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Talent Management: Effect on Organizational Performance

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Abstract

Talent management is a new concept but difficult phenomenon to measure. The impact of talent management on organizational performance is a problem especially where only strategic staffs is treated as talents of the firm. The purpose of the study is to examine the effect of talent management on organizational performance. The questionnaire was used as the survey method of collecting primary data for the study. Correlation coefficient, t- student distribution and the descriptive analyses were the methods used to analyze the data gathered. The analyses revealed that talent management has positive impact on the organizational overall performance. It also revealed that talent management scheme has impact on the performance of the multinational and the national firm but the small and medium scale firms have not been gaining from this new technique within the Nigerian business environment. The study therefore recommends that talent management scheme should be used for all categories of staff within the firm that have special talent and that firms should separate between their talent management scheme and the total human recourses management style of the firm.

Keywords: Talent, Management, Organizational, Performance

1. Introduction

The need to enhance the effectiveness of the business organization lies in the heart of the management of the firm, there are several resources to achieve this which include money men and the machine of these resources the most important is men. Over the years men working in the business organization have been accorded various values, they were once referred to as the factor of production at another time they were called the human recourse of the firm. Today more values are accorded them in the framework of the firm. They are regarded as the talent working within the firm, this brought about the idea of talent management. **T**alent is the primary driver of any successful company. "It's become increasingly obvious to most business owners and executive teams that, rather than being constrained by capital, companies are typically most constrained by talent. "Corporations have learned that, depending on what your business strategy is and what challenges you may face, at any given time you need the right talent to execute that strategy or deal with that challenge," (Gebelein, 2006).

Some organization regards some few strategic staff as the talent of the firm while others believe that all their staff is talent of the firm. Thus talent management is an off -short of the human resources management scheme of the firm. This study, therefore, is to measure the impact of talent management on the organization performance.

2. Literature Review

Talent management is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs.

Talent management is the additional management processes and opportunities that are made available to people in the organization who are considered to be 'talent' (Ashridge consulting, 2007; Likierman, 2007)

Talent management can be a planning tool for human resource management, as a planning tool talent management looks very similar to workforce planning, but where HR will experience a real opportunity for contribution to the organization is in the quality of implementation supporting the plan. Talent management is the systematic attraction, identification, development, engagement/ retention and deployment of those individuals who are of particular value to an organization, either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles. (McCartney, 2006; Cappell, 2008)

A recent study shows that 85% of HR executives state that the "single greatest challenge in workforce management is creating or maintaining their companies' ability to compete for talent." Without question, effective talent management provides one of the most critical points of strategic leverage today. Offering enormous business value, talent management is complex and continually evolving. Influenced by external factors such as the economy, global expansion and mergers and acquisitions, critical success factors for effective talent

management include alignment with strategic goals, active CEO participation and HR management. Over time, common themes around talent management are emerging, such as the role of line leaders in the development of talent. Overall, the main recurring themes are CEO involvement, culture, management, processes and accountability.

Research shows that organizations increasingly focus on talent management. Moving from reactive to proactive, companies is working hard to harness talent. According to SHRM's (2006) Talent Management Survey Report, 53% of organizations have specific talent management initiatives in place. Of these companies, 76% consider talent management a top priority. In addition, 85% of HR professionals in these companies work directly with management to implement talent management strategies. Yet different companies may not define talent the same way. The belief in talent and its impact on the bottom line are at the heart of talent management. To be effective, the talent mindset must be embedded throughout the organization, starting with the CEO. Going beyond succession planning for top leadership positions, companies that value talent have a deep appreciation for the contribution of individuals at all levels, now and for the future. In essence, talent is the vehicle to move the organization where it wants to be.

3. Drivers for Talent Management

To gain competitive advantage, the demand for human capital drives talent management. Talent management strategies focus on five primary areas: attracting, selecting, engaging, developing and retaining employees. Although pay and benefits initially attract employees, top-tier leadership organizations focus on retaining and developing talent

4. Human Resources and Talent Management

Human resources have a compelling mission to provide “value added” services; however, this expectation is often hard to describe. Further, HR leaders are asked to provide “line of sight” plans that support institutional strategy and challenges; again, not an intuitive task. It is, perhaps, more clarifying to examine effective, leading-edge practices that have been or could be put in place that deliver on the promise of excellence in human resource management. Here, some successful strategies are examined in the areas of talent retention, growth and employee engagement.

HR’s responsibility related to talent management is to identify investments, design development required to fully deliver on its role in TM, and calculate the return on investment to the organization. HR should assess the ability of the organization’s decentralized leadership to implement local or unit-based actions required to close identified talent gaps. Assume that one initiative will be to retain high performers in strategic and core roles. A decision model may assist both central HR and local leadership to identify actions appropriate to different performance segments.

This decision model is sometimes referred to as the “Can Do/Will Do Matrix.” The model identifies performance quadrants and HR or local leadership talent management initiatives to address each subgroup. The vertical axis represents ability, or “can do;” the horizontal axis represents willingness to contribute, or “will do.” In each quadrant, HR should plan with

local leadership how to address and resolve issues of accountability, engagement, competency development, growth and reward.

5. Talent Management: Strategy Perspective

Process perspective: There is the process perspective which proposes that it includes all processes needed to optimize people within an organization. This perspective believes that the future success of the company is based on having the right talent – so managing and nurturing talent is part of the every day process of organizational life.

Cultural perspective: There is the cultural perspective that believes talent management is a mindset and that you must believe that talent is needed for success. This can be seen where every individual is dependent on their talent for success due to the nature of the market in which they operate, and is typical of organizations where there is a 'free' internal labour market, with assignments being allocated according to how well they performed on their last assignment. Alternatively, this can be an organization where the development of every individual's talent is paramount and appreciated, and allowing people to explore and develop their talent becomes part of the work routine.

Competitive perspective: There is the competitive perspective that proposes talent management is about accelerated development paths for the highest potential employees (Wilcox, 2005), applying the same personal development process to everyone in the organization, but accelerating the process for high potentials. Hence the focus is on developing high potentials or talents more quickly than others.

HR planning perspective: 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. This is often identified with companies currently experiencing rapid growth which to some extent is driving the talent management system, and once they become more stable in terms of size of operations their perspective might change. Succession planning tends to be more prominent in organizations taking this approach.

Change management perspective: Finally, there is the change management perspective which uses the talent management process as a driver of change in the organization, using the talent management system as part of the wider strategic HR initiative for organizational change This can either be a means of embedding the talent management system in the organization as part of a broader change process, or it can put additional pressure on the talent management process if there is widespread resistance to the change Process

6. Research Method

The data for this study were collected through the administration of structure questionnaires to a sample of top executive from the level of CEO or COO or Director or above one questionnaire per firm was distributed among top firms in Lagos metropolis. Lagos was chosen for the purpose of this study because studies have shown that over sixty percent industries (including banks) head office is located in Lagos (Aboyade, 1968). It, therefore, implies that Lagos could serve as a good representative of the industrial characteristics of

Nigeria. Sixteen copies of the questionnaire were administered randomly to the senior managers (CEOS and COOS or director). All the sixteen (16) copies of the questionnaires were duly completed and returned, which formed the basis of the analysis. The experimental variables examined in this study are organization profitability and return on investment that results from the application of talent management in the organization. The questions were administered along a three point likert scale.

The responses were coded and mapped into numeric values; for example, considering the mapping exist; Yes- 3 point, No-2 point, Don't Know- 1 points.

Correlation analysis was carried out on the coded data to determine the relationship between talent management and financial performances (hence known as performance) on the one hand and between talent management and return on investment on the other hand. Bi-variate correlation procedures using statistical package for social sciences (SPSS17) was employed in computing the Pearson's correlation coefficients. The correlation coefficient expresses the strength of the relationship on a scale, ranging from -1 to +1. A positive value close to + 1 indicates a strong positive relationship, in which an increase in one variable implies an increase in the value of the second variables; while a strong negative relationship (close to-1 indicates that an increase in one variable leads to a decrease in the other. The extent of correlation is considered at 0.01 levels of significance. Descriptive statistics were also produced to show the effect of talent management on profitability level and return on investment. Also, t-statistic was employed to test the hypotheses formulated in the study. The formula is derived using correlation analysis. Appendix B shows the formula for the t-statistic.

7. Hypotheses

1) Talent management style does not impact on the performance of the business organization

2) Talent management is not positively correlated with return on investment in the business organization

8. Data Analysis of Results

Table 1. Description of statistics (Talent Management and Profitability)

	Mean	Std. Deviation	N
Talent Management	3.34	1.43	16
Profit level	3.72	.88	16

Table 2. Correlation's (Talent Management and Profitability)

	Talent Management	Profitability

Talent Management	Pearson Correlation Sig. (2-tailed) N	1.00 - 16	.786** .000 16
Profitability	Pearson Correlation Sig. (2-tailed) N	.786** .000 16	1.000 - 16

**Correlation is significant at the level 0.01 level (2-tailed)

Table 3. Description of statistics (Talent Management and Return on Investment (ROI))

	Mean	Std. Deviation	N
Talent Management	3.34	1.43	16
ROI	3.64	.76	16

Table 4. Correlation's (Talent Management and Return on Investment (ROI))

		Talent Management	ROI
Talent Management	Pearson Correlation Sig. (2-tailed) N	1.00 - 16	.596** .000 16
ROI	Pearson Correlation Sig. (2-tailed) N	.596** .000 16	1.000 - 16

**Correlation is significant at the level 0.01 level (2-tailed)

9. Discussion

Pearson's correlation coefficients between TM levels are presented in tables 1.1, 1.2, 1.3, and 1.4. From tables 1.1 and 1.3, there is evidence that talent management, profitability and return on investment (ROI) were highly correlated. However, with a mean response of 3.34 and a standard deviation of 1.30, it can be said that the talent management index is not as high as profitability and ROI levels (3.72 and 3.64 respectively). This could be attributed to the fact that the introduction of talent management in organizations is relatively a new phenomenon. This is coupled with the fact that talent management only constitutes a percentage of variables that could affect return on investment (ROI) and performance.

The Pearson's correlation coefficient for talent management and performance level is 0.786, while that of talent management and return on investment is 0.596. These values show that the correlation is significant at 0.01 levels (2 tailed). However, the results show that talent management index has higher correlation with profitability level than with return on investment (ROI). This can be attributed to the general belief in Nigeria that the organizations pursue the profit motive at all cost including the use of talent management. However, the pursuance of ROI is not matched with the same vigor as general performance.

Evidence shows that 95% of organizations visited were either fully applying talent management or partially applying talent management. This is a strong indication that the level of application of talent management in recent times has increased tremendously. Organizations realize the importance of talent management on the effective and efficient performance of their employees and senior staff. The main focus of the organizations includes:

a. Selection of an appropriate talent management tools.

b. Provision of training for employees.

c. Protection against staff turnovers.

All the respondents from the organizations surveyed agree that talent management implementation positively influence work performance in their company while 63.7% indicated financial investment in talent management is prime factor for organization wealth

creation. This buttresses the fact that though most organization employ the use of talent management in total workforce management, there is the need to focus on organizational development and training and development that assist in making capabilities match with vision.

The results of the t-statistics show that both results are significant at 0.05 levels of significance. The result for profitability level is 203.97 and that of return on investment is 383.43 which are greater than the critical value of t-statistics at 2.131. Therefore, there is a significant relationship between talent management and performance and return on investment.

From the discussions, it was found that talent management though a recent human resources phenomenon remain pivotal in management and promotion of performances in business firm, talent management promotes workforce efficiency and productivity in work organization, talent management is mostly used by national and multinational firms in Nigeria, Most firms in Nigeria do not separate between their talent management style and their general human resources management programmes and Most small and medium scale firms have not adopted the basic talent management strategy in developing the skill and ability of potential talent within their firms..

10. Conclusions and Recommendations

This study revealed that talent management become pivotal to the survivor of the profit organization in the modern global and highly competitive business environment today. It is of value that firms should take to cognizance the issue of talent management, the fact that mobility of labour is very high today cross national and international border made talent management issue of import to modern management and government especially in developing nations. It is equally of value that firms should train and retrain their work force to develop needed talent in the staff. The correlation between profitability and talent management cannot be overemphasized. It was therefore recommended that:

- Talent management scheme should be used for all categories of staff within the firm that have special talent
- Firms should separate between their talent management scheme and the total human recourses management style of the firm
- Talent management should be result oriented and not another human resources management style without result in focus.
- The government in the developing nations especially should take the issue of talent management very important in their economics policy from time to time; a pure capitalist economy must be practiced with caution.

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