

The Role of Talent Management on Companies' Performance Listed in Palestine: Literature Review

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Abstract

Talent management has been a topic in recent years. It has a positive effect on the ability to create a compelling, productive, and valued enterprise for all stakeholders — employees, customers, business partners and investors. Moreover, talent management facilitated talent flexibility and enables the rapid growth of the business, ensuring rapid alignment with the requirements established by business leaders as the company evolved. The past decades shown how companies, businesses and organizations struggled for top quality in their operations of products and services. Many have turned to many modern means such as sophisticated management systems, upgraded production equipment and materials, and more efficient manufacturing methods. Many researchers find a key missing factor for talent management in Palestinian companies. Better product quality, system efficiency resolutions to problems, and innovation for growth can only be best achieved when the human factor in companies are best managed. However, the focus and need for human capital is a major asset that needs an attention and investment in the corporate or organizational set up. Talent management is one approach to maximizing this human capital in Palestine. Management has to be dealt with both art and science, from the same perspective, is the talent management has something to do with both art and science. Methodology applied in this study is descriptive analysis based on literature review coupled by the opinion of the writer.

Keywords

Role, Talent Management, Art Management Organization Performance, Listed Companies, Palestine

1. Introduction

Talent management is that aspect of company operations that pertains to the people factor, that is, the leaders and workforce members that run the operations. It involves company planning to attain quality human talents and skills and to get a process to make that human resource methodology efficient and rewarded for the companies ultimate good need and skills and setting a process to make that human resource both highly efficient and rewarded in meeting the company's needs. The process involves locating, selecting, training, and developing, retaining, managing, promoting, compensating, and rewarding employees.

In effect, talent management means finding the right leaders and personnel and then managing their ability and competence to serve the purpose of the company as well as the personal and the career satisfaction of the employees.

Talent management process is not just for the human

resource department but must be engaged at all levels of the company. The development which will lead to the retention and promotion must also be the responsibility of department management and division heads of the company. The talent management process should gear toward finding the right employee, maximizing the 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). Methodology applied in this study is descriptive analysis based on literature review.

2. Literature Review

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.

The right pool of talents can surely be the prime factor in distinguishing any business; this paper will detail these aspects of talent management. Although Talent management enhances the makeup and function of a company, the concept of human capital management as a major consideration is still in the process of being fully appreciated and developed. On the other hand, major companies and some national governments have already progressed to the level of undertaking and innovating talent management to the technological and global levels. (Talent management - Wikipedia Feb. 2013).

The evolution of talent management: from efficiency and effectiveness to talent power

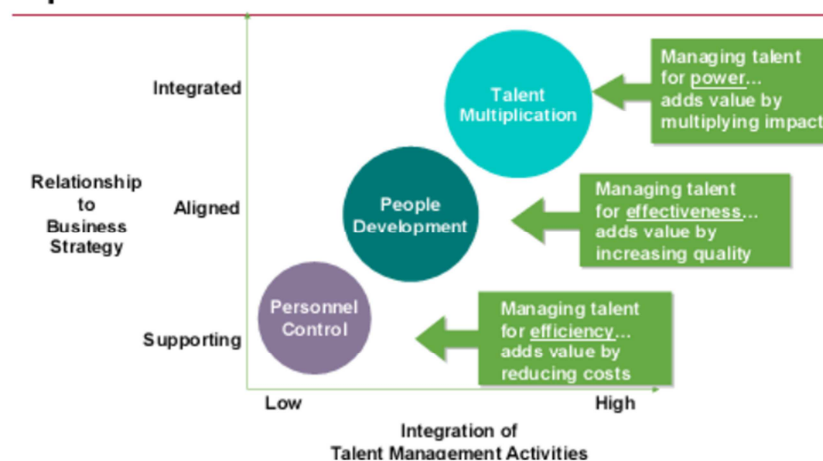


Figure 2.1. The evolution of talent management: from efficiency and effectiveness to talent power Resource from the talented powered organization (Cheese, 2008).

As we could see from this figure, there are three stages of the relations between employee and employer. In the very old beginning, the relation between workers and boss is just the personal control. The bosses manage talent for efficiency and they add value by inducing costs. Later the relationship came to a people development stage. The employer start to realize the value of human resource, and they manage people for

effectiveness, adding value by increase quality. When it comes to twenty first century, the function of human resource department has been broaden, a new prevail concept called talent management is known by people, which advocates managing talent for power, and the company are supposed to create the value by multiplication of talents.

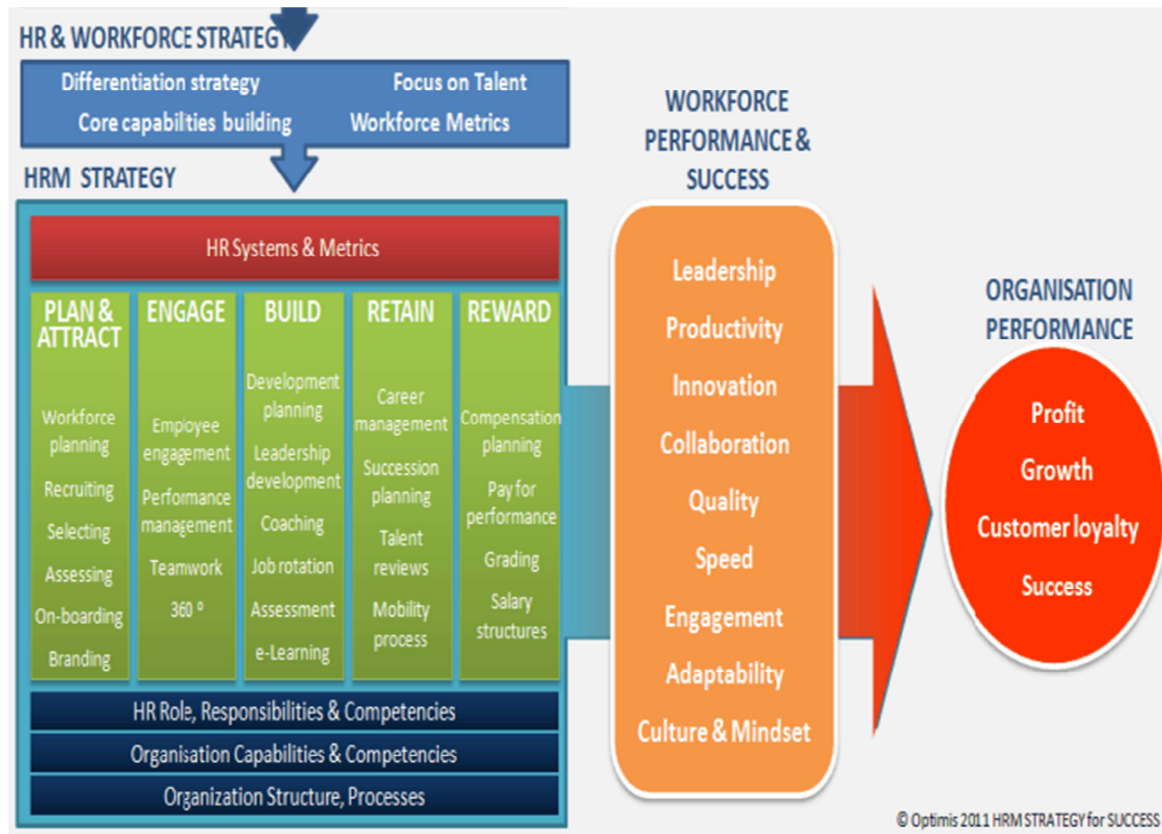


Figure 2.2. Optimized HCM (2011) Mucha, 2011).

2.1. The Significance and Value of Talent Management

Talent is considered the most critical source of success in an organization and to avoid executive arguments e.g.; how did it get this way? How critical is it now? How critical will it be in the future?

There are several major reasons why talent is so important and will be even more critical in the future.

Below are the ten reasons why talent is critical to success: We cannot be successful without talent.

1. Talent adds to the market value.
2. Talent executes the idea.
3. Talent is the last source of competitive advantage.
4. Great workplaces attract and retain talent.
5. The most successful and admired companies have great talent.
6. The cost of competent talent is high.
7. The cost of turnover of talent is high.
8. The competitive environment has created to retention

crisis

9. Retention can be managed. (Institute for Science, Technology & Education 2013)

2.2. Benefits of Talent Management

Efficient application of the talent management plan and process benefits the company in the following aspects:

1. Company revenue.
2. Quality of work and product.
3. Employee productivity.
4. Overall productivity.
5. Cost efficiency which ultimately brings favorable cost of product or service.
6. Customer satisfaction.
7. Cycle time.
8. Market capitalization. (Institute for Science, Technology & Education 2013)

It is important to hire the most qualified employees and also to retain these employees to the company so that the above benefits can be achieved.

In the current global business environment, with the ever growing challenge of a rapidly changing workforce, requires a well-planned, precise approach to talent management. Fortunately, both HR and business leaders recognize that talent is a critical factor of business performance. No surprise that talent management practices are often cited as a key strategic priority. However, the execution of these practices is where companies often fall short.

To understand the state of talent management, current practices were examined in five specific areas: Talent Strategy; Workforce Planning and Talent Acquisition; Capability Development & Performance; Using this framework, the talent management examined the practices holistically — from initial strategy through measurement practices. All major areas related to how organizations acquire, develop, retain, and reward employees had been looked at. (Training and HR Conferences - October 2008 Page5)

2.3. Current Status of Talent Management

In fact with the current global economic difficulties, large businesses especially must switch from defensive to offensive talent management. Talent management is arising as a major company tool in the competitive global market.

Innovative and creative measures which are outside the box are among the new trends of talent management.

Some examples that represent the role and application of talent management are done by several companies:

1. The global IT Company Syntel maximized in the use of technology to address specific human resource management thus making it highly innovative and effective in human resource management.
2. Another example is the Google Company the most innovative idea of Google and to encourage the employees is to spend 20% of their productive time on their creative ideas and value addition initiatives.
3. Larsen & Toubro: applies rigid and continuous training in general management, technical disciplines and business policy. According to resources this made L&T one of the top companies with most innovative human resource management practices INFOSYS BBO LTD is another multi awarded company. It applied innovative talent searching, recruitment and retention process. Although talent management enhances the makeup and function of a company, the concept of human capital management as a major consideration still in the process of being fully appreciated and developed.

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 path 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 centers; 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 behaviors 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. Kraimer 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 centers, career counseling by the human resource department ,formal mentoring ,career workshops, retirement preparation programs ,succession planning, formal education as a part of career development and lateral moves to create cross functional experience (Agarwala ,2007) .

2.5. Applying or Performance of Talent Management to the Palestinian Market Place

The efforts of the company should be supported to develop formal organizational structures, processes and technologies in which the employees are participant. This way, employees are aware and enabled in every step the company undertakes to forward its product as service to its public.

Every employee should understand how their job functions and contributes to business success. The company's leadership team should integrate the work force to the daily activities that are geared to achieve the corporate goals.

The secret to aligning talent management strategy to business strategy is to efficiently share information and knowledge capital to the company's human resource capital. From the starting point, the company applies the talent management elements of developments, Education rewards and incentives; these will support the corporate effort to align the talent resources with the business goals.

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.

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 these 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)

Business strategy is granted on the corporate goals, financial targets; and the proper promotion, status placement and sales achievement of a company's product or services. It is vital that the work force apply does its role in this aspect work force each employee must be fully learned and motivated toward this goal and it's financial and customer objectives.

The current economic conditions demand a reduction in the expenses. In wake of the economic recession human resource professionals are under significant pressure to cut costs. Logically this is best time to validate the importance of talent management. Hiring and compensating the best talent in the industry optimally and ensuring performance at the same time. The question that remains is 'what exactly is the relevance in the current economic conditions'? Before trying to answer lets ponder on certain key issues.

- As per industry statistics only five percent of organizations possess a talent management strategy that is operational! In another ten percent the concept has just begun to develop.
- Aging workforce is another area of concern that has

created vacuums in organizations leadership positions.

- Organizations also report shortage of talent business line managers.

All this has opened up ways for HR professionals for justify their stand on talent management and once organizations understand that they need an integrated approach to talent management, the involvement of a top executive is important for driving success.

The top executive who now heads the talent management function is responsible for activities like succession planning, leadership development, career development, performance management, learning and development, recruitment etc. Having said this we again arrive upon the question of relevance.

Developing Leadership Pool: Succession planning and leadership development are two issues that have felt a sense of urgency after the recent economic downturn. Organizations have been seeking leadership positions to rescue them out of crisis.

Performance Management: After succession planning and leadership development, performance management comes next on the list. Without a thorough and standard way to measure performance it is not possible to promote right people to right positions and motivate them to perform for organizational growth and development.

Recruitment assumes significance: Recruitment becomes strategic so to say. Recruitment practices determine organizational effectiveness. In a tight labor market it a daunting task to attract the brightest talent towards your organization and then getting them onboard. Internet has become an important source of external recruiting. Systems and standards have been laid down for the same. Here building an employer brand is important. Those who do, get right people onboard.

Skill based Manpower Planning: Manpower planning is a strategic HR process these days. Instead of a mere headcount based hiring; manpower planning now extends to the locating critical skills, roles and responsibilities and then ascertaining current and future talent needs for those roles.

These are vital processes that optimize the performance of the human capital management. What is required is to ensure that they are consistent in order to ascertain they meet the business objectives.

Talent management is in its nascent stage, there are still more processes that will be added in due course of time as organizations opt for more initiatives in the direction (Snell, 2005)

2.6. The HR Planning Perspective

Talent management is about having the right people matched to the right jobs at the right time and doing the right things. (Mucha, 2004) This approach is generally supported by a very sophisticated IT system, which maps out various different scenario options and future possibilities. Succession planning tends to be more prominent in organizations taking this approach. This perspective can be seen in Cunningham's point of view. He proposes that talent management is actually

two things: Aligning people with roles and aligning roles with people. The former is based on the assumption that there are agreed roles and the aim is to align people with these. The latter is based on taking the people as fixed and adjusting factors in the context of the organization. (2007)

2.7. Technological Advancement of Talent Management

The challenging arena of talent management is being upgraded in various ways. And with those things from the late twentieth to twenty first centuries, the combined trend of globalization and technological infusion has become a driving and source in the field of human resources.

Here with are cited two areas in talent management where significant strides in technological advancement have come to fore.

2.8. The Art of Management

Clearly, a lot of people still confused the human resource management with the talent management. It is important that any talent management system is integrated across all aspects of human resource management. There are clear inter-dependencies between talent management and recruitment, development, diversity, retention and succession planning practices. But one important distinction is the evolution of the difference between tactical human resource management and strategic talent management. Transactional human resource management activities are administrative overhead. Talent management is a continuous process that delivers the optimal workforce for your business. (Snell, 2007) Cheese in his new book — *The talent powered organization* also clearly gave the difference between human resource management and talent management. He said, the — human resource management is not talent management alone, nor is talent management only human resource management, human resource management is an enabler of many of the processes, but talent management is much more pervasive and requires engagement of the whole organization and the notion of the talent mindset. (2007, p83)

In the coming years, addressing the shifting demographics and shrinking of global talent pool, most organizations will have to rethink their talent strategies. It is a key enabler for the organizations seeking for the improvement of workforce productivity diversity and sustained business advantages. Therefore it is vital for organizations to manage talent to execute the company's most important jobs and fill key positions. By building a talent factory to ensure the recruiting, deploying, developing and keeping talent within the companies, leaders can raise individual development and entire organizational business performance.

3. Conclusions and Recommendations

Developing effective company leaders, training and maximizing employees' performance and undertaking the

continued process for future talent needs and requirements is a highly well running company. This efficiently functioning company can then best achieve its goals and targeted profits. Such profits translate not only to financial gains but also to good customer and public relations. It also translates to the further enhancement of the company's future products and services. This cycle of enhancement grows as employees who thrive in such a corporate atmosphere will most likely also grow even more in productivity and loyalty towards the company.

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 Palestine.

As a conclusion, we cannot simply say talent management is an art or a science. Obviously, like any other management, talent management is much more tending to be an art; it involves the leadership, the communication, the commitment both from leaders and employees and so on. Meanwhile, the use of technologies enables organizations to rapidly align, develop, deploy and maintain their high-performance employees. To build up a talent factory, the technologies are necessary and important. Therefore, combined with some others' definitions, we consider the talent management as: "The integrated processes, programs and technologies to recruit, develop, deploy and retain people with their skills and potentials in order to meet current and future organizational need. Talent management is a responsibility of every single person in the organization. Breeding and nurturing talent involves both individual and organizational development." The invisible mechanism — talent management bridges the gap between talent and talent factory. In this talent factory, someone may think we are producing the talent, someone may think we are exploring the talent, and someone may think we are consuming the talent. No matter for which reason the company decides to build a talent factory, we urge that a scientific and deliberate approach should be undertaken in recruitment, Talent management: art or science development, deployment and retention.

We recommend Establishing learning and development pathways to maximize the potential of employees. The development of employee is one of the important reasons for them to stay. Building a learning organization to ensure the transfer of knowledge and information plays an important role in optimizing the employees' potentials. Manage performance-no measurement, no improvement. The employees want to be stretched and mentored; the feedback from performance manager is more about a self-improvement standard and Commitment from both leaders and employees.

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