TALENT MANAGEMENT IN THE ROLE OF INCREASING COMPETITIVENESS OF ENTERPRISES

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Abstract. In recent years, talents are becoming an increasingly important factor in the competitiveness of modern enterprises. Thanks to their competences, their commitment to a particular enterprise and awareness of their own contribution to the success of the enterprise, talents may create greater value by improving the quality of products and services, reduce operating costs, improve customer relationships, build better reputation, etc. Because of that, modern enterprises are paying more attention to attracting, developing, motivating and retaining talents, both for managerial positions and for strategically important executive positions. This paper explains some of the measures that enterprises can implement to increase the motivation, commitment and loyalty of talents and thus enhance their own competitiveness.

Key Words: talent management, attracting and retaining talent, competitiveness of organizations.

1. INTRODUCTION

Modern business environment is characterized by a number of changes that lead to the formation of a complex and dynamic environment that leads to transition of the economy towards a knowledge economy (Internet economy). In the knowledge economy, immaterial resources become the key success factor, where knowledge, skills and talents of employees are of great importance. Human resources are becoming one of the most important enterprise resources in order to acquire and maintain its competitiveness. People become very educated, informed, trained in the use of various technical tools and information technology, languages and have used a number of other skills that enable them to perform the work in the enterprise more effectively and efficiently. Thanks to those skills they can create more value than other resources and contribute to improving the competi-

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tiveness of enterprises. However, the contribution of employees to the created company’s value and competitiveness greatly varies depending on the knowledge and skills that employees possess, their dedication to work and the enterprise and a number of other factors. Extremely competent, dedicated and ambitious employees (talents) can create more value than other groups of employees. Thanks to a high level of competence, and larger commitment, their energy and additional engagement, talents can increase the competitiveness of enterprises by improving the quality of products/services, reducing operating costs and improving customer relationships, building a good reputation and so on. However, for talents to give their utmost, it is necessary to build a work environment that will encourage them to do additional work and be completely dedicated. Also, there is a need to implement measures that will ensure a high degree of motivation, in a word, it is necessary to manage talents.

In this paper, after a review of the development of the concept of talent management, we will explain measures through which managers can influence on attracting, developing, motivating and retaining talents. The aim is to highlight the increasing contribution of talents to the competitiveness of modern enterprises and provide recommendations for managers for more effective talent management in order to improve the competitiveness of their companies.

The starting hypothesis of this paper is that talented staff can create more value in the enterprise compared to the staff of average knowledge and skills, and thereby contribute to improving the competitiveness of the enterprise. The authors of this study will, in terms of methodology, based on theoretical sources and experiences of the world’s best practices, try to perceive this subject and objective of this paper, and prove the initial presumption of this research.

2. THE DEVELOPMENT OF THE CONCEPT OF TALENT MANAGEMENT

Attention to talents dates back to the end of the last century. The term talent was officially launched in 1998 when McKinsey (America’s largest and most prestigious management-consulting firm) published a study “The War for Talent”. McKinsey’s research concluded that the most important corporate resource over the next 20 years would be smart, sophisticated business people who are technologically literate, globally astute, and operationally agile [1 p. 44-57]. Since then, the study of talents and the ability to manage them becomes a very attractive area, and in recent years we encounter an increasing number of theoretical explanations (Lewis and Heckman, 2006; Redford 2005) and empirical research on the features of talents and their contribution to the organization. Some scholars such as Michaels, Jones, and Axelrod observe that talent management has become a hot topic everywhere [2 pp. 67-82], while Lewis and Heckman, emphasize that talent management is a key driver for business process and success in modern companies [3, pp. 139–154]. Thanks to these and many similar views, there is an actualization of the concept of talent management, both in management theory, and practice of modern companies. This is best indicated in the research of "Society for Human Resource Management". The 2006 report of this organization presents the fact that 53% of organizations had specific talent management initiatives, while the 2009 report by this association even states that integrated talent management is a critical mission of modern organizations [4, p. 13, p 27].
Though there is an ever growing concern about talent management, there is no universally accepted definition approach on what the concept of talent management refers to, and what talent means. Different people have different perspectives. It is even not clear whether the term talent management is different from human resource management or it is just rebranding of the latter [3, pp. 139-154].

A review of the literature brings to light that there is a lack of clarity regarding the meaning and reach of talent management. While considering the aforementioned definitions of talent management, two set of perspectives emerge regarding the scope and objectives of talent management. The first perspective is general in nature. It seems that there is no difference between the concepts of talent management and human resources management, because organizations tend to have a sound potential that is waiting to be noticed, freed, and creatively directed. Management processes and tasks should be designed and implemented in such a way to allow people to bring out the best of them to achieve unusually high results with ordinary people [5 p. 355], and at the same time facilitating learning in the organization and facilitating the use of collective knowledge [6 pp. 1248-1264]. Here one can also mention the scientists who believe that every individual has opportunities or abilities which have to be noticed and used as much as possible [7 pp. 20-22], and the goal of talent management is to achieve superior performance at all levels of the organization so as to enable everyone to give their best, no matter what it is [8 pp. 28-31].

Unlike the first perspective, the second perspective examines talent management as the exclusive approach which is only concerned with talent or high potentials rather than the entire work force. According to the proponents of the exclusive approach, talent management is a set or a bundle of practices designed to meet the demands for talent in the organisations [9 pp. 389-402]. The essence of these definitions is to attract, develop and retain such individuals that are considered talented and are critical for the success of the organisation [10, pp. 31-39]. Talent management programs should be aligned with the design and implementation of the strategy, culture, systems and business processes of the enterprise so that they become a form of rapid development for the employees with the highest potential [11 pp. 94-99].

In this paper we adopted the second approach. In this direction, we will analyze the characteristics of talented people alone and the measures to be taken to make these people come into an enterprise and stay.

Besides different approaches to talent management, there are also different interpretations of what talent is. According to some authors, talent is a special ability to perform certain activities, leading to the achievement of better results [12 p. 3]. This means that talent does not imply an expected competence required for a particular job. It may be a logical approach of the person to the work being done, way of thinking during the performance of tasks and problem-solving, the ability to solve problems, or special relationship with people and adequate approach in order to resolve conflicts at work in the best possible way.

Beechler and Woodward have a similar approach to defining what talent is. According to views of these authors, talent is a way of thinking and feeling that enables a particular person to successfully solve problems [13 p. 273–285]. A somewhat different approach to defining the amount of talent is held by Morgan and Jardin, who describe talent not as a feature, but as an individual who possesses certain properties. They believe the talents are employees who are exceeding the expectations of employers in their jobs,
indicating thereby how to behave at work and relate to the job and who have shown exceptional speed in adoption of new skills and approaches [14 pp. 23-29].

According to Hansen, talented employees are the essence of the core group of employees in the enterprise who have the ability to influence the work to progress in the long run [15 pp. 1-30]. This view was also supported by Berger&Berger, but they go on to describe talented people as those who make up a small percentage of the total number of employees, and who possess the key competencies required for the job [16 p.35].

This paper adopted an approach by Ulrich and Smallwood. For Ulrich and Smallwood, talents include employees who have certain competencies and are extremely dedicated to work and provide an above-average contribution to the results achieved and therefore exceed the expectations of employers when conducting business. That can be shown by the following formula [17 p. 6]:

\[
\text{Talent} = \text{Competence} \times \text{Commitment} \times \text{Awareness of own contribution}
\]

Competences represent a particular behavior by which enterprises differ among themselves. They occur as a product of learning and experience, to include specific knowledge, skills and values, and enable individuals in enterprises to solve various problems independently and execute tasks assigned to them successfully [17 p. 6].

Commitment is the willingness and ability of employees to invest their time, energy, knowledge and abilities to perform the activities in the enterprise. Commitment is a very important determinant of talent because without commitment, competence does not get the right value. Extremely professional staff that is not committed does not provide a large contribution to the enterprise, because they do not give their best. In contrast, an extremely dedicated staff is ready to do business at any cost and under any circumstances, so they can have a huge impact on the operating results of their enterprise [17 p. 6].

The awareness of their own contribution occurs when the goals of employees are fully consistent with the objectives of the enterprise and when employees are aware that the achievement of both personal and professional goals is directly related to their active participation in the enterprise. Enterprises are a unique place for those people who want to make up for flaws in their life through their job and who want to make sense of their time spent. This is an important determinant of talent, because if employees do not find themselves in what they do (do not make sense and aim of their work), and if they are not aware of how the quality of the performance of their job affects the business success of the whole enterprise, then their talent cannot be expressed in the right way [17 p. 6].

Three aforementioned elements of talent are multipliers which complement each other and increase the importance of each other. They can be presented as key components necessary for successful performance: competences are associated with a "head", commitment to "hands and fingers" and awareness of their own contribution to the "heart". If one of these components is missing, the other two cannot replace them. Poor competence will not ensure talent even though the employee is greatly dedicated to work and has the awareness that what he does affects the enterprise's operations.

It is believed that talents differ greatly from other people on the basis of traits which they possess. Some of these traits are different and faster way of thinking, a specific set of values, a much higher level of motivation, setting ambitious targets, performing multiple tasks at the same time, the longer and more committed work that the work of others,
making extremely big effort when something really interests them etc. These characteristics enable them to successfully perform tasks in companies, but can often be a source of problems for the enterprise and other employees in it. For example, quick thinking and a high level of competence allows talents to successfully solve complex problems and cope with complex situations, on the other hand, talents are very complicated persons, and very often come into conflict with other members of these companies. Because of the higher degree of motivation, talents are ready to make a much higher level of engagement at work, thanks to which they give a great contribution to the results of operations, but at the same time they have their own high expectations, and a lot of them require a lot of investment. For talents, it is also specific that they are characterized by the pursuit of change and the need for challenges, which is why they very easily get bored with the job, so they are ready to move on to other employers, bringing huge damage to the enterprise [13 p. 273–285].

So, talents may create numerous benefits for companies, but their behavior might make a number of claims. Therefore, the question is, what impact talents have in the operating results of the company and ultimately if and how they affect competitiveness?

3. THE IMPACT OF TALENTS ON THE COMPETITIVENESS OF ORGANIZATIONS

Studying the impact of talents on the results of the companies involved a large number of scientists. For example, Consentino Chuch, Scott Erker and Tefft Mac studied enterprise implemented programs to develop talents and build successful profiles of employees (especially managers). They found that 60-70% of the companies that implement programs for talent development have the continuous improvement of business results such as financial performance, productivity, quality of products and services, increased customer satisfaction and so on [18 pp 1-11]. Also, Patiraj Kumari and Prakash Bahuguna explain that integrated talent management leads to improved business performance of companies and improved competitive advantage [19 pp 1-14].

A large number of consulting firms conducted extensive research on a global level, to examine whether there is a link between talent management, business performance and competitiveness of enterprises. For example, the consulting firm Towers Perrin, starting from 1998, does the research on contributions of employees to business performances. The results of their research in 2005 and 2006\(^1\) have shown that employees can help reduce costs, increase product quality and improve relations with consumers, where the impact of talents on the actual results is of much greater importance than of the average and below-average employees. Specifically, the impact of talents on increasing the quality of products and services can be up to 84%, while the impact of average and below-average employees is much lower and is 62% (for average) and 31% (for below average). Same is the case with the impact on cost reduction. Talents can participate with 68% in cost reduction, while the contribution of average staff is 42%, and of below-average, contribution is only 19%. The differences are even more noticeable with the impact of certain groups of employees to improve customer relationships. Talents may account for up to 72% of improvement of customer relationships, while that influence

\(^1\) The study included approximately 86000 employees in 20 countries in Europe, Asia and America who were divided into three groups: a) below average, b) average, and c) talented
from the other groups of employees is much lower (from average 27%, and from below-average 19%) [20 p. 6].

This consulting firm has made similar conclusions by the research conducted in 2007-2008.² It has been shown that talents can participate with 88% in improving product quality, with a 75% improvement in customer relationships, their contribution to innovation can be 60%, 59% to increase in revenues, 56% to reducing costs and 63% to profits increase. The contribution of other groups of employees, to each of the performance is much lower [20 p. 8]. Based on that, the researchers concluded that the contribution of talented staff to business performances, which the competitiveness of the enterprise directly depends on, can be far larger than that of other groups of employees, so that talents can contribute to improving the competitiveness of enterprises.

Also, the Hackett Group [21], during 2009, carried out research on the impact of talent management on the financial results, business processes and operational efficiency of the company. They have proven that companies that are leaders in talent management have the best results in each of these groups. For example, they compared the net profit margin realized by the average company in each branch and the net profit margin realized by the leading companies in the talent management and they proved that leaders in talent management achieve 54% higher net profit margin and 18% higher EBIDTA (earnings before interest, taxes, depreciation and amortization expenses). The situation is similar in the relationship of other performances that were watched (labor productivity, effectiveness, efficiency, etc.). Based on the findings, they concluded that talent management can have a major impact on the business performance of organizations [22 pp. 3-4].

Lowell Bryan goes further, introducing the measure "profit per employee". By measuring how much profit is created by certain employees, they show that there are huge differences in the contribution from certain employees in the organization, therefore they introduce a measure named “return on talent”. By studying the 30 largest companies by market capitalization in the U.S.³ in the period 2002-2004, they found that return on talent and capital gains have a dominant influence on market capitalization. Based on this, they concluded that in the new competitive environment, talents become the most powerful tool for increasing the market capitalization of modern companies [23 pp. 57-64].

Based on these studies and research it can be concluded that talented staff, its exceptional knowledge and skills can contribute to improving the quality of products and services, and improve customer relationships, so that the enterprise can provide differentiation from the competition and improve its competitive position in the market. Thanks to possessing exceptional skills, greater dedication and additional engagement, the talents can help increase efficiency, so that the enterprise can offer products at lower prices and become more competitive in the market.

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² Employees are divided into four categories: a) engaged b) enrolled c) disenchanted d) disengaged. A larger number of performances have been taken as dependent variables in the study. It emphasizes the great importance of dedication as an element of talent.

³ Such as: Exxon Mobil, Royal Dutch Shell, Microsoft, IBM, Toyota, GE and so on.
4. MEASURES TO IMPROVE THE RELATIONS OF THE ENTERPRISE WITH TALENTS

In order for talents to apply for jobs in enterprises and give their best during their execution it is necessary that the enterprise promises to meet their key demands. According to research by consulting firms, some of the factors that influence the attraction of talents, increasing their satisfaction and motivation to work and their retention, are the following: a) the presence of explicit programs for talent management, b) challenging and well-paid jobs, c) compensation linked to results, d) possibility of development and improvement, e) good reputation of the enterprise and successful leaders in top management positions [24 pp. 9-10; 25 p. 13].

In order to facilitate the achievement of the goals of the talents, most enterprises implement the following measures [26 pp. 51-67]

- Creation of programs for talent development,
- Offering interesting and challenging jobs for talents,
- Binding compensation to the results achieved,
- Organizing trainings for talents.

One of the requirements which the talents attach great importance to is the presence of explicit programs for talent development. Programs for talent development should include all processes that are necessary to optimize the pool of talents within the enterprise and include attracting, identifying, training, recruitment and deployment of individuals with great capabilities who are of particular importance to the enterprise [27 pp. 56-61]. The talent management process should begin with recognition of talents ("key players") that are essential for the survival and development of the enterprise. Then talents must be deployed to strategically important positions (jobs whose execution enables gaining a competitive advantage). Identifying talents and their deployment to strategically important jobs is very important because it helps the enterprise to ensure the right people in the right places, and provides that the "players" and responsibilities are adequately placed. Then we need to define knowledge, skills and traits that employees must possess to successfully perform a specific job. The next step involves assessment of existing skills of talents to determine the competency gap. In accordance with established competence gap, learning and training programs are being developed to identify the "key players" and maximally develop their competence to carry out specific tasks and give their best when performing tasks. Talent development programs should be aligned with the enterprise's strategy, organizational culture and human resource strategy [10 pp. 31-39].

One of the most important characteristics of talents is always striving for change and challenge. Thanks to that, talents find that the job in the same enterprise gets boring very quickly and they are moving to other enterprises, bringing enormous costs to the enterprise which invested in their development. In order for talents to be tied to the enterprise, they need to be offered challenging jobs and to work continuously in order to break the monotony and boredom [2 pp. 67-82]. This can be achieved by reshaping individual business and its enrichment for added variety, so that the work becomes more interesting. Since most talents are self-disciplined and very responsible, they can make the job more interesting and challenging if given more rights, duties and responsibilities and if they become more independent in the performance of tasks and making some decisions related to their work [19 p. 12]. Also enterprises are often transferring talents to other positions which apart from breaking up the monotony, enables them to acquire new
knowledge and skills, gaining insight into the entire business of the enterprise thanks to which they become candidates for highest managerial positions. Global companies are often transferring talents from one to other parts of the world. This breaks up the monotony for talents, they gain global experience, and the enterprise allows the dissemination of knowledge and skills within their organizational units.

By implementing some of these measures, the work can become more interesting for the employees. Thanks to that, talents will remain longer in the same enterprise, which will provide mutual benefits, they will perfect their competences for certain tasks, or get to know all the work in the enterprise and become contenders for top managers. At the same time, thanks to more committed work in the enterprise, they will bring huge benefits [28 pp. 20-23].

Given that talents can achieve much better results than average workers, it is important to further reward their work and commitment in order to motivate them to continue to try and do their best. Therefore, it is desirable to bind the enterprise rewards to the results. Successful enterprises use different methods to motivate talents. For example, more than 35% of the companies on the list of the top 100 in the U.S. ("Cisco", "P&G", "Microsoft", etc.) give the company's shares to the employees, which motivates their commitment to the job (for higher stock prices and their wealth depending on the results achieved), the majority of employees in the enterprise have their income related to sales volume, many companies ("AT & T", "FedEx", etc.) reward the most successful teams and individuals. The goal of these and other reward programs is to encourage the enthusiasm and dedication of the staff that enables the successful implementation of the strategy and long-term building of good habits and positive organizational climate in the enterprise [29 p. 23].

One of the key factors for motivation and retention of talents is to provide them with opportunities to improve and develop their competencies and enhance skills for career advancement. Opportunity for continuous growth and development through training and advancement is one of the most significant factors in motivating employees. At the same time, additional training and developing of talents allows additional benefits to the enterprise. Research of CeadrCreston HR from 2008-09 has shown that the relationship of learning management with talent management leads to the highest rate of profit [32 p. 7].

It is not enough to offer talents with any kind of training, but choose programs that are consistent with their interests and business strategy of the enterprise. Many enterprises make mistakes by offering one or a small number of alternatives for learning, or worse, by trying to combine a variety of learning solutions with other elements that make up the talent. It is also not enough to rely only on seminars and training sessions, but they should also offer a variety of talent training programs that will enhance their competence and support the development of the enterprise through their increased contribution [32 p. 10].

The literature identifies the following opportunities for training and talent development [3 pp. 139–154]:

- Allowing employees to attend a session that was organized internally, within the enterprise, which can be organized by colleagues who are experts in a particular field or by some third party speakers,
- Encouraging the exchange (via direct meetings, internal information networks, global networks, etc.) of important information between employees with whom they met at a seminar or session
Providing literature to talents and organizing meetings, during which the employees would discuss literature and apply some concepts within their enterprise,

Offering daily updated information they need to perform jobs on the Internet or on the internal site of the enterprise, etc.

The presence of employees on trainings that are organized elsewhere has become a necessity in order to develop new skills and ideas. Achieving a higher level of education and attending university in order to improve the knowledge and skills of employees is one of the ways to do this.

The development of talented staff for managerial positions is very important for enterprises. Planning the development of high-potential employees and managing their careers can have a major impact on their retention. Research shows that companies with a formalized process of developing management personnel have a 50% lower turnover of staff among employees with high performance. In other words, employees who feel that they are prepared for future managerial positions would rather stay with the company. However, the development of outstanding potential candidates should be done not only for top managers but also for a number of other strategically important positions. Research by CedarCreston HR system from 2009-10, indicates that the enterprises which limit the planning for development of potential candidates only to top managers achieve a lower rate of growth, while the enterprises planning the development of talents which includes middle managers have a higher growth rate [32 p. 11].

Enterprises should outline an adequate plan for the development of potential talents for successors of existing managers in the future. Unfortunately, that rarely happens. Only 12% of survey respondents in Bersin and Associates research said that their company's program to develop future managers is integrated with talent management.

Training and talent development offers opportunities for enterprises to create a dedicated, professional staff that will bring benefits to business and themselves through the exploitation of opportunities for training and development. Employees appreciate the opportunities they are given for expanding and upgrading their knowledge and skills with no thought of ever leaving a job or position. Internal programs and training are particularly important. Examples, terminology and opportunities are influencing the culture, environment and needs of the job.

5. Conclusion

In the current business environment, employee talent becomes an extremely influential factor in the competitiveness of enterprises. The behavior of the employees in their daily work, commitment and dedication directly affects business performance and value that the enterprise produces.

There are different explanations on what is meant by talent. In this paper, the view is that talents include people characterized by a high degree of competence, dedication and awareness of their own contribution, which sets them apart from other employees because they can perform more effectively and efficiently.

For companies it is very important to have access to talented personnel, as they, due to the above characteristics, can help increase the quality of products and services, increase operational efficiency, improve customer relationships, build a good reputation and ultimately improve the competitiveness of the enterprise. On the other hand, the loss
of talented staff has a negative impact on the rating of the enterprise, customer satisfaction, productivity of other employees, increasing the cost of training new employees, etc.

To attract, develop, motivate and retain talented staff, enterprises implement a number of programs and measures. Research of the consulting firms showed that the key demands related to the presence of talents are: explicit programs for talent management, challenging and well-paid jobs, and compensation systems linked to performance and education and training for the development of talents. In order to meet these requirements of talents the paper considers the appropriate measures whose application offers the possibility of achieving the goals of talents.

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**UPRAVLJANJE TALENTIMA U FUNKCIJI POVEĆANJA KONKURENTNOSTI PREDUZEĆA**

Poslednjih godina talenti postaju sve značajniji faktor konkurentnosti savremenih preduzeća. Zahvaljujući svojim kompetencijama, posvećenosti poslu i svesti o sopstvenom doprinosu uspehu preduzeća, talenti mogu stvoriti veću vrednost, putem unapređenja kvaliteta proizvoda i usluga, smanjenja troškova poslovanja, unapređenja odnosa sa potrošačima, izgradnje bolje reputacije i sl. Zato preduzeća sve više pažnje poklanjaju privlačenju, razvoju, motivisanju i zadržavanju talenata, kako za menadžerske pozicije tako i za strateški važna izvršna radna mesta. U ovom radu biće objašnjene neke mere koje preduzeća mogu sprovoditi, kako bi kroz povećanje motivacije, posvećenosti i lojalnosti talenata unapredile svoju konkurentnost.

Ključne reči: konkurentnost preduzeća, upravljanje talentima, privlačenje i zadržavanje talenata.