

INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH AND KNOWLEDGE

ISSN-2213-1356

www.ijirk.com

The Evolution of the Talent Management

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Abstract

In recent decades, with the increasing demands for organizational talent, more and more companies start to realize and pay greater attention to the importance of their human capital. As a result, the term 'talent management' comes into being, which is often considered as the processes of recruiting, managing, developing, evaluating, rewarding and retaining the talented employees. Unsurprisingly, in the next few years, this idea will become increasingly popular, as talent management has become highly relevant and directly related to the business strategy in the highest operating level. Meanwhile, the role of Human Resources Department has also changed accordingly with the more frequent involvement of high technologies, such as social media, data analytics, Artificial Intelligence and cloud computing. Engaging in talent management, strategic Human Resources will improve business value and organizational culture, and eventually assist companies and organizations to reach their potential goals. Its goals include improving employee engagement and retention and measurably augmenting the success of an organization by continually transforming in an agile way (Rouse, 2018). The objective of this paper is to introduce the history of talent management, identify the impacts of talent management on the Human Resource Functions as well as the organizational culture.

History of Talent Management

Before the talent management leads the organizational strategies, internal development and outside hiring were the two main plans of action for most companies in the market. Compared with current talent management, internal talent development simply concentrated on the specific skills required for employees based on their positions. Consequently, the traditional internal development failed to predict and connect the talent needs for employees and the changes in the technology and the strategical model in the business world (Cappelli, 2008, p. 2-3).

Outside hiring might seem beneficial in the beginning, because it not only increases the company's competitiveness, but also attracts the talents away from its rivalries in the market. A CEO once commented that it would be unnecessary for the company to develop employees since the other competitors do it for us (Cappelli, 2008, p. 2). However, the idea of recruiting talent away from competitors while also getting better at retaining its own talent proved to be highly unrealistic, because companies realized that the speed of attracting experienced candidates and losing their own talents to competitors were at the same level (Cappelli, 2008, p. 2). In addition, numerous challenges raised by outside hiring started to bother managers. For instance, given the extremely intense nature of the competition for talent in the market, the recruitments become increasingly expensive and eventually a heavily financial burden for the company. Sometimes the investment could be wasted if the company is unable to retain the newly recruited staff member. Moreover, outside hiring from time to time generates a negative internal tension and atmosphere within the company among the original employees, undermining their trust and increasing the possibilities of turnover.

Based on the researches of 77 companies from a variety of industries, in 1998, a group of staff from McKinsey & Company published an article called 'The War for Talent'. In the paper, they stated that "elevating talent as a priority throughout the company, developing a sound employee value proposition, and ensuring your sourcing strategy is a powerful one will do much of what is needed to make your position in the market for talent compelling (Chambers et al, 1998, p. 6)". This is when the ideology of talent management appeared in public for the first time.

A few years later, McKinsey ran follow-up research in which 6,900 managers from 56 large and midsize American companies were interviewed. The result showed that "89 percent of managers found it is more difficult to attract talented people than it was three years ago, and 90 percent thought it is more difficult to retain them. Just 7 percent of the survey's respondents strongly agreed that their companies had enough talented managers to pursue all or most promising business opportunities" (Axelrod, Handfield-Jones, & Welsh, 2001). Because, owing to the change in the workplace in the society, it is no longer sufficient simply to offer high salaries to attract and maintain the best talent. On the contrary, employees require additional incentives and better development opportunities than previous generations of workers (Ford, Harding, & Stoyanova, 2010).

Additionally, due to globalization and changes in technology, the responsibilities for employees are expected to be more diverse and demanding than previous generations. For instance, the current business and economic environment is exposing a host of weaknesses in the talent management practices of many organizations, as well as the lack of a comprehensive understanding of skills, capabilities, key workforces and top talent (Khatri et al, 2010). An Intuit Global Study predicts that 40% of the total workforce will be contingent workers by 2020. If this holds true, talent management practitioners will need to prepare for how this change will impact the workforce. There are potential complications that talent management practitioners will need to consider as they prepare to recruit and manage large influxes of contingent workers. For example, gig employees usually do not receive the same benefits as full or part time employees, so their onboarding may be different. If the organization plans to hire gig employees, then it is vital to consider how the source will appeal to this talent pool and what differentiated pay strategies they will need to consider. The need to be responsive and agile will continue to be critical in this new economy. Since technology is speeding up the way business is done, these are only a handful of topics that we believe will emerge or continue to trend in the recent years. As the year progresses, there will be new trends that pop up and it will be up to talent leaders to stay on top of them.

In addition, studies show that 75% of the total workforce will be millennials by year 2025¹, yet large percentages of this population is leaving the enterprise to work at non-profits, smaller businesses or to become entrepreneurs.

¹ Understanding the Millennial Generation, S. Travis & N. Tommy, JOUR, 2015.

Sunita Khatri (Morelli, 2019), the director of HCM Cloud Product Marketing Oracle once said during an interview, “Career progression is top of mind for this generation, their ambition to learn, stay engaged, acquire knowledge and new skills quickly is important. In addition to work life balance and job flexibility, they also expect to rise quickly in the organization, be picked for new career assignments and motivated for new challenges”.

Unfortunately, there are a great number of changes that the organization need to consider for the future potential challenges. Because many organizations’ learning and talent development functions are still leveraging traditional, compliance and course catalog learning strategies. With the onset of the “modern learner” employee who prefers an always-on, collaborative, social, mobile and peer-to- peer learning experience, chances are they will feel held back with rigid and outdated learning platforms in the workplace. Today, learning content is only provided by learning experts and HR, whereas the future of learning is in the hands of the entire workforce, where learning content is authored, posted, shared and tracked by everyone in the organization and curated by employees and HR. Most learners today are trained to hunt for their knowledge, but imagine a learning system that learns the behavior over time and leverages artificial intelligence to recommend the next piece of information or content they should learn. Therefore, how to manage the organization with millennial employees and how to cooperate with new technology would inevitably become the top priority in the current list of talent management strategy for every company and organization.

No matter how many years passed by, the war for talents is always ubiquitous. Currently, the modern talent management, Talent 4.0, is largely involved with analytics in hiring and selecting candidates based on their unique talents, personalities, ambitions and potentials. “Talent analytics is the foundation of all talent management initiatives. The most important talent management trends can be implemented, as they are fueled by talent analytics. The speed is more important than ever. Can you keep track of how the capabilities of people are involving? Can you quickly make a match between the urgent opportunity and the available talent?” (Haak, 2017). Therefore, in order to respond to many changes in the workplace, from the industrial revolution and the rise of labor unions, to globalization and outsourcing, talent management strategies need to have evolved and adapted throughout the years (Frank, & Taylor, 2004).

Taking advantage from the digitalization Human Resources, a cloud-first, mobile-first, data-driven, collaborative, iterative talent management approach to business strategy and employee experience comes into being. For example, it uses data and analytics to measure progress at every stage of the employee life cycle, from recruitment to learning and development to retention and off-boarding, with the intention of pivoting quickly when a given strategy does not work; In addition, it capitalizes on social media, such as social media recruiting and by incorporating, where appropriate, social media in learning strategies (Rouse, 2018).

Generally speaking, a comprehensive analysis and understanding of workforce and potential candidates is required for companies to update their talent management strategy, which is, in fact, as important as any other part of an organization’s overall strategy.

The Impact of Talent Management Evolution

Looking retrospectively, one of the direct impact to organizations is the change in the role of Human Resources. Unlike in the past, Human Resource functions are no longer limited to the traditional administrative roles. Instead, now they fully are involved in organizations’ general strategic decisions. For example, they are now "Getting the right people with the right skills into the right jobs and deal with people management challenge in organizations" (Al-Daihani et al, 2015). For example, previously Human Resource departments would only measure an employee’s performance evaluation based on their particular job descriptions. However, nowadays, performance is connected

with talent management, and HR must also concentrate on an employee's potential, create competency-based criteria of an organization's future needs, and provide development opportunities to all staff to achieve desired company objectives. Similarly, during the recruitment process, simply matching candidates' information, namely education and certificates, are no longer sufficient enough for talent management. On the contrary, HR is expected to develop a talent-based competency model and action plans for new employees, ensuring their capabilities are in alignment with business needs. For instance, with the help of data management, one of HR's roles is enabling their organization to leverage talent data to help meet business goals and know their employees across all stages of the HR spectrum. Organizations are utilizing data to improve all HR processes such as recruiting, talent management, workforce planning and operational improvements.

Another critical impact from talent management is the change of the organizational culture. Knowing the fact that employees are the most important asset in the company, the organizational culture has started to shift from result and performance driven to employee centered. This shared description has created a unique social and cultural environment within the company, which later influences how people normally behave and think, and direct them into a sense of collective values, beliefs and principles. To be more specific, cultures within an organization forms a social control system or a social norm, which functions as collective representations of acceptable group conduct as well as individual perceptions of particular group conduct (Lapinski, & Rimal, 2005, p. 129). For example, when an organization focuses on promoting skill development, employees would start to participate in various training courses, and pressure those who do not "stay within the lines".

This shift in the organizational culture over the years has undoubtedly had a positive impact on the company, particularly with regards to employees' motivation, satisfaction, and commitment. Wiener and Vardi (1990) concluded that organizational culture's unique influence on individuals' motivation is to enhance members' commitment, which acts jointly with instrumental motivation to influence individuals' behavior, which assembles people together, making them have a strong connection with each other, as well as the company. In addition, the strong shared organizational value is also able to establish a strong sense of emotional belonging amongst employees. For instance, a positive organizational culture, which highly appreciates talent management, would not only motivate its employees to spend time on self-improvement, but also automatically attract more talented candidates. Towers (2006) used Google as the typical example of a hugely successful firm with a very strong company culture. The essence of this organizational culture are motivated employees who live and breathe the Google brand, calling themselves "Googlers".

Consequently, with motivation increasing, employees will also feel a stronger sense of commitment and satisfaction. For example, Pranita (2018) selected a sample of 60 respondents to examine the influence of motivation and organizational commitment to job satisfaction and employee performance. The results showed that there is a positive and significant influence between Motivation to Job Satisfaction, there is a positive and significant influence between Motivation on Performance, and there is a positive and significant influence between Organizational Commitment on Job Satisfaction. Therefore, it is clear to say that organizational cultures have a great impact on employees' individual behaviors and emotions: the stronger an organizational culture is, the more employees feel motivation, commitment, and satisfaction.

Similarly, the impacts from the modern talent management and digitalization Human Resources also brings a great challenge to the employees of both private and public organizations. Therefore, researchers tried to analyze which digital competences are needed by employees in both sectors and how the employees are equipped with these competences. Accordingly, researchers have conducted 17 interviews in German public and private sector organizations; and results exhibit only marginal differences between public and private sector organizations.

Furthermore, an interesting outcome was found that instead of IT being handle, the most important competences in the digital era are soft skills such as time and self-management as well as to understand the impact of digitalization in general. In order to equip employees with the required competences, training plays an important role in both sectors (Hofmann, & Ogonek, 2018).

Essentially, with the evolution of talent management, we can see the changes in the HR functions and organizational culture, which nowadays is considered as the “root” for the development of a company, and a fundamental role from employee level to the strategic implementation level. Most importantly, involving HR with an employee-centered organizational culture will definitely help a company to strive and survive considering the market competitions. On the contrary, the company’s value and employees’ motivations, satisfaction, and commitment will be affected or even torn apart if these two elements are ignored or rejected by the company. Sometimes it has been already too late when people realize the damages and it will not be easy to change the harmful situation. Therefore, it is critical for a company-especially top-level managers-to pay greater attention to talent management and be aware of its impacts on their organizations.

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