Role of Talent Management on Organization Performance in Companies Listed in Naibobi Security Exchange in Kenya: Literature Review

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Abstract

Talent management involves positioning the right people in the right jobs. This ensures that the employees maximize their talent for optimal success of the organization. As talent management is a relatively new area for both public and private sector organizations, most organizations have prioritized it to ensure they acquire, develop and retain the right staff. This study aims to review literature related to the role of talent management on organization performance with the view to establish gaps for further studies on the topic.

Key Words: Role, talent management, organization performance, listed companies, Nairobi Security Exchange

1. Introduction

Nowadays, land, capital and fixed assets are no longer key resources for the organizations to be highly competitive in the current economy (Gardner, 2002). Human capital is a key resource to adapt the organizations to the worldwide competition. Therefore, organizations are competing against each other to acquire and retain talents in order to maintain their operations and continue to grow (Gardner, 2002). In order to increase the effectiveness of a firm several resources can be used to achieve this, which includes money, men and machines, of this resources the most important of them all is the people (Kehinde, 2012).

Determinants of talent management includes; talent attraction, talent retention, learning and development and career management, each of these processes must be designed to fit the strategic requirements of the business as well as integrate with each other. To be successful the talent strategy must be aligned with the organizations business strategy. Aligning talent strategy with business strategy is usually unmet need in many organizations (Heinen et al, 2004).

1.1. Talent Management from a Global Perspective

Managing talent is a challenge to all organizations in the context of globalization irrespective of the country (Gardner, 2002). Moreover, the concern about the scarcity of talent is almost universal. Organizations around the world are competing for the same pool of talents. This is seen as a global labor market for talents. Trend of global integration shows organizations’ standardizations in talent recruitment, development and management, to ensure their competitive position and consistency. Therefore organizations have to adapt global best practices of Talent management and at the same time adapt the local requirements and local labor market (Stahl et al., 2007). The organizations that are very successful worldwide tend to maintain local recruitment strategies, but they combine this local strategy with a more global transfer of information and best practices (Brewster et al 2007).

2. Literature Review

2.1 Talent Attraction

The components of talent attraction are recruitment and selection, employer branding, employee value proposition and employer of choice (Armstrong, 2006). Recruitment and selection requires that organizations use various methods or techniques of selecting the right talent that reflects the culture and value of that particular organization (Armstrong, 2006). The recruitment of members of talent pool is the first task of talent management strategy.
The best way to create a talent pool is the performance levels, unnecessary overtime and low morale. Branding includes development of an organization’s image, good enough to compete with components such as life insurance, disability insurance and flexible hours. It is much other people who possess, work environment, training opportunities, flexibility and reputation of the job. Employee value proposition is characterized by the potential employee’s perception of the value of an organization seeking to recruit him. The employee measure value proposition based on the challenge the job posses, work environment, training opportunities, flexibility and reputation of the organization.

2.2 Talent Retention

Talent retention aims to take measures to encourage employees to remain in the organization for the maximum period of time. Talent turnover is harmful to a company's productivity because costs of attraction are high. Direct cost refers to turnover costs, replacement costs and transitions costs, and indirect costs relate to the loss of production, reduced performance levels, unnecessary overtime and low morale (Echols, 2007). Vaiman et al (2008) define two classifications of retention tool to suffice employee’s expectation: extrinsic and intrinsic incentives. Extrinsic incentives includes different sorts of monetary rewards which can satisfy employees’ physiological needs, while intrinsic incentives refer to non-monetary rewards that can fulfill employees’ psychological needs. The monetary reward is admitted as an essential tool to retaining talent (Vaiman et al, 2008). Mendez et al, (2011) further emphasizes that a company needs to invest in employee retention in order to be successful. For example, a good compensation package is important in retaining employees, offering an attractive, competitive benefits package with components such as life insurance, disability insurance and flexible hours motivates employees to commit themselves to an organization (Lockwood et al, 2006). In light of the above, a salary offered to an employee should not only be viewed as a sum of money, but as a package of remuneration in order for the payment to serve as a retention factor. Gomez-Mejia et al (2006) refers to this as internal and external equity. External equity is the perceived fairness of the remuneration in comparison to how much other employees in the same kind of work are receiving in the same industry. On the other hand, internal equity refers to how an employee perceives his pay to be fair in comparison to another employee who he perceives to be in a similar position within the same organization.

2.3 Learning and Development

Talent development is the process of changing an organization, its employees, its stakeholders, and groups of people within it, using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization (Davis et al, 2007). As businesses continually apply new technologies, new business growth models, and new market strategies, the workforce’s up-skilling becomes constant and continuous. Understanding strategies to talent retention and development will be able to help companies listed in the Nairobi Security Exchange to be successful in operating in the market place hence lead to good organization performance. Organizations which practice effective learning and development begin with their employees. This implies that they identify the employees who need learning and development, the level of learning and development they need and the duration during which learning takes place (Harburg, 2003).organizations with first class learning and development initiatives are excellent in listening on employee improvement needs and are able to express those needs back to the employee in clear and enlightening terms.

CIPD (2010) study on learning and talent development results indicated that in-house development programmes at 56% and coaching by line managers at 51% ranked among the top effective learning and development practices. E-learning was also identified as key in learning and development. Moreover, the study found that senior managers and the human resource department were tasked with ensuring that courses were delivered and overall planning of the learning process carried out effectively. 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 were mainly leadership skills at 65%, frontline people management skills at 55% and business awareness at 51%. Learning and development has become an important talent management initiative in many companies around the world. For some companies, learning and development is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles. With other companies, learning and development is a constant struggle, viewed as an administrative exercise rather than as a competitive advantage. In strong economic times, it is easier to ignore deficiencies in the career management process, but in the current economic downturn around the world, the need to identify and develop top talent for critical roles has never been more important (Davis et al., 2007). Learning and development is an approach of an organization ensuring that people with the right qualifications and experience are available when needed (Zheng et al., 2001).

2.4 Career Management

There are several elements of career management including career development and planning which focuses on planning of employee growth and progression; career pathing which involves creating established career paths and families of jobs within a given area allowing employees have a vision of progression as well as goals and expectations; employee development consisting of programs and initiatives; learning and development initiatives; management coaching; competitive reward systems; career centres; succession planning; performance management/feedback; and cross-functional development programs (Allen, 2005). Career management consists of both formal and informal activities including employee workshops, job rotation, job enrichment and career progression ladders, for example organizationally planned programs or developmental stage theories. Organizations may also contribute to career identity by providing abundant opportunities for self-development, opportunities for advancement and mentors (Dargham, 2013).

Sturges et al., (2002) observed that organizational career management enhances employee commitment and hence organization performance. Career management help can be seen as one form of perceived organizational support. Perceived organizational support has been positively related to job performance and negatively linked to withdrawal behaviours such as absenteeism and turnover (Rhoades et al., 2002). Van Dam (2004) found that people who experience more organizational support have a higher employability orientation. Kramer et al. (2003) studied the relationship between organizational career management and perceived career support. They defined perceived career support as the employee’s belief that the organization cares about his or her career needs and goals. They found that promotional opportunities and informal organizational career management activities, namely informal career discussions with a manager, participation in challenging job assignments and mentoring relationship(s) with senior colleagues, are positively related to perceived career support. Organizational career management practices includes; performance appraisal as a basis of career planning, assessment centres, career counselling by the human resource department, formal mentoring, career workshops, retirement preparation programmes, succession planning, formal education as a part of career development and lateral moves to create cross functional experience (Agarwala, 2007).

2.5 Talent Management and Organization Performance

Talent-management practices can create the most permanent competitive advantages, new technologies and innovations can be easily be replicated by competitors and generate only temporary competitive advantages. Sustained competitive advantage comes from talent management practices in other words, how the organization attracts, develops, retains, motivates, manages, and rewards its talent. (Heimen et al., 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).
73% of Executives in USA agrees on the positive relationship between talent management and business strategy to obtain the success of the organizations (Ballesteros et al, 2010). It means that companies recognize the importance of talent management integration with business strategy to get organization excellence. Talent management is important when the firms would like to build winning teams which will be formed by talented people (Davis et al, 2007). They can use this teams to solve problems or weaknesses in their organization because they have competent and experienced people in this fields. If a firm wants to be successful, it must invest in talent management of their workers to obtain some conditions in the company like good business environment (Snell, 2005).

3.1 Conceptual Framework

![Conceptual Framework Diagram](image)

3.2 Talent Management Model

Optimis HCM (2011) talent management model identifies various talent management components and links them to workforce performance which eventually leads to organization performance. See Optimis HCM (2011) model below.
4. Conclusion

From the results of the reviewed literature it is observed that most of the talent management studies were done in other countries and to the researcher’s knowledge there is limited empirical study done locally. Also, most of talent management studies reviewed did not directly link talent management with the organization performance and therefore, there is a need to fill the existing research gap by conducting a study locally to determine the role of talent management on organization performance in companies listed in Nairobi Security Exchange in Kenya.
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