource.

#### **Driving force, Relevance and Contributions**

There is a positive relationship with superior organizational performance and retention of talented employees. Better talent has always results in better business performance with various teams in the organization achieving higher targets and improvement in the performance because of better talent management. Talent is a value creation and it has been seen that the financial value of the organization improves because of the possession of this asset. Business is a very complex and dynamic function. High competition demands faster innovation and use of ever changing modern technology. To meet the challenges of global business environment, it is necessary to invest in research and development and advancement of techniques. All this can only be done if there is a strategic mechanism to identify as well as appreciate the available human resource and find the suitable skilled personnel for the organization. We know that the expectations of the employees are changing, they are more interested in doing more challenging work and their focus is their own professional advancement rather than on the organization.

There are employees who need to be accommodated and are concerned with their own work-life balance. They are focusing on their career and development and it is important for the organizations to address the issues of employees' engagement; they should use and incorporate talent management within the organization to attract and retain key talent. The workforce is coming from different demographic regions and the organizations are engaged in a war for talent these days. There is a need of aligning the talent strategy with the business strategy. For this, the practices of talent management need to fill the gap and hire and train the professionals who are an asset for the organization. There is a need of development strategy to identify, appreciate and develop human resource for the future. This can be achieved if overall quality of HR management and particularly of the talent management is sound and strong.

It is necessary to ensure growth of high potentials employees, review and appreciate their talent on a regular basis. High quality human capital needs to be engaged in different talent management activities to mentor people in the organization. Talent management is a core part of any HR activity. It is the duty of the senior leadership to work together and take serious initiatives to drive the people, to get active and enthusiastic support from them. The power of competency has to be acknowledged and regarded because knowledge, possession of technically relevant information, educational qualifications, work experience and personal attitude of the person influence tremendously value creation, develop and promote the talent to create leadership pipeline and the leaders for tomorrow.

## Talent Management Process

Organizations are made of people. People are, undoubtedly the best resources of an organization. People contribute for the various business processes and enable and engage in various activities to meet the business goals. Talent management is a continuous and an integrated process for doing various activities such as training, compensating, managing and supporting.

There are various steps to be taken to complete the talent management process. It is necessary to change the corporate culture. Approach has to be futuristic to harness the employees' talent to get the best results in terms of performance. One has to work on focusing on talented employees and give them extra benefits. A systematic process has to be followed to develop and start talent management programme. In the following section, we will discuss about talent management process in a step by step manner.

1. **Identification of goals of the organization:** The first step is to identify the organizational objectives and goals and work out characteristic qualifications and skills the recruits should possess to meet the objectives and the goals. It is necessary to develop different jobs descriptions and the role for which the talent is needed. The success of all programmes will depend on doing the proper workforce planning which will integrate with the business plan.
2. **Talent acquisition:** High level skills are needed for high achievements. The search for the people has to be as per the requirement. Various platforms are available to identify services and follow up with the talent in the industry. There are many websites like LinkedIn, Twitter, Face book but the role of internal candidates and referral programs should not be under-estimated.
3. **Recruitment:** Integrated process of recruitment, assessment and hiring of high quality people and bringing them into the organization is the next step as far as process of talent management is concerned. While bringing the people onboard, the organization should look after their training needs and enable them to become more productive and integrated into the system of the organization as early as possible.
4. **Retention of the employees:** We need to make strategies to retain the employees as the cost of recruitment, training and finding the right person is very high. The question is how to retain employees and the answer lies in creating opportunities for the growth and making them comfortable by creating a role and team for them.
5. **Performance Management:** A scientific performance appraisal system is needed to be incorporated so that not only the organization, the people working in the organization are able to identify their potential. It is a complex process but a solid performance management system in the organization contributes a lot towards retaining and developing people of the organization. Training and career development programmes goes a long way for better performance.
6. **Compensation Management:** Compensation management is an integral part of people management. Performance management is also linked with compensation management, incentives and the benefits arising to the staff. Special packages needed for talented people, which will motivate them to stay with the organization and work with dedication and commitment.

## Talent Management and HR

Though in many cases both the terms talent management and human resource management are used interchangeably but both the terms are not alike. The concept of Human resource management involves recruiting, developing, compensating, and retaining talented employee to create human asset of the organization.

Talent management involves forecasting human capital requirement of the organization and planning to meet those needs. Talent management requires shift in thinking of human resource management functions. Talent management requires that HRM functions should not only look at employee suitability for the job for which he has been hired but also for organization as a whole and for the future roles he may occupy. Both talent management and HR deals with people management but they differ on following grounds:

1. **Nature** – Talent management is a strategic function often reflected organization wide with long term plans prepared for attainment of the organizational goals. While HR is more of operative function dealing with day to day people management.
2. **Orientation** – HR has mainly administrative orientation that deals mainly with recruitment, training, compensation, incentives, complaints and employee welfare activities. Talent management has development orientation that aims always at professional development of the employee that will be beneficial for the organization in case any challenging assignments or responsibilities arise in future.

3. **Activities** – All the functions like recruitment, selection and training are responsibility of HR department. However with talent management responsibilities for these functions are segregated department wise across the organization.

### Succession Planning through Talent Management

Succession planning is a conscious effort in the organization to nurture and develop people to higher positions enabling them to evolve and change through continuous working. It is necessary to move the people to the new or higher positions. With the help of succession planning, the managers in the organization are able to identify right candidates for different positions. It needs to be practiced across the organization and is used as a tool to prepare leaders for the future and replace some people as per the requirements in the near future. Identifying skill gaps and analyzing them through talent management process is very important. It can be business specific or general skill analysis. Only after critical skill gaps have been analyzed, you can identify individuals and their competences. Critical talent management identifies the shortcomings and looks forward to fill them with the help of forward looking functions to improve the organization's performance by doing right acquisitions in the future.

Talent management process can bring many benefits to the organization. It facilitates to increase productivity through proper placements and retains the top talent of the organization. To retain the employees for the longer duration, it is necessary to reward the employees for their individual performance with policies and promotions. The quality of hiring becomes better, better workforce joins and stays with the organization. Talent management process software has become an integral part of the HR process these days. Through the process of talent management, we are able to understand our employees better. Through training and development in groups, we are able to develop the strategies to identify and fill the skill gaps and are able to attract high skilled employees from the industry. It is a continuous process to stay and sustain in the market and have the competitive advantage. The role and importance of talent management in succession plan cannot be ignored or undermined.

### Challenges of Talent Management

Carrying out talent management isn't always easy. Many problems can come up related to work force, culture, mind-set, competences, execution and leadership. Let us take a look at some of the leading talent management issues and challenges a business could experience:

1. There may not be clarity of information and knowledge with the top management regarding the culture prevalent in the organization. As it is seen that most of the top people keep shifting from time to time. It creates a vacuum of knowledge among the top company leaders.
2. Sometimes, there is an absence of internal recruitment structure in identifying the talent. It forces the companies to recruit the people from other organizations.
3. Another challenge is a challenge of appreciation. Many organizations do not appreciate talent or good work for various reasons. This works adversely.

The managers have opposing opinions with regard to talent management as compared to the leaders in the organization. It has been seen that the front line leaders in many organizations are not competent and often not able to apply tools of Talent Management. It becomes difficult for them to select and develop the talent. At the same time, the organizations are not properly equipped with performance appraisal system to measure the outcome of the activities, so it becomes impossible to use such practices to assess and improve the talent.

### Talent Management: Roadmap

Organizations should focus on development of such processes, software applications, development plans and performance management tools to achieve the targets of instituting mechanism of talent management programme in the organization. There are some common principles to be followed for the execution of talent management programme. They are with regard to education, accountability, performance measurement, skill development and alignment. There is a need to have clarity of roles on the part of individuals and managers and each one should know what is expected out of them. The scientific performance appraisal system should identify the talent to develop the capacity and capability.

It is necessary to align talent management goals with the business goals as well as with the individual's goals. High potential individuals need to be identified and they should be linked with the performance management tools so as to groom them for key and higher positions. Organization leadership management development plan need to be instituted and promoted in the organization. Expertise and technology need to be incorporated in the system to achieve intended success.

The systematic and integrated initiative should ensure that there is no gap of talent. The selection needs to be done in such a manner so that sufficient supply of talent is available at all levels. Succession management principles should be followed with the clear objective of developing and retaining talent. There is a need for periodical reviews on all the components of the talent management.

## Conclusion

It is evident that Talent Management is increasingly receiving the attention of the corporate world as well as the management experts. Indeed, it is considered as a panacea for a host of HR issues and challenges. Due to the fact that today's economy has become highly knowledge based, Talent Management is acquiring significant role and place in the overall strategy of the organization. It is a well accepted fact that Talent Management is considered as a strategic tool to gain competitive advantage and productivity to survive in the ever increasing competitive world of business. It is important to emphasize that Talent management and succession plans in an organization are interrelated and success of the succession plan depends on the effective implementation of Talent Management. Organizations are using Talent Management to identify and nurture high talent or potentials in the work place.

Talent management is increasingly being used for differentiating or segregating different levels of workforce in an organization. This is important to achieve optimal value of the Human Resources of an organization. Though Talent Management do face challenges from many fronts in an organization, the benefits of using it as a strategic tool pays rich dividend to the organizations both in short and long runs.

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