TALENT MANAGEMENT – OPPORTUNITIES AND CHALLENGES RESULTED FROM THE CHANGES CAUSED BY THE ECONOMIC CRISIS

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Abstract:
In the always-changing economic environment of today companies, especially those aiming at expanding in new markets, are faced with major challenges in developing and implementing effective talent management strategies. This article intends to analyze the characteristics of talent management and to emphasize its role in an economic environment that is highly competitive, dynamic and affected by the economic crisis in which companies have major difficulties in developing and implementing effective development strategies. The article also intends to highlight in which measure Romanian companies are preoccupied by the implementation of talent management strategies and how can the retention of talented employees be realized in cost-optimizing conditions.

Key words: talent management, employee retention, competences, assessment of performances

JEL Classification: O15, J24

1. Introduction
The world has become a labor market without frontiers, where talents are no longer limited by national or even continental borders. The access of talented employees to more complex positions on a globalized labor market has forced employers to invest in cultivating, preserving and keeping talents loyal, in order to maintain a competitive advantage and continuity in business.

The measurement of the intellectual capital and of the knowledge management is not reflected in most cases in the companies’ monetary and financial – accounting records, the reporting being rather voluntary than mandatory. As such, there is a huge difference between the reporting methods used by companies and in the typology of the indicators reported. (Dindire Laura, Dugan Silvia, 2013)

Companies like to promote the idea that employees are their biggest source of competitive advantage but most of them are as unprepared for the challenge of finding, motivating, and retaining capable workers as they were a decade ago.

In the most general sense, talent is the sum of a person’s abilities- his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character and drive. It also includes the ability to learn and grow. The talent is now a critical driver of corporate performance and that a company’s ability to attract, develop and retain talent will be a major competitive advantage far into the future. (Michaels Ed et al., 2001)

Talent management means having the right people in the right place, at the right time and most of all at the right cost and it also represents the totality of systems and processes that allow a company to attract develop and preserve highly-qualified employees.

Jack Welch, one of the most renowned CEOs in the world and the leader of General Electric for 20 years, had a very interesting theory about the healthiest structure of a company. He considers that the most important part of a company's employees, “the talents” should represent 20% of the total of employees in a company, while the maneuver part, the ones a company usually changes, are 10%. The rest 70 % are the working part, the ones who guarantee the company functions. He states “my main role was to develop

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talents. I was a gardener, feeding the garden of the 750 top people in the company. Of course, I had to obtain a harvest.”

Talent is not about someone’s potential to move into increasingly senior positions. It’s about how they perform now and how they deliver tangible and sustainable results. (Davies Jacqueline, Kourdi Jeremy, 2010)

At its heart, talent management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it. Talent management is not an end in itself. It is not about developing employees or creating succession plans, nor is it about achieving specific turnovers rates or any other tactical outcome. It exists to support the organization’s overall objectives, which in business essentially amount to making money. (Cappelli Peter, 2008)

SHL The CEB Talent Measurement Solution has presented the results of the annual study Global Assessment Trends Report which is based on an online survey, filled in by 481 professionals in human resources worldwide, showing that “the organizations which will be successful, disregarding economical conditions, are those having a culture centered on the employees, as this culture becomes visible with clients as well. Companies that understand the potential of the internal talents have bigger chances to adapt and succeed in comparison with the other players on the market. However, this depends on their ability to value the competences and the knowledge of the workforce and to recruit candidates that can increase the internal talent nursery. An effective talent management begins with a profound understanding of the competences, behaviors and potential in an organization and aligning these coordinates to the present and future business objectives.” (Sarah S. Fallaw, et al, 2012)

An effective talent management means to clearly differentiate both people and roles. In a market characterized by dynamism and competitiveness, the solutions provided by talent management have a double purpose: identifying, developing and adapting human capital to strategic business objectives and connecting these objectives to the individual objectives of the employees and their long-term development in the company.

2. Paper objectives and methodology of research

In performing this paper we aimed to achieve the following objectives:

O1: identification of the characteristics of talent management in the knowledge-based economy;
O2: presentation of various talent retention solutions within organizations;
O3: analysis of the effects of the economic crisis on talent management strategies;
O4: revealing certain aspects related to the trend entitled “talent market” in Romania.

In order to achieve the objectives we used as research method the content analysis of the specific studies made by various authors (Fallaw S., Dawson C., Michaels E., Handfield-Jones H., Axelrod B.) and some prestigious international institutions (Pricewaterhouse Coopers, Ernst & Young, etc.).

3. The characteristic of talent management

The talent management goes beyond basic employee administration. When well done it ensures that the right employees are in the right positions with the skills and motivation necessary for success. On a more and more competitive talent market, the talent management is based on the leaders of the entire organization to take responsibility for all the aspects in the employees life cycle. Making leaders responsible in talent management implies hiring, developing, administrating challenging, promoting, motivating.

When we say “talent management” we must not strictly refer to a single process or a single technology. This involves a combination between effective processes, scientific measuring instruments and a winning strategy (Khan Samia, 2013): administrating talents, measuring talents and talent strategy.
The „Growing pains: companies in rapid-growth markets face talent challenges as they expand”, rapport realized by Ernst & Young, identifies the equation of talent and explains why talent management has become one of the important risk areas in the development of organizations. Research shows that in the attempt to integrate talent management in their mobility strategies at a global level, most of the big companies apply the following principles:

- alignment and integration – to effectively implement talent management at a global level, the efficiency of this process is connected to the superior performances of the business, both at a financial and at a non-financial level.
- talent management– defined as the way in which an organization administers and develops human resources as an integral part of the business strategy.

The research has also defined four big challenges for an organization in identifying talents and consequently, four types of imperative actions for successfully managing them (Ernst & Young Study, 2012):

Challenge 1: top management teams do not have enough knowledge about the local culture of target markets and do not understand global markets. Only one of the five managers believes that the firm where he works reaches the optimal balance between local talents and expats on the international markets.

Area of action: Developing and promoting local company leaders, as well as giving opportunities to the staff to gain global knowledge.

Challenge 2: the lack of an internal recruitment structure, which takes time and investments, forces companies to recruit from other organizations. This approach represents a not very appreciated practice by the operational managers (30%).

Area of action: aligning the strategies of the company with the individual objectives of the employees, monitoring the existing talents within the company and accurately using those who have the required set of qualifications and are at the right stage of their career.

Challenge 3: The companies consider that giving adequate stimulants to employees from different markets is particularly difficult. What could stimulate the employees from one culture might discourage those coming from different cultures.

Area of action: Combining short term recruitment strategies with long-term workforce planning

Challenge 4: Leaders and managers have opposing opinions regarding talent management.

Area of action: the loyalty of the employee can be stimulated by internal promotion, investing in the education and developing it and by aligning it individual objectives with those of the company. Creating an organizational culture that takes the individual into account and integrates a clear communication strategy on all levels also helps this purpose.

In talent management one can identify five basic elements that make the difference: instituting a “talent management” thinking style, generating a winning and valuable offer in order to bring in the company the most talented people on the labor market, a continuously recruiting talents, developing and growing leaders, differentiating and promoting talent management politics.

Petter Matthews, President of Global Learning Ernst & Young, stated: “Few companies have adapted their approach to satisfy the complexity of the current economic and market global environment. The organizations that aim at global growth will have to invest in developing an effective talent management strategy that will successfully involve several geographic areas. Theses have to change and flatten traditional organizational structures, to encourage a decentralized decision making process, to take into account the significant diversity of cultures, age, environments and geographic locations and adopt new and inclusive leadership styles. The deficit of talents quickly becomes the one and biggest obstacle in economic growth. At a global level, companies have difficulties in covering critical positions, where they need people with advanced skills, essential to business evolution.”
The „Paradigm shift: building a new talent management model to boost growth” study, realized by Ernst&Young, notices that there is a general lack of investments in talent management with all companies. Less than half the companies (45%) state that they achieve efficiency by investing in talent management in order to accomplish their financial objectives. This indicator decreases to 36% for companies with low performances.

Only half of the competitive interviewed companies (54%) say they already have a strong talent reserve for future leading roles, in comparison with 43% of the low performing companies. The respondents are even less optimistic that they will manage to find experienced leaders with sufficiently diverse knowledge.

Only 43% of the competitive companies and 38% of the companies with low performances agree that their organization has a clear set of values regarding the criteria that qualifies candidates for leadership positions.

Even more, few companies focus on the lack of skills. Of the big players, only 26% consider that the dimension of the lacking skills is a factor that determines the efficiency of talent management, and with low performance companies the percentage drops to 18%. Competitive organizations are more inclined to take into consideration soft skills, interpersonal for executives, laying emphasis on the effective management in an international business environment (47% compared to 37%), as well as on the ability to express and illustrate the values and culture of the organization (44% compared to 37%). Therefore, the ones with low results lay a bigger emphasis on traditional skills, tough management techniques such as industrial and technical expertise and the understanding of financial aspects. This idea, of having only one strong expert in a high management position within the company is no longer a viable pattern. Companies must adapt their approach towards talent management so that they can better identify and cultivate interpersonal competences that have now become so important for business management.

A study realized by Pricewaterhouse Coopers, Romania shows that the main focus of organizational managers is administrating talent management. Jeoff Armstrong, former CEO of Chartered Institute of Personnel and Development, explains the need of the employees to develop an organizational culture that encourages developing the talent and personality of the employee. He states that “we no longer have the same work method as we used to. Before, one did not have to compete with people one did not know, from the other side of the globe. Thus, people remain the only competitive force of the organization, and what people do at their workplace has become essential for the organization”. Armstrong claims that a company differentiates itself through the type of activities and ideas implemented by the employees more that through the purchase of modern technologies for production, thus considering that talent management should be the main occupation of human resources specialists.

Creating a talent management system implies five stages.

1. Defining company objectives, evaluating and controlling the evolution of positions (to avoid the surplus, blockage or deficit)
2. Creating and applying key elements for evaluation: defining key-competences for each position, methods of performance evaluation, methods of forecasting the potential or evolution of an employee, within the company.
3. Creating/ importing evaluation instruments for training and coaching needs (for individual or teams)
4. Individual evaluation of the employees;
5. Data analysis and making the right decisions.

There is a series of benefits for those who deserve for companies to invest in their talents: Competitiveness: true talents always migrate in environments where they can continuously develop. A company that has an active talent management strategy becomes more attractive for such resources and, at the same time, much more competitive on the long-term.
◆ Maintaining key resources loyal: constant investment in talent developing, creating a real career path generates, in most cases, a loyal employee
◆ Flexibility: in a world submitted to the pressure of the economic environment, the existence of an internal talent nursery can only offer a plus of flexibility to any transition and contribute to the success of the change process.
◆ Contingency: quickly covering key positions that have become available by using internal talents;
◆ Early identifying the competence gap: the existence of a talent ranking in each area and geographic area of the organization allows the early identification of the talent gap that might have a negative impact on achieving future strategic objectives.

4. Organization behavior – means of valuable employee retention
Attracting job applicants and a low retention rate are considered very important issues that companies have to deal with. On an international scale, 82% of organizations are dealing with difficulties during recruitment, 69% of them have got retention issues and 67% of North American, European and Asian managers consider that the inability to attract and retain the best employees is among the top three threats for economic competitiveness. (Ionescu Mihaela Alexandra, 2008)
In order to keep the most valuable employees, a series of retention models have been developed for companies. The usual retention solutions include special training programs, salary policies, career development paths, all of them being structural solutions; most such programs lack a specific focus on the person. By the same token, one research that should raise questions has been done by Gallup; it clearly shows that very often people don’t just quit their jobs/companies, but more likely they quit their superiors. Until retention programs take this into account, it will not be an efficient mean in the quest for head – hunting.
Organizational behavior can have a negative and positive influence on employee retention. The most common reasons for quitting a job are:
- Lacking an honest and transparent leadership;
- Lacking a good communication with superiors and peers;
- Reducing promotion opportunities;
- Unreasonable objectives and targets;
- Not acknowledging accomplishments;
- No trainings;
- An undeserved salary level for some employees;
- A certain mistrust among colleagues.
Apart from financial packages that are being offered by companies in order to retain employees, managers should look at a few other methods as well, some of them being quite easy to accomplish, thus ensuring that employees, especially the valuable ones feel respected and valued by the company:
- The existence of a sincere and transparent leadership. The way that the management can convey information, does have the ability to contribute to employee retention. It is not just conveying information to employees that is important, but also the feedback. Whenever employees feel free to present their ideas and opinions, they feel free to criticize, which in turn has a positive influence on the improvement process. If they are not allowed to express themselves, they will often find themselves in delicate situations, and will eventually decide to quit;
- The existence of an adequate communication plan;
- Maintaining career promotion possibilities;
- Realistic goals and targets; expectations that are adapted to real conditions;
- Official acknowledgement of accomplishments and values. Most times when an employee doesn’t properly deal with his tasks he will be subjected to critics. The is no
opposite situation, which would presume receiving appreciation from one’s superior; such a gesture would empower the employee, giving him more self confidence and thus encouraging him to better perform next time;

- A wise development of training programs, adequate to the real needs of employees. The moment that an employee benefits from the appropriate training he starts feeling that he is truly being helped in his development and that the organization is involved in his education; this leads to the normal reluctance of quitting the job;

- A balanced attitude towards employees; salary bonuses according to accomplishments. The way in which the global perception on how a company treats its employees plays a huge role in their retention. In the case when some employees receive a salary increase or better working conditions than others, even though the 2 categories play an equal role some people will be unhappy about this, and will want to quit the company. This is the reason why a balancing of the motivational system will contribute to employee retention;

- A sense of trusting people;

- A relaxed environment. Studies have proven that people who work in optimum conditions, relaxed environments, without conflicts or exaggerated pressures coming from superiors are not only more productive but will also be loyal to their job. Although nowadays people are tempted to choose their job mainly according to their income, better working conditions can in some cases become the condition for staying loyal to their job and not quitting it.

5. The effects of the economic crisis on the talent management strategies

For decades, companies have used phrases like “Our employees are second to none”, “People are our biggest competitive advantage” to describe their greatest asset — talent.

The economic crisis has forced many organizations to reexamine their talent management approach. Leading companies have begun to account for all the different dynamics of talent that are affecting them now and that are anticipated to influence them in the future. They have systematically changed their approaches to reflect the coming reality of the next five years. (Five rules for talent management in the new economy, 2010)

The global economic downturn is likely to bring into prominence some of the longer-term trends in the workplace that affect talent development — first, employment models are changing, with more part-time and temporary work, greater off shoring and outsourcing to drive cost competitiveness, and corporate downsizing and delivering to generate operational efficiencies. (Perspectives on talent management in challenging times)

Different studies show a number of surprising positives reported in relation to managing talent in a downturn: (The war on talent? Talent management under threat in uncertain times, 2008)

• Organizations are focusing more of their time on engaging, motivating, retaining and fully using the skills of their existing workforce.

• There are increasing opportunities to recruit talent discarded by competitors.

• Greater scrutiny is being placed on talent management systems and processes – this seems to be both from a return on investment perspective and also by placing greater emphasis on more robust and transparent criteria for the selection and development of high-performing individuals – which can only be a good thing.

• Uncertain times, for the most part, have led to more honest and frequent communications between managers and employees, with individuals having a greater understanding of where the business is, for better or worse, and how their performance can make a difference to overall business success.

• Tighter margins are leading to greater scrutiny around pay and reward – the positive here is this might help to avoid some of the mistakes we have recently seen in the City, which some believe kick-started the decline.
Companies are also thinking more creatively about approaches to non-financial rewards – small things that can have a big impact.

A greater emphasis is being placed on ethical leaders who are able to motivate and lead in both the bad and the good times. It is also worth highlighting that nearly three-quarters of the sample (74%) suggest their talent management strategies have not been affected by the downturn as yet. For some, there are signs that business might be affected in the coming months; however others are actually experiencing periods of growth.

As for some of the more negative findings relating to development and talent management freezes, it is essential that organizations avoid knee-jerk reactions and cost-cutting in the very areas that will make the biggest difference going forward. Now is not the time to halt employee development nor is it the time to postpone or scale back talent management strategies.

In a downturn managing, developing and motivating employees is even more important because it is the one thing that can differentiate their organization and ensure that they not only survive the short term but thrive in the long term.

‘People and their development are the key to the success of any organization, no matter what the economic climate…’

Just over a quarter of managers (26%) report that their organization has been forced to change its approach to talent management as a result of the current climate, with private service organizations most likely to be affected. For those organizations whose talent strategies have been affected by the current climate, the top four reasons given are: “our learning and development budget has been cut”, “we are placing an even greater focus on talent management”, “we are shifting our efforts to focus on employee retention”, “we are reviewing our current systems and talent processes for their cost-effectiveness.”

Changes made to reward strategies during economic crisis include: restricted pay increases, bonus reductions or freezes, more focus on rewarding top performers only, a move to performance-related pay, development cuts/greater targeting of resources.

Measures introduced to support managers to effectively manage talent in the downturn include: a greater emphasis on leadership and management development, extra and targeted support provided by HR, coaching and mentoring, a greater emphasis on communication and open discussion.

It would be naive to assume that the talent war for skilled professionals has completely disappeared. Research recently published by the Chartered Institute of Personnel Development in the UK suggests that many organizations’ talent strategies remain unchanged, and that almost one-fifth of organizations are placing even greater emphasis on identifying, developing and retaining talent. A key part of firms’ current talent retention strategies should be to ensure that the ‘psychological contract’ with talented employees is not broken. There is huge potential to demotivate and spread insecurity among those who remain if redundancy strategies are pursued.

A positive effect of the wider economic uncertainty is a move by some to place even greater importance on talent management strategies. Many believe this will push them ahead of their competitors when the economy recovers and are holding on to a long-term view of the benefits a strategic approach can bring to their business.

6. Various aspects of talent management in Romanian organizations

The idea of talent management is not new to Romania but it has become more visible lately due to the fact that multinational companies have reached new stages in their development and identifying and retaining talents have become processes that are naturally adopted along with the relocations of top management expats, or just the acute need for flexibility, the rapid adaptation to market changes, of properly facing the global economic crisis.
A lot of managers have hoped that the issues with finding and retaining talents among employees will disappear together with the economic crisis, or at least will diminish. The more and more competitive markets and the fundamental differences between company needs and the features of the „millennium” generation (people born between 1980 and 2000) seem to have increased the situation’s complexity just as the PricewaterhouseCoopers (PwC) study shows. (Annual Global CEO Survey, 15th edition, – În căutarea echilibrului. Înaintăm cu prudență sub auspicii schimbătoare, 2012)

This way, in spite of personal fluctuations determined by different measures that have risen from the present economic difficulties, Romanian managers view the future with a cautious optimism. Almost half of them expect an increase in employee numbers (18% with less than 5%, 23% with 5-8% şi 7% with above 8%), 36% of managers don’t expect any changes whilst few of them expect a decrease (7% with less than 5% and 9% with 5-8%).

It’s possible that some managers have considered that the changes brought by the economic crisis will have eased the recruiting process. In spite of this, just 30 % of them have had such an experience whilst for 25% of managers it has been more difficult to find the people they were looking for.

There are various reasons that generate this, one of them standing out: the small number of qualified applicants, mentioned by 91% of questioned managers, which is a 2 times larger percentage than in comparison to the average rate in the EU – 52 % and the US – 53%. The large number of company managers that focus on this aspect represents a warning sign towards the lack of appropriate education and skills needed to ensure the necessary talent resources in Romania. The second reason why it is difficult to hire someone, according to importance and from a manager’s perspective is the applicant’s salary expectations (9%).

On an EU level, company managers who have faced similar issues have quoted other reasons, including the sector’s growth rate and the change in necessary abilities in a certain industry (both with 14%), as well as applicant’s opinion referring to the industry’s reputation (11%).

„Market trends have tipped the balance in favor of identifying new talents instead of just recruiting. If there ever was an expectation that the financial crisis will free up capital, including human resources, thus making head hunting a lot easier, such an expectation has proved to be wrong. The challenge is more complex now, while high unemployment rates persist and companies are facing a personal shortage. This mismatch is affecting profit rates and has become a priority on manager’s agenda, generating a strategic approach and a lot more investment in this area.” Peter de Ruiter, Partener PwC România

As high as 73% of Romanian managers that have been questioned anticipate changes in the talent management area, just like in 2011 (77%). This shows that the estimates referring to a possible influx of talented workforce due to the economic crisis are yet to be confirmed.

„The traditional talent management model in which companies used to reward loyal employees for their performances through clear job promotion scale and a comfortable pension is no longer existent in the new economic reality. One of the options that companies have is to focus on delivered results, allowing employees to choose the way in which they work, including when and where they work.” states Dan Iancu, Partener PwC România

For the following 3 years, 68% of respondents have stated that they are keen on increasing investments in the creation and development of a qualified workforce, and 64% support offering a healthcare protection to employees, which means that talent management strategies are on top. Middle management employees are the most attracted by work benefits packages offered by the competition. Some 50% of local managers have expressed their worries regarding this aspect, which is close to the average in the EU as well as the global average 51% and 53%.
In regards to the lack of qualified personal we find it encouraging that Romanian managers are focused on the existence of a proper career development plan for their potential employees (80%). As a result, they seem more and more interested in creating the necessary environment for developing a specialized workforce.

There is also an encouraging tendency regarding companies that want to invest in their workforce. Out of all the managers questioned, 75% of them are making direct investments in the markets that they are operating in, which is 3% less than their global partners, 78% in the European Community.

The decision to invest or not to invest in developing the workforce depends on a series of specific factors. The majority of Romanian managers (61%) consider that the profitability of their workforce investments is the decisive factor. Managers in the EU (64%) feel that it is a lot more important that solid resources for recruiting future employees exist, whilst only 52% of Romanian managers feel the same.

The nest essential aspect in the decision making process when dealing with investments, from a human resource perspective is the improvement of work conditions (55%), which is similar to the global level. The above mentioned study shows that 43% of Romanian managers are relatively confident when it comes to ensuring talent human resources for their companies, and only 36% of them are very confident about it.

Among the measures that they plan to undertake in order to face a possible shortage in workforce, 30% of Romanian managers that have been questioned base their approach on investing in new technologies. In the same time, 27% of respondents plan a rise in the number of partnerships with other organizations for the same reason.

When it comes to the future of workforce on a global level, current employees have got the advantage in comparison to new employees. Among the respondents, 52% of them intend to develop and support talents from within their own companies in the next 3 years. As part of the recruiting strategy of organizations on an average term, we must emphasize that local talents are preferred as they respond to the needs of the local market (68%).

Within the local business environment, talent management and planning successors for the business are considered specific processes just for multinational companies. We can’t still refer to applying these processes for the administration or for private companies with a limited number of employees.

7. Conclusions

Talent management is not just a process but also a strategy that must not lack from any managers perspective. The fundamentals of any talent retention strategy stand for a good management. Observing and acknowledging personal features that can endanger the work performance is vital in building and developing an efficient and profitable organization.

As a conclusion, identifying and later developing and educating unqualified managers is the first vital step in applying any talent retention strategy. Finding and employing managers that know how to raise the involvement level of employees is considered to be the true key for talent retention in organizations.

A good talent management code will be focusing on: an inventory of existing personal and identifying future needs, retention measures and maintaining employee fidelity or just the involvement of leaders within the organization.

A better talent management will distinguish organizations based on their performance and stands for a must in the present business environment, which is a lot more competitive, subjected to changes and which forces companies to face the phenomena of brain drain.
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