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# World Class Organizations Know How to Optimize the Talent Value Chain

VAN DER SLUIS Lidewey E.C.<sup>1</sup>

<sup>1</sup> *Nyenrode Business Universiteit (NETHERLANDS)*

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## Abstract

In the new world of work is human resource management a necessary but not sufficient condition for competitive advantage. Organizations stay in business by investing in people with capabilities from an HR-perspective, but that is only the first step. In this article the next steps that lead to a value-driven company are analyzed and depicted in a new conceptual model of the talent management process.

Organizations could investigate this model to build a talent-powered and value-driven company.

This investigation advances companies to prevent a waste of human potential and to act more effective as investor in people and cultivator of talent.

*Keywords: Talent management, human resources, capital, assets, engagement, development, capacity, performance*

## Introduction

Results of seeding processes can hardly be controlled because of organic processes behind harvests. However, you will never get apples by planting beans. What steps do companies take in order to transform talent into value? How do they identify what seeds – in terms of talent – they need to sow, given the yield they aim for? The purpose of this article is to answer these questions from a multidisciplinary perspective on the talent value chain in organizations.

### *Talent value chain*

Fundamental organizational concerns such as attracting, assessing, appraising, promoting, and rewarding individuals are to a large degree a result of the values and norms of organization members. All these elements of talent management offer potential for expressing the organizational principles and core beliefs. The intension of this article is to show that in this era employers and employees should partner in their joint purpose, in general, to improve lives. The article is written from an organizational point of view. When employees find personal alignment and a sense of identification between the broader purpose of the organization and their personal goals, there is a better chance that these individuals will be engaged and motivated to help the organization succeed [1]. This means that smart organizations will fill their talent pipeline with people that not only have brainpower, skills, abilities, personal characteristics that matter but also personal values, anchors, and motives that are aligned with the greater good that the organization strives for.

Our study illustrates how individuals matter to organizations and how organizations matter to society if their purpose is ignited. Frontrunning organizations seem to turn talent as raw capacity into value with a balanced talent value chain similar to a triple jump of planting potential,

cultivating passion for purpose, and harvesting performance. We analyzed what happens behind the scenes of this triple jump. Our main question was: How do these best-in class companies manage the pipeline of organizational talent?

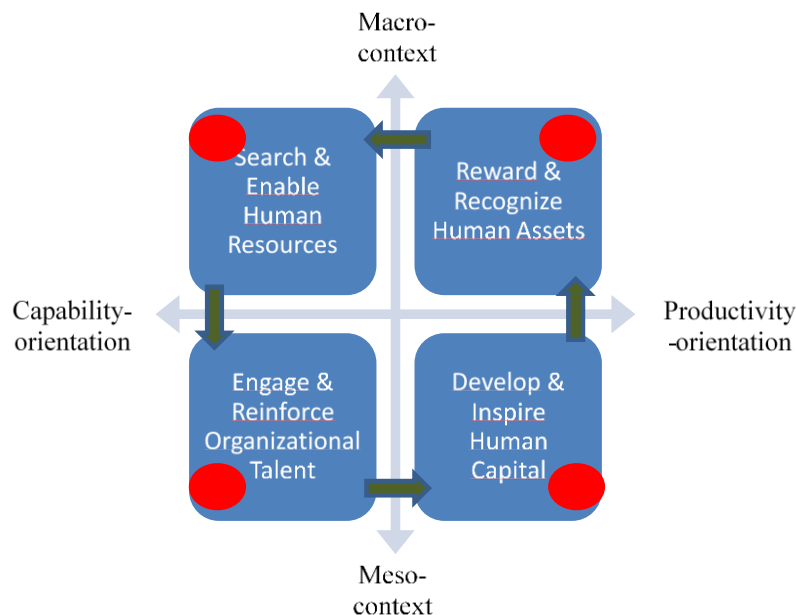
### *Predictors of performance*

Many organizations haven't figured out the predictors of the productivity and flourishing of their employees. Is it their set of capabilities that makes them successful, or their curiosity, engagement, commitment, or will? Or is individual performance and job success most of the time a matter of luck and coincidence? Or is it guidance and leadership? Although we still don't know the magic formula behind success, we do know that 1) behavior is a function of individual and contextual variables, and that 2) the identification of potential performance is subjective, contextual, and time-dependent. In other words, future productivity is not only a matter of skill or will; other people, context and situations do have an impact too.

What does this mean for organizations? Their efforts to predict future performance and added value have a lot of limitations. A recent study by consultants of Egon Zehnder showed that only 24% of the senior executives consider their talent selection and development approach to be a success. They found that this is extremely costly because people's advancement and eventually their engagement leads to less turnover [2]. Nevertheless, the need to invest in the right talent that becomes engaged and productive is high.

### **Contextual Talent Development U-path**

We build on the talent value chain as theoretical concept that reflects the transformation process of human resources into human assets with the organizational principles, purpose and culture as contextual and moderating factors. From the current HR literature, we derived a conceptual model that clarifies the road that talent follows in purpose-driven organizations. Fig. 1 depicts the four parts of the talent value chain as talent management process.



**Fig. 1.** Conceptual framework – Talent Management Model (TMM)

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Fig. 1 shows how modern organizations fuel their talent value chain. They search and enable human capacity as their resources (1), engage and reinforce organizational talent (2), develop and inspire human capital (3), and reward and recognize people as human assets (4). We consider these elements of talent management as vital steps of the contextual talent development U-path. This path starts within the macro-environment of the organization, i.e. the labor market. This is the so-called external organization. From there, talent management moves towards the internal organization, i.e. the organizational culture and design. In this meso-context human capability turns into human productivity.

This path depicts the talent value chain in organizations that are platforms and magnets for people that want to unleash and develop theirs and others full potential.

### ***Metaphor***

From an employer's perspective, this means that employees are hired for their capabilities, lead and developed to be productive, and encouraged to show off the values and normative goals of the company. As seeds that are thoughtfully selected and carefully planted to grow and flourish in the direction of the light, so are employees deliberately picked out in order to develop and blossom as image of the organization and to become a representative of the firm. Besides, human assets are employees who make the organization an attractive place to work. This mechanism reinforces the human power of the organization.

Following these conceptual notions and framework, we examine in this paper the steps that companies take in order to transform talent as input variable into value as output variable of the talent management process. Besides, we identify the employee development phases – in terms of talent states, related to the talent management process.

We build on theory in the field of strategic human capital and the field of organizational behavior as well as the more specific HRD theory. It is our intension 1) to contribute to the conceptualization of HR processes in organizations, 2) to conceptualize talent management as a relative new discipline, 3) to help organizations to optimize their talent value chain, and 4) by doing so to diminishing the waste of talent in organizations.

### **Strategic Talent Management**

Talent management has a strategic place in organizations. In the remainder of the article, we will unfold the logic that generated Fig. 1. The four vital steps of the talent value chain will be described in more detail.

#### ***Four strategic steps of talent management***

##### ***Step 1: Human Resource Management – Searching & Enabling HR***

Human resources are the raw material of organizational processes. In the field of strategic human resource management has been an explosion of theory and research examining human resources (HR) as a collective (unit-level) driver that contributes to firm performance and competitive advantage [3]. The new world of work with increasing availability of massive data, enormous computer power, and open sources asks for new competencies and new paradigms in the search for the 'right' HR. Here are some suggestions, based on a recent study of Van der Sluis [4].

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Search for:

- a. Personal qualities. Invest in people with good quality of personal health, knowledge, skills, abilities, and other characteristics
- b. Personal background and network. Invest in people that connect with the company values. This could be based on individual learning environments in the past, like their childhood, socio-economic status of family members, and educational institutions, but also on jobs and work experience
- c. Personal mentality. Invest in people with an energy level that fit the company culture. Next to that, the level of willpower, work attitude, ambition, and self-leadership could be indicative.

The search for people that can and will be enabled in an organization goes back to the question what you see if you look at people. This sounds cryptically, but it means that talent detection is personal. All people differ in their way they watch other people and how they weight biographies, credentials and reputations. For example, some leaders are fact-based and look mainly at former performances and track record. Others are convinced that personal abilities predict future performance and therefore assess and select people based on their IQ, emotional intelligence, adaptability, etc. And there is another group of executives who try to detect potential talent based on attitude and motivation that can be derived from personality types and career drives. From an academic standpoint, there is no right or wrong talent perspective-based tastes differ. Board members can define their own taste. The shared vision on the organizational talent taste reflects the human capital standard on company level.

People in the boardroom need to develop their taste in relation to their investment philosophy and their ability to define their taste in terms of common beliefs, notions and norms.

Boardroom members should have a common understanding about what human resources add value and where this comes from. On the individual level, they should become more aware of their own biases in assessing and judging employees and in selecting and enabling future leaders and directors in the company. The more transparent they are about their view of man and their perspective on the ‘right’ people for the work in the organization, the clearer the selection and promotion criteria for employees are.

### *Step 2. Organizational Talent Management – Engaging & Reinforcing OT*

The second step of talent management aims for mental onboarding and capturing the full potential. Furthermore, by engaging and reinforcing employee’s talent managers should optimize the returns on investments in human resources. This requires leadership and managing people in the most effective and efficient way. Transformational leadership seems to be the best recipe for success. This is a style of leadership in which the leader guides through inspiration and builds on the commitment of the members of the group [5].

This step can be defined from a number of perspectives. For example, a process perspective, a cultural perspective, a developmental perspective, a planning perspective, or a competitive perspective. The implications of each perspective on the transformation of organizational talent into human capital are quite stark [6]. In step 2 of the talent value chain the focus lies on talent management from a *process* perspective. This perspective links with leveraging human capabilities with the purpose of the company, i.e. creating and maintaining value for individuals and society.

This perspective draws attention on processes, structures and systems that should enable employees to perform and tap the full potential of human capital resources. Achieving a high

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performing or talent-driven organization, where individuals are expected to find the best opportunities to show-off their potential, could be a result of this perspective on talent management.

Step 2 starts with explaining why the organization exists and should bring everyone on the same page in terms of what they aim for. From Satya Nadella, CEO of Microsoft since 2014, we learn that a business leader should empower the people in the organization to be able to engage customers and transform the world in a better place. All employees should feel empowered and trusted by their manager. In other words, OT managers are chief's engagement officers, e.g. empower people to build on their strengths and reinforce good behavior and contributions to the greater good.

### *Step 3. Human Capital Management – Develop & Inspire HC*

Organizational leaders and operational managers play a critical role in leveraging organizational talent to generate performance and development [7]. Multiple meta-analyses support this relationship [8]. It is widely assumed that firm leaders' ability to motivate, shape, engage and encourage subordinates affect the organizational citizenship behavior (OCB), quality of work relationships, employee performance, productivity and added value [9].

Leaders who transform organizational talent into human capital navigate on the 4 P-compass of an exploitation-oriented organization: productivity, profit, purpose, and prosperity, and on the 4 C-compass of an exploration-oriented organization capacity, culture, context, and societal climate.

From a strategic talent management perspective, these notions suggest that step 3 will be optimized if the talent management is embedded in a learning culture. Namely, a team or company in which everyone is engaged in identifying and solving problem enables continuous improvement of performance and productivity [10]. Leaders that develop and inspire people shape them into human capital that can grow and serve as human assets of the company. Managers should take responsibility for the motivation, energy and productivity of the employees that are privileged to manage. 'The key is to getting more output for the same investment', as Mark Hurd, CEO of Oracle said in 2016. Following this statement, managers should partner with employees, partnering for performance and learning. By knowing their motives and their drives you can make a difference in the learning and development of employees. The ability of supervisors to get under the skin of every employee and to delve deep into what drives people has positive effects on leveraging individual capacity to productivity on the organizational level. Also, managing an inspired and learning workforce also includes providing employees with clarity and feedback specific to their work.

### *Step 4. Human Asset Management – Reward & Recognize HA*

The fourth step of talent management heralds the transition between human capital and human assets. In this phase people are rewarded and recognized by their managers as assets of the organizations. Managers should be aware of the fact that relationship quality in supervisor-subordinate dyads serves as an important contributor to individual and team performance. Low productivity mirrors therefore not only the output or quality of an employee; it also reflects the quality of the employment relationship between employer and employee [3].

That being said, in phase 4 employees could become human assets by their self-leadership and organizational citizenship behavior (OCB). OCB is closely connected with individual performance and the added value of an employee to the company [11].

Rewarding and recognizing strong performers, and training managers in how to elicit that employees represent the fourth phase of the TM-model as depicted in figure 1. It underlines the crucial role of assessment criteria and performance management norms in modern business

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organizations. World-class organizations have these normative aspects of talent management in place and do not underestimate the effects of that regarding their HR-, OT-, HC-practices. The result is a successful mix of employees who are living stones of the corporate mission, values and purpose.

## Conclusion and Recommendations

The new world of work urges organizations to invest in people who can become the value drivers of the company. As competition for all sorts of talent heats up around the world, organizations can't afford to continue treating people as human resources. Employee attitudes, energy, motivation, and other mental factors differentiate the firm from competitors in a manner where it may achieve above-normal returns [12]. Human resource management is a necessary but not sufficient condition for competitive advantage [13]. Organizations stay in business by investing in people with capabilities from an HR-perspective, but that is only the first step. Next to that, they align people's strength and/or potential with required tasks and roles and with learning opportunities. This second step relates to guiding employees towards expected behavior and performance aligned with the mission and purpose of the organization. The main themes here are engaging and reinforcing people that are employed in the organization, i.e. organizational talent.

After that, organization take the next step in terms of investing in the development and growth of people by inspiring them to become valuable for the organization. Human resources that cost money but also add value to an organization are defined as human capital. This third step is followed by the final step of transforming human capital into human assets. This is achieved by rewarding and recognizing employees for the value they have added to customer experiences or employee journeys in the company. In this phase of the talent management process managers let people shine as signatures of the company norms and values. This step is the end of the talent development process and the beginning of the next iteration of the talent value chain. The business case for strategic talent management is built on these notions.

Organizations could follow this model and talent perspectives. A scientific approach to talent development and organizational performance – focused on identifying potential for performance, understanding that performance, development, engagement, and motivation are contextual, and giving employees the experience, attention, respect, trust and support they need to succeed – will be an extraordinary source of competitive advantage in the coming decades. And it will help many more people transform themselves into valuable assets they were always meant to be.

Work is about improving lives by partnering for performance and movements forwards economic growth and social progress. This article helps companies to prevent a waste of human potential and to act more effective as investor in people and cultivator of talent. These aspects are not only aspects of economic sustainable companies but also parts of corporate social responsibility. In sum, world-class organizations know how to optimize the talent value chain and let us all win.

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