A Critical Literature Review On Talent Management, Competitive Advantage And Organizational Performance: A Research Agenda

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ABSTRACT

Talent management approach within an organization seeks to acquire, develop, and retain talented and high potential employees. The forward looking organizations must develop an integrated approach to talent management to best harness talent. The purpose of this study is to carry out a literature review of the pertinent issues related to talent management with a view of coming up with research gaps. The study also describes the theories underpinning talent management which include human capital theory, resource based view theory, talent based theory and social exchange theory. Most of the studies have used direct relationship between talent management and organizational performance but this study aims at analyzing the role of competitive advantage mediating between talent management and organizational performance and government policy as the moderating variable.

Keywords: Talent management, Talent, Organizational performance, Competitive advantage

1. INTRODUCTION

In today’s highly complex and dynamic business environment organizations are striving hard to survive and to gain competitive edge, talent management has the enormous potential of retaining and developing the most valuable assets of an organization to gain key competitive advantage. It is talent that contributes significantly to the performance of an organization. The dynamic demographic, economic and social changes has made the concept of Talent Management to become one of the most important topics in today’s organizations. Firms are beginning to realize that talent is a core competitive asset and a key factor of organizational performance. The world’s economy has moved from production-based to a knowledge-based (Downe et al., 2012).

Human resources, intellectual capital and talent are the key to organizational strategic success. Retaining talented employees is one of the critical issues facing organizations today and the biggest challenge faced by organisations in modern economy (Lathitha, 2012). There is shortage of skilled employees, increased economic growth and high talent turnover. The demand for competent employees is increasing especially for key decision making workers; therefore organizations are exposed to a continuous competitive fight for the best employees. There is a paradigm shift from human resource to human capital which consists of knowledge, skills and capabilities of the people employed in an organization which is indicative of their value (Armstrong, 2010). The directive for organizations in this time of “war for talent” is to lower talent turnover in favor of the retention of talent (McDonnell, 2010).

The main purpose of retention is to prevent competent employees from leaving the organization as this could have adverse effects on productivity and service delivery (Ng’ethe, Iravo & Namusonge, 2012). According to Chartered Institute of Professional Development (CIPD, 2013) talent consists of those people who can make a
difference to organizational performance by demonstrating the highest levels of potential. The talent to be managed includes both explicit, documented talent and tacit knowledge. Organizations must learn to manage tomorrow’s opportunities as they manage today’s businesses, therefore building core competencies becomes essential to competitive advantage building (Guthridge, Lawson & KSomm, 2008).

The importance of talent management in the modern and competitive business world has increased the need to focus on managing talent as an organization’s competitive asset (Nyanjom, 2013). However, managing talent is a challenge to all organizations as they compete for the same pool of talents (Gardener, 2002; Kagwiria, 2014). Talent management ensures that firms that are future oriented and have the right skills in place to be able to retain talent, grow and compete in the future that is increasingly unpredictable (Nana, 2013).

Talent shortage is experienced in all organizations regardless of the industry as a result of the fact that skills set possessed by available workers may not match the more complex advanced skills required by business (Buhler, 2008; Kagwiria, 2014). Nana (2013), suggests that firms should ensure that they are better positioned to meet the challenge of talent shortage. Some organizations in Kenya have been affected by mass talent turnover in search of organizations that are more receptive to change (Murungi, 2012), terms and working conditions (Ndetei, 2008; Nyanjom, 2013). Kenya Airways has lost its well trained pilots and cabin crew to competitors both the bases of basis of pay and working conditions (Mumero, 2012; Nyanjom, 2013). According to a report by Kenya ICT action network 2010, Kenya Broadcasting corporation lost 410 highly skilled and talented employees to the local and international competitors between in the past (Kimani, 2012).

Research shows that up to three quarter (75%) of doctors leave the government employment three years after joining the public. Some talent management practices that elicit positive organizational performance include employee resourcing, talent development, competitive compensation and knowledge integration. There seem to be few studies conducted in Kenya on talent management and the researchers have not arrived at an effective blend of talent management practices that have positive impact on organizational performance. This dearth of literature calls for a study to fill the void.

The findings of this study will improve understanding of talent management and how it leads to organisational performance. The study will guide the policy makers in how best to manage talent. The study will be of great help to human capital managers to understand the talent management practices that lead to realization of increased level of talent retention. The study will also be of assistance to academicians, scholars and other stakeholders as a platform for further research on role of talent management on talent retention and will open up other research gaps.

2.0 LITERATURE REVIEW

2.1 THEORETICAL REVIEW
Resource based view focuses on the quality of the human resources available to the organization and their ability to learn and adapt more quickly than their competitors. Resources lead to sustainable competitive advantage when they are valuable, rare, inimitable, and non substitutable. Talent management can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, promote complex social relationships and generate tacit organizational knowledge. Resources such as technology, natural resources, finances and economies of scale can create value, however this sources of value are available to all and easy to emulate, compared to complex social systems like human resources. The resources based view support organisation resources in the form of knowledge and skills that people bring to the organisation.

Human capital theory focuses on education and training as a source of capital. Education increases people’s skills and knowledge which when invested in a firm increases organizational performance. Human capital is a form of resource that organizations can invest in and is of value to the organization to the extent that it makes the organization productive (Strober, 2010). Investments related to attracting, developing, and mobilizing talent can be viewed as investments in the human capital of the firm. Torrington (2008) explains that human capital intelligence and experience of is a source of competitive advantage that cannot be emulated. This theory has implications for attracting, engaging, rewarding and developing people in organizations hence useful in this study. The employees with higher levels of human capital can contribute more in an organization than the employees with low levels of human capital.

Talent based theory views talent as the only resource that provides sustainable competitive advantage, and, therefore, the firm’s attention and decision making should focus primarily on talent and the competitive capabilities derived from it (Roberts, 2008). An organization is considered as a talent integrating institution. Its role is neither the acquisition nor the creation of firm’s talent; this is the role and prerequisite of the employee. Talent resides in and within people; the firm merely integrates the individually owned talent by providing structural arrangements of co-ordination and co-operation of specialized talent workers.

The organizational processes flowing through these structural arrangements, through which individuals engage in talent creation, storage, and deployment (Roberts, 2008). The internal resources have a crucial role to play in the performance of the organization (Wright et al., 2009). 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 talent management process.

Social exchange theory is a social psychological perspective that explains social change and stability as a process of negotiated exchanges between parties. Human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives (Gould Wiliams, 2007). It identifies the conditions under which people feel obligated to reciprocate when they benefit from the organization. A positive
relationship between employees and organization can help generate a favorable outcome such as organizational performance.

Employees enter the organization with specific skills, desires and goals, and expect to find an environment where they can use their skills, satisfy their desires and achieve their goals. When the organization fail to provide sufficient rewards in exchange for employee’s efforts, is likely to result in decreased organizational performance. The more useful they find the benefits provided the more they want to give something extra back to the firm (Wright & McMahan, 2011).

2.2 EMPIRICAL REVIEW

Nancy, (2014) study on talent management and performance found that talent management has a strong association with productivity, growth and performance which will provide the organization with the necessary competitive edge to attract and retain talent necessary to achieve organizational performance. Talent management of knowledge workers and high potentials should be an increasing strategic importance for organisation to increase performance (Vaiman, 2010).

CIPD, (2010) study on learning and talent development results indicated that inhouse development programmes at 56% and coaching by line managers at 51% ranked among the top effective learning and development practices. Moreover, the study found that effective talent development process has a positive impact on organisational performance. This study was carried out through a survey of various organizations. The study also found that the skills the employer said they needed to focus on in order to meet their business objectives. The study detailed in depth the learning and development strategies that were considered important by different organizations. However, the study did not outline how these strategies had impacted on organizational performance. A study should be carried out to establish the effect of talent development influence organizational performance.

Poorhosseinzader et al., (2012) cross sectional study done on Malaysian Multinational companies also found a positive and significant relationship between developing talents and the success of the companies. A company that adopts a compensation policy that is consistent and reinforces it is more likely to implement those talent management strategies than a firm that adopts compensation policies that are inconsistent with its strategies (Armstrong, 2006).

Faria, Rabbi and Tanzila, (2015) studied directly linked between talent management organisational performance therefore, a study should fill the existing gap by including the mediating and moderating variables. The sum of people’s knowledge and expertise, and social relationships, has the potential to provide non substitutable capabilities that serve as a source of competitive advantage. A research should be done to determine talent management policies and procedures to be adopted by organisations to improve performance.
Victor Oladapo, (2014) did not carry out the study in a specific industry thus the gap should be filled by carrying out the research in an industry. Dr Mushtaq Rizwana Khurshid study on managing talent for competitive advantage used a small sample of 20, a larger sample would be appropriate. Kahinde,(2012) study on talent management and organization performance had a small sample of 16 respondents which the researcher faulted not being representative enough. A large sample size of 200 respondents should have appropriate.

2.3 CONCEPTUAL REVIEW

Talent-management approaches can create the most sustainable competitive advantages. This is achieved by how the organization attracts, develops, retains, motivates, manages, and rewards its talent (Heimen et al., 2004). Competitive advantage is the ability of the firm to outperform its rivals on performance. An organization will perform if it has devised best plans in attracting, hiring and developing and retaining top performing talents (Snell, 2007).

Employee resourcing strategies exist to provide the people and skills required to support the business strategy. It aims at obtaining the right basic material in the form of human capital endowed with the appropriate qualities, skills, knowledge and potential for future training. The selection, recruitment of workers best suited to meeting the needs of the organization ought to form a core activity geared towards development and motivation should be built (Armstrong, 2010).

Talent development entails changing an organization, its employees, its stakeholders, and all the people within it, through learning, in order to achieve and maintain a competitive advantage (Prius, 2011). As businesses continually apply new technologies, new business models, and new market strategies, the employee’s up-skilling must becomes constant and continuous. According to Barney and Hesterly (2008), an organizations employee compensation policy is important in implementing a strategy.

A company that adopts a compensation policy that is consistent and reinforces it is more likely to implement those talent management strategies than a firm that adopts compensation policies that are inconsistent with its strategies (Armstrong, 2006). Knowledge integration plays an important and vital role in organizations and is one of the success key in private and public organizations. Knowledge is the most important strategic resource and the ability to acquire and develop it, share it and apply it can lead to sustainable competitive advantage.

This study will adopt the explanatory research design. The primary data will be collected using a questionnaire in which both open ended and closed ended questions will be used. Data will be analyzed using linear regression analysis. The research philosophy will be positivism. The target population will be commercial bank employees in Kenya, and the stratified random sampling technique will be used. Stratified random sampling population is divided into two or more groups using a given criterion and then a given number of cases are randomly selected from each population subgroup (Mugenda and Mugenda, 2012). The population will be divided into three major categories which will be branch managers, operational managers and bank clerks.
3. CONCLUSION AND RECOMMENDATION

Talent management can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, promote complex social relationships and generate tacit organizational knowledge. Human capital is a form of resource that organizations can invest in and is of value to the organization. Education and training creates value to employees in a way that is difficult to emulate. The firm integrates the individually owned talent by providing structural arrangements of co-ordination and co-operation of specialized talent workers. A positive relationship between employees and organization can help generate a favorable outcome such as organizational performance. Some talent management practices that can elicit a positive organizational performance are; employee resourcing, talent development, competitive compensation and knowledge integration.

Talent management is a relatively new multi-disciplinary field of enquiry which requires much exploration to improve on its framework and models. Future research is needed to facilitate the transfer of knowledge from academics to practitioners and to arrive at an effective talent management practices that could benefit human resource managers, employees and organization. The study recommends that organizations should offer favorable working conditions to their employees as the best talented employees who contribute to good organization performance. Organizations should maintain talent development practices like coaching, mentoring and leadership grooming programmes to improve their performance. Future studies may use other talent management factors that influence organizational performance. This paper recommends the following conceptual framework and empirical model.
The empirical model

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where:

- \( Y \) Represents Organisational performance
- \( \beta_0 \) -constant
- \( X_1 \)-Employee resourcing
- \( X_2 \)-Talent development
- \( X_3 \)-Competitive compensation
- \( X_4 \)-Knowledge integration
- \( \varepsilon \) - Error which is assumed to be zero

4. REFERENCES