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TALENT MANAGEMENT AS A SOURCE OF COMPETITIVE ADVANTAGE

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Abstract

In this dynamic and competitive business era organizations are facing challenges in talent management. Talent management of talented worker is becoming of great importance for the organizations which are working on global level. The demand for key position talented employees is high because those are the persons who will steer the organization and will be responsible to take the organization towards the peak of success, this is the reason organizations are in a state of fight for the best people. The major goal of every organizational strategy is to enhance the effectiveness and efficiency of the operation which could lead the organization to success. Talent Management is essential when the organizations will like to build winning teams which will be formed by talented personnel.

1. INTRODUCTION

Talent management is the pool of activities which are concerning to attracting, selecting, developing and retaining the best employees in the strategic roles (Scullion & Collings, 2011). They further point out that talent management recognizes people who excel at particular activities and performance upon whom support is offered to enable them to 'push the envelope' while capturing and sharing what they do differently so as colleagues can emulate them (Scullion & Collings, 2011). Organization should have ability and capacity to recognize the people and the capability that may create value and deliver the competitive advantage for the organization; in addition talent management also aims at developing and deploying the right people at the right job on the right time and providing them the right environment to show off their abilities in a best possible way for the organizations (Uren & Jackson, 2012).

Talent management has become a challenge to all the organizations in a global context irrespective of the country (Gardner, 2002). Furthermore the anxiety for the scarcity of the talent is a universal issue. All organizations around the globe are competing for the same talent. Global integration trend show the standardization in talent recruitment, management and development to make sure their competitive advantage in the market. Therefore, organizations are adopting best global and local

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talent management practices (Stahl *et al.*, 2007). There are several benefits of talent management such as employee engagement, retention of employee, increased productivity, culture of excellence and much more (Ballesteros & Inmaculada, 2010). Organization success with the help of talent management is anchored in three factors; these factors are development and reward plan, creation of set of career paths for the talented employee, which will help in ensuring the high quality work in the organization which will ultimately result in superior performance (Ballesteros & Inmaculada, 2010). In this dynamic and competitive business era organizations are facing challenges in talent management (Schuler *et al.*, 2011). Talent management of talented worker is becoming of great importance for the organizations which are working on global level. The demand for key position talented employees is high because those are the persons who will steer the organization and will be responsible to take the organization towards the peak of success, this is the reason organizations are in a state of fight for the best people.

Theory of firm based on talent management hypothesize that the talent is the only resource of firms which may provide basis for sustainable competitive advantage, therefore, the organizations should focus on talent and the capabilities derived from talent.

The role of firms is neither the creation of talent nor the acquisition of talent rather; the firm is considered a as talent integration institute, as the talent resides in the head of individuals and firms only integrates and provides system and structural arrangements for coordination and co-operation between the talented workers.

Literature on talent management advocates that organization image and performance can be enhanced, if the capabilities of individuals are utilized accurately and successfully. In knowledge economy, the main issue is to find attract, develop and retain the talented people, so organizations are putting their focus on gaining and maintaining the competent people with them.

1.1. Theories of talent management

A number of theories and frame work are developed concerning to the conversion of talent into better performance. A firm's distinctive competence is based on the specialized resources, assets, the distinctive competency of the firm is linked to the resources, assets and skills possessed by the members of the organization and the optimum utilization of these resources help the organization to build competitive advantage. Two basic theories are emerged firm the theory of firm: resource based theory and talent based theory.

Talent based theory states that the talent is the only resource which may help in gaining and maintain the competitive advantage, and, therefore organizations must put a focus on attracting and maintaining the talented work force. The role of firms is neither the creation of talent nor the acquisition of talent rather; the firm is considered a as talent integration institute, as the talent resides in the head of individuals and firms only integrates and provides system and structural arrangements for coordination and co-operation between the talented workers.

Literature on the competitive advantage has taken a shift and it has acknowledged that the internal resources have a crucial role to play in the performance of the organization (Wright *et al.*, 2009). The resource based view of the firm gives importance to building unique, hard to imitate and valuable resources as well as a dynamic way to integrate those resources to get a success for the organization. According to resource based view competitive advantage is dependent on the valuable, rare and hard to copy resources that reside in the organization and human resources one of those scarce resources.

A more recent theory of firms, the talent based view of the firm, which gives importance to develop and enhance the competency of the employees of the firm through a systematic process of talent acquisition and talent transfer and sharing to gain competitive advantage. According to the resource-based view rival firms competes on the basis of the heterogeneity and immobility of their resources and capabilities (Peteraf & Bergen, 2003). Resources can be physical, human and organizational in nature, and they can be used to implement value-creating strategies. As was suggested by Barney

(1991), resources which are valuable, rare, inimitable, and non-substitutable, have the potential to provide firms with a sustainable competitive advantage. A set of resources that seem to match the above criteria are talent assets.

1.2. Critical factors of TM that must be considered

Coleman (2008) suggested certain factors which can help the successful implementation of talent management strategy. The talent management strategy should be integrated and aligned with organizational strategy and it is also of vital importance to articulate the talent management strategy. Talent management is linked to culture and people of the organization. People and culture are the heart of the organization for creating the successful talent management strategy. The biggest challenges for the managers to manage talent is not the technical one, it's the cultural one. Overcoming the cultural hurdles is a very difficult task especially when holding knowledge is considered more important than sharing it with others (Cole-Gomulka, 2007). The reason of the sentiment is that the nature of the employees is competitive and they are more tending towards holding the knowledge than comparing because sometimes they don't want others to have the same competencies as they are having.

Another important issue about the talent management is the compensation, if the right incentive is given to the people who share talent than the sharing of knowledge become effective (The Banker, 2004). The compensation and reward system must support the sharing of knowledge and talent. It is important to reward those employees who contribute more in knowledge sharing in the organizations and on the same time it should be made sure that employees understand the importance of talent management (Cole-Gomolski, 2006).

A difficulty with many compensation systems and incentives for distribution talent is that constructive talent comes from comparatively low down in the organization, from people who are not on incentive systems and perhaps react much more willingly to the feeling that they belong to highly motivated, leading edge, innovative groups of people. This perhaps means in the end that the essential role is played by culture; by an unquestioned, even comatose, code that persuade talent sharing and co-operative behavior (The Banker, 2004).

1.3. Components of talent management

There are three main component of talent management

- Talent attraction and selection
- Talent Retention
- And Talent development

1.4. Talent attraction and selection

According to Armstrong (2006) organization should use various techniques and methods for recruiting and selecting the right talent. The recruitment of talent pool is the first and important task of the talent management process the talent pool is a group of candidates that are the potentials executive of the organization who will steer the organization towards the competitive performance. So to gain and maintain the performance of the organization the recruitment and selection the talented individuals is very crucial. The creation of talent pool can be done in two forms, one is internal and second one is external. The internal recruitment of talent pool will be from the already exiting employees of the organization. The internal recruitment may can give advantage as the employees already know the culture and way of doing work in the organization and it also might uplift the morale of the employees if their position is uplifted (Davis *et al.*, 2007). However, the external sources will be the best way of gathering a talent when organization wants to bring the cultural change and wants innovation (Ballesteros & Inmaculada, 2010). Employer branding includes development of an organization's image, good enough to attract employees. Without the good brand image, it is difficult to attract the right talents (Ana, 2009).

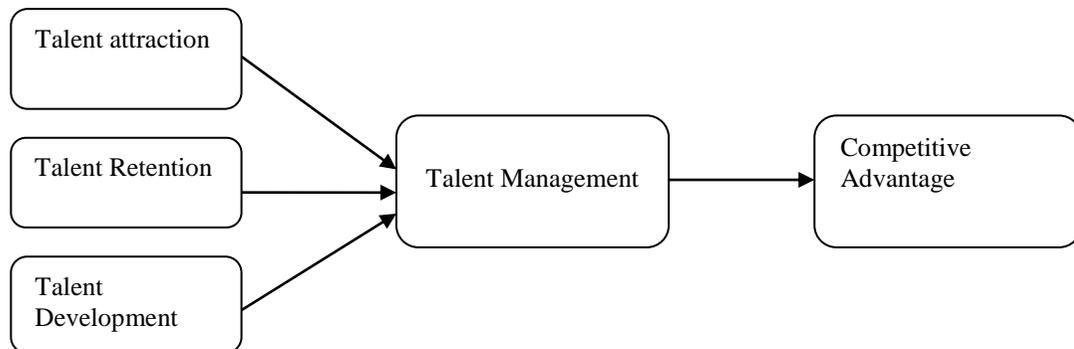
1.5. Talent retention

Talent retention is a process of retaining the talented employees with the organization for a longer time period of time. The turn of talent from any organizations very harmful as is cause a reduction in the productivity of the organization as well as more cost to attract the new pool of talent (Echols, 2007).

There two classification of retention the talented employees with organization. Intrinsic and extrinsic. Intrinsic incentive includes some non monetary rewards that can satisfy employee’s psychological needs while the extrinsic rewards are the monetary rewards which may help to fulfill employee’s physiological needs. The monetary reward is admitted as an essential tool to retaining talent (Vaiman & Vance, 2008). Furthermore, organization needs to invest more for the purpose of retaining the employees with organization, a good rewards system important to attract, and retain the talent with organization. This can motivate the employees, resulting in high performance of the organization (Mendez & Stander, 2011)

1.6. Talent development

In this competitive and dynamic business era, learning and development has become a backbone of success, without continuous learning, gaining and maintain performance may become impossible. Strategy makers and HR practitioners are moving their focus towards learning and development of the talented employees to enhance organizational performance. Talent development is process of upgrading the skills and attitude of the employees. As the business continuously keep on changing the technologies business models and new strategies to cope up with these changes organization needs to enhance and upgrade the knowledge of the employees. While making strategies for development practitioners must keep in mind the integration and strategic fit between the current talent and the skills of the employees.



Theoretical Model drawn from literature

1.7. Talent management and competitive advantage

The major goal of every organizational strategy is to enhance the effectiveness and efficiency of the operation which could lead the organization to success. Talent Management is essential when the organizations will like to build winning teams which will be formed by talented personnel. The organization will use these kinds of teams to solve determinate problems or weaknesses in departments. For example, if there is a trouble in the Financial Department, the organization will build a team to solve this problem and they are going to solve it, because they are competent and experienced people in this field (Davis et al., 2007). The studies show that if the organizational strategies and technology would be complex, its key success is human factor. Therefore, managers should consider to the factors which effect on organizational success. In this regard, Lewis & Heckman (2006) identified three key streams of analyzing the effectiveness of talent management practices. A first stream refers to an analytical technique to tie talent management to financial performance; a second stream emphasizes the process of analyzing and optimizing the talent management system, and authors aligned with the third stream appear to see analytics as a set of

metrics and measures for use by different users. Considering a financial perspective, researchers assess the relationship between competences in talent management and financial organizational performance and demonstrate why talent management is a worthwhile investment. Organizations that apply talent management practices demonstrate significantly higher financial performance compared to their industry's peers, for example regarding sales revenue and productivity (Steinweg, 2009), Net Profit Margin and Earnings Before Interest, Depreciation, and Amortization (EBITDA), Return on Assets and Return on Equity, or Return on Shareholders' Value and Market Value. Moreover, different studies induce talent management cost savings through long-term proactive internal succession planning and higher retention rates.

According to the research conducted by Carlucci *et al.* (2004) explored that business performance can also be influenced by managing talent assets. It is also researched that there is the huge role of value generated for the key stakeholders with the business performance in an organization. It is also researched that organizational processes are based on some competencies which is used to manage the business effectively and efficiently. The generated value has the huge role to manage the business process. Finally organizational competencies are developed and processed by the management of talent assets in an organization. Hence it has been cleared organizational competencies are the result of effective and efficient management of talent assets that increases the business performance and value creation. In the same way the effectiveness of talent asset management will provide firms the skills to align the demand of market with talent resources (Zott, 2003). Dynamic capabilities are used by the firm to achieve new resource configurations as markets evolve, emerge, evolve die. Dynamics capabilities are more useful to individual firms to gain sustainable competitive advantage and long term superior performance (Teece *et al.*, 1997).

It has been cleared from the research that talent management practices has the huge role to compete in the market and have competitive advantage on others. It is also explored that organization can gain only short span of time competitive advantage with the help of innovations and new technologies. It is the only talent management practice which gives the sustained competitive advantage in the market by organization attraction, development, motivation, management and reward the talent (Heimen & Colleen, 2004). Like a machine, a business will fail to operate successfully if key elements such as processes, systems, and structure are misaligned or hindered by friction between those element and like a machine, a business must be designed, operated, and maintained. These functions are performed by the talent – the human capital employed by the enterprise. Indeed, talent (i.e., an organization's employees), typically is the single biggest lever for driving improvements in business performance. The collective skills of the talent employed in an organization largely comprise the organization's core capabilities. An organization's talent injects capabilities that are very difficult for competitors to benchmark and replicate. More than any other asset, talent provides the potential for long-term competitive advantage (Lawler, 2008).

2. CONCLUSION

In this dynamic and competitive business era organizations are facing challenges in talent management. Talent management of talented worker is becoming of great importance for the organizations which are working on global level. The demand for key position talented employees is high because those are the persons who will steer the organization and will be responsible to take the organization towards the peak of success, this is the reason organizations are in a state of fight for the best people.

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