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## TALENT MANAGEMENT - STRATEGIC CORPORATE APPROACH TO SUPERIOR PERFORMANCE

### Abstract

Talent management, as a modern approach in the field of human resources management, proposes a solution to all contemporary business trends. Thus, any company whose goal is to have a competitive advantage based on its human resource must have a talent management strategy. Talent management is the process by which an organisation identifies, manages and develops its people currently and for the future. This essay demonstrates how talent management theory was developed, and advances the argument how to balance between corporate strategy, human resource strategy and talent management strategy. The implications of the theory are profound. For effective use of talent management, the role of managers is essential in terms of comprehending this approach as investment in intangible assets which will position the organization as a leader in the market. The basic idea behind talent management is the assumption that there is potential in each and every one. In addition, there are certain key competences an organisation requires for sustainable competitive advantage, and the aim is to identify, retain and nurture them.

**Key words:** talent management, human resources management, corporate strategy, competitive advance.

**JEL Classification:** M0, M1, M12, M19, O, O15

### Introduction

Talent management is a strategic activity of the company which gains great importance in recent years. Today, amid great competition, the success of companies

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is based on human resources, especially their talent and of course the corporate strategic talent based on management approach. It refers to the processes, systems and strategies, and their strategic implementations to boost productivity in the workplace through the development of improved processes for attracting, utilizing and retaining talented employees in accordance with current and future business needs.

Human resources are those which give substantial value to the organization. Most appropriate way to achieve competitive advantage of the organization is to understand human resources as a strategic business partner that contributes to improvement of business performance. Talent management arises from the need to devote more attention to human resources in the company context in order to address the talent, then to properly train and of course to keep the company sustainable.

That is what talent management advocates. Today, people search companies, not companies people. Today talented people are scarce, unlike previously when jobs were scarce, and the requirements of the workers today are much higher than previously when they accepted the conditions that were offered.

Talent management, as a modern approach in the field of human resources management, proposes a solution to all contemporary trends- dating from the beginning of the war for talents. Thus, any company whose goal is to have a competitive advantage based on its human resources must have talent management strategy through which the company can achieve its goal.

Talent management is trying to achieve balance in terms of human resources in a company, so that each employee is on the right job, in real time, on track to building a career according to one's needs and business directions of the company.

Talent management is committed to analyzing each employee individually in terms of desires for career, job satisfaction, training according to specific goals and needs, motivation to stay in the company rather than go to another company.

Talent management placed special emphasis on retention of workers as the most important of all its functions, and thus fights the trend of increased global mobility which now governs the world with the war for talent and all the other reasons that are mutually dependent.

## **CONCEPT OF TALENT MANAGEMENT**

According to Davis,<sup>1)</sup> talent is a special skill or possession of high mental abilities. Highly skilled people are valuable resources of the organization said Drucker<sup>2)</sup>.

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<sup>1)</sup> *Davis et al. (2007), Talent assessment: a new strategy for talent management, Gower, United States of America, pg.1*

<sup>2)</sup> *Drucker P.F. & Maciariello J. A., The Daily Drucker (2005): 366 Days of Insight and Motivation for Getting the Right Things Done, 13th edition, pg.26*

The definition of talented people will be clearer if we point out the differences between talented and specialized people, because the boundaries between these two concepts are not clearly defined. Specialists are those who have vast knowledge of the precise activity or subject, they are professionals in their field, while talented people have other personal characteristics.

Talented people who show superior performances that inspire others, and which reflect the basic competencies and values of the company.

Talented people are a group of individuals who manifest superior performances that inspire others and who reflect the values of the organization, possess personal characteristics that enable social and emotional competence<sup>3)</sup>.

Talent management is a relatively new concept, but its components arise from the concept of “war for talent” which was first used by a group of consultants from McKinsey in 1997. The concept reflects the changes that were in accordance with the needs and practices of human resources to meet the competitive and dynamic environment. “The war for talent” is a real war that started between organizations to attract, develop, motivate and to retain talented employees. The war for talent began in the 1980s with the emergence of information technologies. Thus, the importance of machinery, factories and capital becomes relative to the importance of intangible assets such as brands, intellectual capital and talent.

The dedication of companies toward talented people has dramatically increased in the last century. In 1900, only 17% of jobs needed workers who possess knowledge, and today the figure exceeds 60%. It is important to choose a good talent. The best software developers can be ten times more useful than average and their products can earn ten times more income. Manager John Chambers at “Cisco” said: “One of the world’s best talented engineers can be more productive than the average 200 engineers.”

The war for talent appears quietly as a consequence of industrialization in the eighties, it intensified in the nineties and will continue to reform business conditions in the decades ahead.

Despite widespread demand for talent, the demand for high-level managers is growing. Companies today need managers who can respond to dynamic changes in business environment. Companies need managers willing to take risks, global entrepreneurs and skilled IT managers. They need people who understand business and motivate employees. Research conducted in 2000 showed that companies are “hungry” for solid managerial talent. 99% of the managers of companies that participated

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<sup>3)</sup> *Berger, L. A. & Berger D. R. (2004), The talent management handbook: creating organizational excellence by identifying, developing, and promoting your best people, McGraw-Hill, New York, pg.3-4*

in the survey said that the management potential in three years should be stronger than the present. Only 20% said they have enough talented leaders who can take advantage of all opportunities that are offered to the company.<sup>4)</sup>

The concept of talent management has been developed gradually. First it was understood as a concept associated with the practices of human resources such as planning and recruiting or concept that includes the provision of future need for employees. Further treatment was associated with employees, their needs and development in the organization and more attention to the personal needs of employees for achieving their welfare.

The true meaning of the concept introduced the idea of key positions in the organization which need to be identified, and subsequently filled with talented people, i.e. the idea is to find the right people for the right position and achieve high performance through motivation of these employees.<sup>5)</sup>

The essence of the concept is the definition that talent management is a strategy that treats employees of the organization in a way that motivates them to take the full potential of their talents to achieve superior performance for the company.

According to Davis, talent management is a set of activities of employing, developing and retaining talented people who are able to achieve superior performance in a particular company. Talent management activities have to be implemented through a strategy; it means “a deliberate and structured corporate approach to realize talent management.”<sup>6)</sup>

The key element in talent management strategy is to create a talent in the organization that will create sustainable competitive advantage based on their employees. Top managers believe that there is a lack of alignment between strategy management talent and corporate strategy. Therefore, talent management is not just a matter of the department of human resources, but the management team is also included. The task of the management team in talent management strategy is to define what kind of talent or ability of the organization needs now and in the future. The most important challenge for organizations is to maximize the organizational human potential.

### **The role of HRM in talent management**

For successful development of talent management in an organization, professionally trained staff has the main role in the department of human resources. The

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<sup>4)</sup> <http://www.worldwideerc.org/resources/mobilityarticles/pages>

<sup>5)</sup> *Mellahi, K. &Collings, D. G. (2009), “Strategic talent management: A review and research agenda”, Elsevier, Vol.19, n.4, pg.304-313*

<sup>6)</sup> *Davis et al. (2007), Talent assessment: a new strategy for talent management, Gower, United States of America, pg.14*

team from the Human Resources Department must design, plan, apply and develop successful talent management programs. Then, the organizational progress comes to the fore. The role of top and line management is not negligible, they must have in mind the process of talent management in organizational behavior in today's global environment of intense change, demographic trends and high labor mobility, with constant growth of technology. Any organization without proper talent management process will face insolvency and will become meaningless in a business environment.

Human Resources Department should first develop all operational activities for talent management. HRM should develop a review according to the requirements of management, develop a plan of action to anticipate costs and finally approaches to implementing that plan. To hire a specialist for talent management, could be very useful, to guide HR professionals to perform schedule. The activities that the human resource department needs to develop are related primarily to recruitment of talent, which involves identification and evaluation of talented people with great potential for the organization and the recruitment of the necessary talent from the external labor market, their employment and promotion.

Second, HR professionals need to develop a pool of talent, that is to train employees to acquire skills that the company needs for the future, to exploit their full potential, and focus entirely on improving the organization. The development of talented people is through the cultivation and nurturing their talents and can be achieved through training or training through formal or informal way of learning. And third, the most important task of HR professionals is the retention of talented people, retention can only be achieved for a solid salary, this is achieved also with motivation and commitment, as provided by creating good working environment and model of organizational culture shared by all.

According to Berger and Berger, the function of talent management professionals can be divided into four different tasks: The first is a forecast that is predicting the possible **promotion** of employees according to their income, their past experience and talent shown, thus Talent Management professionals can see which employees are talented people and include them in the pool of talent. The second task is to create **measurement scales** for potential performance. The third is to identify **key competencies** that the organization and the need to empower the employees. The important competencies are: orientation towards results, communication skills, creativity, innovation, customer orientation, leadership, teamwork. Finally the last task of talent management professionals is to choose a **mentor** guide that will help talents to develop the necessary skills to maintain their motivation.<sup>7)</sup>

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<sup>7)</sup> *Berger, L. A. & Berger D. R. (2004), The talent management handbook: creating organizational excellence by identifying, developing, and promoting your best people, McGraw-Hill, New York, pg. 3-4*

We can connect these four tasks with each of the activities of talent management as defined above, the first two are more related to recruiting talent, the third is part of the development of talent, while the fourth refers to developing and retaining talent.

According to Davis, there are three elements that shape the strategy of talent management, which are recruitment, development of talents that include cultivation and breeding, and retention through motivation and commitment. Talent management is a strategy that involves all levels of the organization and the employment, development and retention of most talented people within the organization. The aim of the strategy is to create a pool of talent with talent potential and skills that the company needs or will need in the future. These talents are expected to achieve superior performance for the firm and thus ensure company's sustainable competitive advantage.<sup>8)</sup>

The company with good talent management strategy will become a learning company where employees are "employees with knowledge", which means they have the knowledge necessary to do a good job, but also it means they learn faster and can apply this knowledge in a practical and efficient way, and finally they have the ability to transfer that knowledge to others in a useful and structured way.

An organization will give its employees tools to make it through talent management activities, because it is aware that the outcome largely depends on the competence of its employees, so the company will take appropriate steps to ensure their training and their potential exploitation.

An important aspect that should be taken into consideration is that talent management is investment in intangible assets; hence its possible results should be analyzed before starting the application. The expected outcomes are superior performance of the workers and sustained competitive advantage based on talent.

There are ways that the human resources team can contribute to talent management beyond the traditional functions:

- Retention strategy: Departments of Human Resources may assist the organization in identifying key performers of strategic processes. They can achieve academic and operational leadership through retention interviews that include face to face meetings with key players in the organization to ensure that individuals realize that their investment is highly valued and the organization can support the employee's continued success and allegiance to the company.
- Planning for continuity: The necessity to make organizational planning staff charts which express the current and future position of each employee and

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<sup>8)</sup> *Davis et al. (2007), Talent assessment: a new strategy for talent management, Gower, United States of America, pg. 33-34*

his qualifications, taking into account future retirements, training needs assessment, additional training, etc.. This is necessary to maintain long-term competitive advantage.

- Transfer of knowledge: Human Resource Managers can assist in the planning process of knowledge transfer.

## **TALENT MANAGEMENT BENEFITS**

### **The talent management benefits are**

- Placement on each employee on a job that really suits: Every employee is on a suitable workplace and employee productivity increases. There is a balance in the interests of individuals and their job profiles and their job satisfaction is higher.
- Retention of top talents: Despite the opportunities in the global economy, the outflow of personnel is a major concern for companies. Retention of top talents is important for leadership and market development. Companies which are unsuccessful in retaining top employees, risk being outdone by competitors. The focus should be on programs and strategies for selection of personnel, developing, retaining and encouraging loyalty to the company.
- Proper selection: Superior organizations are recognized by the labor force they have. The best way to keep talents on the top of organization is to have talents to its lowest level. Therefore it's no wonder that talent management programs and investment in "hunting" the right human resources have become an important part of the processes in human resources departments.
- Better understanding of employees: Analyzing the employees is helpful and indicates how to address them. Their development needs, career aspirations, strengths and weaknesses, capabilities, and what they want and do not want. Then, it's easier to determine what motivates each employee, and it provides precious effects for both sides.
- Decisions for better professional development: When the organization determines its highest goal, it becomes easier to invest in the employees professional development that includes learning, training and development at the individual level, planning staff, etc.. If the organization knows where to direct its investments, talent management solves this problem.<sup>9)</sup>

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<sup>9)</sup> Cheese, P., Thomas, R. J. & Craig, E. (2008), *"The talent powered organization: Strategies for globalization, talent management and high performance"*. London and Philadelphia: Kogan Page, pg.223-225

The result is a workforce that is trustworthy and loyal to the organization, determined to overcome the competition and ensure leadership in the market for its organization.

## **CONCLUSION**

Talent management is part of the corporate strategy and is consistent with achieving the mission of the organization. Talent management is not just a matter of the department of human resources and it must be integrated within the overall strategy of the organization. Every company should develop its own talent management strategy that will fit their corporate strategy and culture.

What talent management requires from the human resources department is to collaborate with managers at all levels, in order to gain feedback on all organizational levels. Managers have direct contact with employees, they know their abilities, skills, ambitions and certainly know what motivates them, and know the plans, needs, desires and capabilities of the company. They are liaison with the human resource department.

However, managers need to be professional, competent, ambitious and certainly good leaders. These are people that in the world today and in future will be lacking. The fact that every leader can be a manager, but not every manager can be a leader, suggests that leaders are a special category of people who require additional investments of resources by the company primarily for their recognition, and then for their normal development during their career and certainly their retention in the company.

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