A Literature Review of Conceptual Significance of Talent Management in Service Industry

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Abstract:
The past two decades have seen talent management attract a great degree of the researchers’ attention. Similarly due to globalization, rising competition, shortage of skills, increase in knowledge-based work, etc. organizations worldwide have realized that out of all the assets at their disposal, it’s human capital that holds the key to competitive advantage. Hence talent management activities have come to occupy a very significant amount of organization resources and have become an important part of the overall organizational strategy. The aim of this study is to examine the existing literature review related to talent management. This is essentially a descriptive study wherein data has been obtained by analyzing journal articles on the topic. Therefore the study uses secondary data. This paper presents the definition of talent and talent management, the elements or components of talent management, and finally the significance of talent management in the service sector.

Keywords: Talent, Talent Management, Talent Attraction, Talent Development, Motivating talents, Talent Retention

1. Introduction

The term Talent Management emerged in the 1990s with many attributing its rise to the McKinsey Group tabling the war for talent agenda (Chambers et al., 1998). McKinsey consultants (Michaels, Handfield-Jones, & Axelrod, 2001) posited that to achieve organizational success and effectiveness, the right talent needs to be attracted and retained. Since then talent management has become one of the most popular human capital topics among academics, practitioners and consultants. Of late there has been a surge in the number of articles and books relating to talent management as it is seen more and more as a high-priority issue for organizations worldwide (Iles, Preece, & Chuai, 2010). There have also been several consultancy reports addressing talent shortages and highlighting the
importance of talent management in sustained organizational success. Talent management refers to the full scope of human resource processes to attract, onboard, develop, motivate, and retain high-performing employees. The goal is to ensure that there is a constant flow of talent in organizations given that talent is regarded as a major corporate resource (Armstrong, 2006) and (Darvish et al, 2012). One of the important determinants of organizational success is talent management (Beechler & Woodward, 2009; Iles, Chuai, & Preece, 2010). Hence almost all companies nowadays are implementing talent management practices in their own unique manner to attract, develop and manage employees possessing the right knowledge, skills and behaviors so that they can in turn contribute to the attainment of organizational objectives (Morgan and Jardin, 2010). This is particularly true of service sector companies where the quality and quantity of talent is extremely crucial for achieving business goals.

1.1 Objective of the Study: To study the review of literature in respect of concept of talent and talent management, components of talent management and significance of talent management in the service industry.

1.2 Methodology: This is a descriptive study essentially based on secondary data that has been obtained through review of literature and analysis of journal articles. The literature content was obtained from online databases using key words such as “talent”, talent management’, “components of talent management’ and “significance or importance of talent management”.

2. Literature Review

2.1. Definitions of Talent:

To gain an understanding of talent management, it is first imperative to know what ‘talent’ is. Over the years the term ‘talent’ has been defined differently by different authors, hence there is no dearth of logical definitions. However that also means that there is a lack of a standard, consistent understanding about what talent actually means and what it encompasses. In fact one can say that talent can mean whatever a business leader or writer wants it to mean (Ulrich, 2011). The HR practitioner literature is replete with meanings of talent that are specific to an organization and highly influenced by the type of industry or occupational field (Tansley et al., 2007).

Talent has been broadly used to refer to an individual’s skill, aptitude and achievement. The talent management literature though presents two perspectives or approaches with respect to the
interpretation of talent - the object approach (talent as ‘characteristics of people’) and the subject approach (talent as ‘people’). Simonton (1999) defined talent as any innate capacity that helps an individual to display exceptionally high performance in a domain that requires special skills and training. In general terms talent is understood to be an above-average ability for a specific function or range or functions. Gagné (2000) considered talent as a special ability, not a ‘normal’ ability that enables employees who possess, develop, and use it to move ahead of the rest of their peers in the specific area of their talent. As per Michaels et al. (2001) and D’Annunzio-Green (2008), “talent is the sum of a person’s ability, and comprises their skills, knowledge and potential for development”. El Nakhla, (2013) noted that talent refers to unique characteristics, qualities, traits or abilities of people who utilize these to reach the goals of the organizations.

The other approach to talent i.e. the subject approach is relatively ‘newer’ and consists of the inclusive and exclusive approaches to talent. The ‘inclusive’ approach considers all employees of an organization as talent. O’Reilly and Pfeffer (2000) propounded that organizational success is a result of “capturing the value of the entire workforce, not just a few superstars”. Every employee is deemed to possess some strength and thereby potentially create added value for the organization (Buckingham & Vosburgh, 2001). This strength based approach believes in treating everyone in the organization as equals (Bothner, Podolny, & Smith, 2011) and ensuring an egalitarian distribution of resources across all employees rather than just focusing on a small section of top performers. This in turn benefits the organization by creating a more collegial and motivating work environment. In contrast to the inclusive approach, the ‘exclusive’ views a subset of employees or jobs as creating disproportionate value for the organization (Gallardo-Gallardo et al. 2013). High performers and high potentials are taken to be talent. Stahl et al. (2007), for example, define talent as a select group of employees who are at the top of the ladder when it comes to capability and performance. Some companies choose to define talent as employees who demonstrate a high degree of potential. High potential employees are perceived to be individual employees with a high level of potential to not only outperform others in different environments and situations but also display a strong and consistent capacity to grow and succeed in line with the organization’s culture and objectives (Ready, Conger, and Hill, 2010).

Although the object approach to talent seems to be a better fit with the etymological meaning of talent (Tansley, 2011), in organizations the exclusive and subject perspective (i.e., talent as few people) has found greater acceptance and is much more widely practiced (Iles, Preece, et al., 2010).
2.2. Definitions of Talent Management:

Several definitions of talent management from different perspectives are available, yet there continues to remain some confusion about the accurate and objective definition, scope and the goals of talent management (Lewis & Heckman, 2006). The poor theoretical conceptualization is one of the key limitations related to talent management. (Rani, 2016)

As per CIPD (2006a), talent management is that the systematic attraction, deployment, development and retention of high potential employees who are considered as a particular value for the organization. According to Stahl et al. (2007), it includes all the activities of an organization amongst which are attracting, developing, selecting and retaining the best people in the suitable position. Blass (2007) opined that talent management refers to the additional management processes and opportunities that talented employees in the organization are provided with. Vermeulen (2007) mentioned that talent management should give priority to retaining, developing and motivating talent to optimize organizational performance, especially with respect to people occupying senior management roles. Authors such as Stephenson & Pandit (2008) and others stated that it’s about having the right number of people with the right skills and motivation levels at the right place and at the right time. Talent management is seen as incorporating almost all the aspects of human resource management by some researchers (Stewart & Harte, 2010). Hejase et al (2012) have defined it as the approach to optimize human capital, which enables an organization to drive short- and long-term results by building culture, engagement, capability, and capacity through integrated talent acquisition, development, and deployment processes that are in sync with business goals. There are some authors who have called it the process through which organizations anticipate and meet their needs for talent in strategic jobs (Cappelli and Keller, 2014). Whereas some such as Mohaimen (2015) defined talent management as the sound and integrated human resources practices with the objectives of attracting and retaining the right individuals, for the right positions, at the right time.”

Despite its soaring popularity and adoption by most of the organizations, talent management has also invited its fair share of criticism over the years, the primary being that it is merely a repackaging of the usual HR activities (Lewis & Heckman 2006). Although this is a fair criticism of most of the practitioner literature, when it comes to academic literature authors have managed to distinguish talent management from the traditional Human Resource Management (HRM) (Cappelli 2008a, Collings & Mellahi 2009, Tarique & Schuler 2010). Talent management is not an alternative to HRM, rather both have a correlated theoretical base with dissimilar analysis. (Iles et al. 2010a & Cappelli, 2008). It includes
2.3 Components of Talent Management:

Talent-management approaches can result in sustainable competitive advantages. This depends on how the organization attracts, develops, motivates, rewards, retains and manages its talent (Heinen and O’Neill, 2004). Talent management can be said to broadly consist of the following components:

a) Attraction
b) Development
c) Motivation
d) Retention

a) Attraction – Talent attraction can also be termed as talent acquisition and has come to include sourcing and recruiting (Bersin, 2010). Attracting external talents depends on the organization’s values and the way the potential candidates view the organization (Iles et al., 2010a); it depends on whether the corporation carries a high reputation within the existing industry that it functions or is it just surviving. Therefore, employer brand is one of the most crucial factors that can attract external talents easily. Talented employees are always seeking career growth and advancement and they generally look at successful, high performing companies which have a good reputation. A strong employer brand makes an organization more attractive for job seekers therefore an organization makes less effort to develop its talent. It also gives the company competitive advantage (Yagub & Khan, 2011 and Moayedi and Vaseghi, 2016). Talent attraction is composed of recruitment and selection, employer branding, employee value proposition and employer of choice (Rop, 2015). The objective is to get the right job fit (Songa and Oloko, 2016).

b) Development - Learning and performance improvement have always been an essential component of talent management. Employee training has for long been seen as something that ensures that an organization has a skilled, motivated, and a competent workforce. From orientation programs and technical training imparted early in one’s career, to leadership development and executive coaching, training and development is deeply woven into the fabric of talent management practices (Taylor, 2002). Additionally, feedback and coaching are also necessary for developing talents (Chambers et al., 1998).
It is necessary that companies continuously develop their high performers for potential new positions, identify their knowledge and skill gaps and implement initiatives to boost their competencies and ensure their retention (Cairns, 2009). To achieve high potential in the organization, achieving the potential of talented employees is required. It’s recommended that organizations have both informal and formal learning systems for developing talent. Govaerts et. al (2010) conducted an exploratory study in professional organizations to identify ways to retain talent conducted and from a sample of 972 employees concluded that to retain employees it is important to pay attention to their learning. Talent development is a process of enhancing the skills and attitude of the employees (Lyria, 2013 and Rabbi et al., 2015). In today’s dynamic organizations, learning and development has become a backbone of success, without continuous learning, gaining and maintaining performance may become impossible (Rabbi et al., 2015).

c) Motivation - Organizations have come to realize that merely attracting the crème-de-la-crème and retaining them is not enough. The challenge is to keep them motivated and committed to achieving the organization goals. Tony Davis (2007) stated that talented, ambitious employees are likely to stick with their current employer only if they are offered opportunities for development and realizing their potential, and are motivated for the same.

Richard Doherty (2010) mentioned a range of tactics to help ensure engagement and motivation, such as periodic appraisals, use of social networking and the efficient recording of employee performance and interests, so as to best optimize the talent management process. Ideally organizations start engaging employees from before a career even begins right up until it ends. It therefore must be an end-to-end practice. Effective employee engagement is a mix of tangible and intangible factors that creates an environment of learning and development, support, contribution and recognition (Naik, S 2012). Beyond these factors a meaningful and emotionally enriching work experience also contributes to employee engagement and motivation.

d) Retention - Once a talented individual is recruited, selected, and developed, the focus must be on retaining him/her. There are many factors that contribute to talent retention. For instance, hygiene factors like benefit, compensation, location impact career success, while career success and intrinsic rewards indirectly reduce talent loss (Whelan & Carcary, 2011).

K. R. Manjunath and K. Jalaja, (2013) researched in what is of importance to organizations and stated that for an organization it is not to acquire quality human resources, but it is important for them to realize optimal value for them which requires them to develop such strategies to appraise-develop-
retain the intellectual resources for creating long term sustainable competitive positions in the competitive or highly fragmented market conditions. Retention is viewed as a calculated and strategic opportunity for companies to maintain a competent and competitive workforce (Oladapo, 2014). In today’s competitive business environment, retention of highly talented employees is very important as they contribute positively in improving the organizational productivity. The ultimate aim of talent retention is to take steps to encourage employees to remain with the organization for the maximum possible period of time. It can be controlled through performance based pay, continuous training, challenging work, intrinsic motivations, career development programs and giving perks and benefits (Devi, 2017).

2.4 Significance of Talent Management in the Service industry:

Talent Management becomes important for an organization, as it describes the organizational commitment towards recruiting, managing, developing and retaining quality employees. Every organization has certain assets like strategies, products and technology which can be replicated quite easily (Chuai et al, 2010) but what cannot be copied or adapted is talent. The productivity and efficiency of any organization is dependent on the human capital. This particularly holds true for the service sector which includes banking, wholesale and retail trade, communications, professional services such as engineering, medicine, software development, etc., consumer and government services, etc. The service industry is very skill-intensive and knowledge driven and the HR academic literature consists of some research pertaining to why talent management is a critical activity for service organizations and what benefits it accrues.

Ringo, et al, (2008) were of the opinion that implementation of talent management practices makes a big difference to organizational performance. Different industries given the business environment follow different talent management practices. For example knowledge-intensive industries tend to focus on developing and connecting their employees while financial services companies tend to concentrate on attracting and retaining employees, giving little attention to development or collaboration. Retailers on the other hand focus heavily on talent strategy, in addition to applying a notable number of talent management practices overall. Without effective talent management practices, schools, hospitals and government agencies can place themselves at risk – faced with increasing attrition, difficulty in attracting the desired talent and more seriously, challenges in achieving their overall goals and mission.
Glastra & Meerman (2012) expressed that in organizations operating in the service and knowledge economy, desirables such as innovative capacity and competitive advantage depend on how they discover, assess, develop, place and retain talent. Therefore, if organizations have a clear understanding of what they are seeking in terms of talent, talent management seems a clear-cut process. It concluded that the key success factors mentioned in the literature such as top level commitment and strategic integration are insufficient conditions; ultimately it is talent management that makes the difference. Other researchers such as Poorhosseinzadeh, M & Subramaniam, I.D. (2012) found that attraction, deployment, development, retention and successful planning were significantly related to the success of talent management in MNCs in Malaysia with developing talents being the most significant predictor of successful talent management.

Khoram and Samadi (2013) studied the relationship between managing talent and organizational creativity and effectiveness in the banking industry which revealed that organizational creativity, effectiveness and talent management are positively correlated. Rana and Abbasi (2013) in their study on the impact of talent management and employee turnover on the efficiency of the organization in Pakistan’s telecom sector found that talent management has a direct effect on employee turnover intention and organizational efficiency. According to V, Dhanalakshmi R(2018) the growth of knowledge economy, changes in demographic profile and the rising trend of outsourcing in the services sector has brought into focus the talent pool of many emerging economies of the world. Qualified, skilled and highly competent manpower have come to assume strategic importance for countries as well as for companies thereby making talent management very critical. The service sector, particularly the information technology sector is heavily people driven and hence the impact of talent management strategies has remarkable effects on output and productivity of organization and employees. Proper alignment of talent management strategies with organizational goals and an enabling culture helps organizations to sustain in the competitive environment for a longer period (Pasha & Ahmed, 2017).

3. Conclusion

The conversation around talent management in an organization can vary depending on its size and complexity. It is the organization’s prerogative to decide how it wants to define talent and what activities does it want to cover under talent management. It is an evolving field and there are areas that still need to be explored. The existing literature review on talent management indicates a positive relation between talent management practices such as attraction, development, motivation and retention and employee and organizational productivity and performance. Organizations worldwide,
especially the ones in the service industry, have understood the importance of talent management and the key role it plays in providing a competitive advantage.

REFERENCES:


**Website:**