Effectiveness of talent management strategies

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Abstract: This paper investigates the effects of different types of talent management strategies on organisational performance. We introduce four different strategies and show how they affect organisational performance. For this purpose, we use a particularly detailed dataset of 138 Swiss companies. We find that talent management focusing on retaining and developing talents has a statistically significant positive impact on human resource outcomes such as job satisfaction, motivation, commitment and trust in leaders. Moreover, talent management practices with a strong focus on corporate strategy have a statistically higher significant impact on organisational outcomes such as company attractiveness, the achievement of business goals, customer satisfaction and, above all, corporate profit, more so than any other areas that talent management focuses upon.

Keywords: talent management strategy; organisational performance; Switzerland.


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1 Introduction

Since McKinsey’s proclamation of the War for Talent in 1998 (Chambers et al., 1998), the specific management of talents has been widely seen as a solution for the HR challenges that arise in today’s labour market (Beechler and Woodward, 2009; Scullion and Collings, 2011; Schuler et al., in press). Although a review of the literature shows that talent management is a growing field, the effectiveness of talent management and its added value have still not been accurately stated. Moreover, research dealing with talent management strategies and organisational performance is somewhat lacking; the question has not yet been answered as to whether deciding upon the right strategy would achieve the desired impact on organisational performance (Lawler, 2008). As a result, there is evidently a great need for empirical research to investigate the dynamics and impact of talent management strategies. It also has to be acknowledged that the research that exists is mostly confined to the USA, raising the question as to the extent to which talent management influences organisational performance in other labour market structures or cultures (Tarique and Schuler, 2010). The main objective of this study, therefore, is to address these research gaps by identifying the effectiveness and impact of talent management strategies on organisational performance. A second objective is to describe the extent to which organisational performance is associated with talent management strategies.

In addition to the fact that there exist various definitions of the terms talent and talent management (Ashton and Morton, 2005; Lewis and Heckman, 2006; Collings and Mellahi, 2009), the challenge is also to quantify and qualify the impact of talent management practices. As a result, most companies continue with subjective estimates when assessing the effectiveness of their HR practices (Becker et al., 2001; Anderson, 2008). Consequently, this paper details how the heads of HR, executives and supervisors perceive the effectiveness of talent management and what changes they have observed in their companies since the implementation of talent management strategies.

The remainder of the paper is organised as follows: the next section reviews the literature on organisational performance; we then move to the theoretical background of talent management and our related propositions before we present the methodology and results; and we end with the discussion and conclusions.

2 Literature review on organisational performance

Although the subject of talent management is frequently discussed, there are to date only a few empirical studies which analyse the impact of talent management on organisational performance. Nonetheless, a number of studies linking talent management to organisational performance have been published. These studies are mostly cross-industrial (e.g. Huselid and Becker, 1998; Ringo et al., 2008), but others concentrate on
particular sectors or specific sample groups (e.g. Gandossy and Kao, 2004; Joyce et al., 2007; DiRomualdo et al., 2009) or focus on case studies (e.g. Tansley et al., 2007; Yapp, 2009). Notably, most studies are predicated on web-based surveys (e.g. Axelrod et al., 2001; Guthridge and Komm, 2008; Ringo et al., 2008). As a result, previous research has consistently found a positive relationship between talent management and organisational performance.

Nevertheless, challenges arise in the evaluation of the effect of talent management strategies on organisational performance because organisational performance is defined in a range of ways. This is, for example, because performance is connected to various measures and goals depending on corporate strategy and size (Richard et al., 2009) or due to stakeholders’ different concepts of “‘good’ performance” (Lusthaus et al., 2002, p.109). In our analysis, we understand organisational performance as a multidimensional construct referring to three types of measurement for organisational performance as suggested by Dyer and Reeves (1994). As such, organisational performance is a conglomerate of (a) financial outcomes (e.g. company profit or market value), (b) organisational outcomes (e.g. productivity or customer satisfaction) and (c) human resource outcomes (e.g. job satisfaction or commitment).

2.1 Impact on financial outcomes

Looking at the situation from a financial perspective, researchers assess the relationship between competence in talent management and financial organisational performance and demonstrate why talent management is a worthwhile investment (e.g. Joyce et al., 2007). Organisations with a deliberate talent management strategy demonstrate significantly higher financial performance compared with their industry peers, for example, regarding operating profit (Axelrod et al., 2001; Guthridge and Komm, 2008; Ringo et al., 2008), sales revenue and productivity (Axelrod et al., 2001; Gandossy and Kao, 2004; Barber et al., 2005; DiRomualdo et al., 2009; Yapp, 2009), net profit margin, return on assets and return on equity (Joyce et al., 2007; DiRomualdo et al., 2009) or return on shareholders’ value and market value (Huselid, 1995; Huselid and Becker, 1998; Axelrod et al., 2001).

2.2 Impact on organisational outcomes

On the corporate level, a sustainable and strong corporate culture (DiRomualdo et al., 2009; Steinweg, 2009), a significant increase in operational excellence (Ashton and Morton, 2005; DiRomualdo et al., 2009) and better market access (Gandossy and Kao, 2004; Kontoghiorghes and Frangou, 2009) are the reported results of strong talent management competences. Moreover, a study by Towers Perrin (2005) suggests that talent management improves an employer’s image and attractiveness, but only if that strategy is transparent and clearly communicated both within and outside the company (Sebald et al., 2005).

2.3 Impact on human resource outcomes

Studies point out the positive impact on employee engagement (Gandossy and Kao, 2004; DiRomualdo et al., 2009). Additionally, companies with established talent management capabilities achieve improved quality and skills (Gandossy and Kao, 2004), higher innovative ability (Tansley et al., 2007; Kontoghiorghes and Frangou, 2009;
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Sullivan, 2009), higher job satisfaction amongst employees if they are given career and development opportunities (MacBeath, 2006; Steinweg, 2009) and, above all, a higher retention rate overall and of talent in particular (Sebald et al., 2005; Tansley et al., 2007; DiRomualdo et al., 2009; Yapp, 2009).

Finally, it remains open for debate as to which specific talent management practices distinguish outperformers from other companies. Joyce et al. (2007) reveal critical practices within the talent management process as a whole. Some researchers emphasise the significance and relevance of a transparent, clearly communicated, corporate specific skill set for identifying talent at the beginning of staffing procedures (e.g. ASTD and SHRM, 1999; Sebald et al., 2005; Joyce et al., 2007). Other studies highlight practices such as a company being understanding towards their employees and acting upon their attitudes; they emphasise the positive effect on organisational performance when they focus strongly on employees’ needs (Lockwood, 2006; Ringo et al., 2008). Overall, there is a tendency for studies not to report fully enough the degree to which other parameters influence the results or which variables were taken into account and how these were omitted.

3 Theoretical background on talent management

One of the key challenges scholars have experienced over the past decade has been unanswered questions regarding both the definition and the goals of talent management. As Lewis and Heckman conclude, there is “a disturbing lack of clarity regarding the definition, scope and overall goals of talent management” (2006, p.139). This might be one reason why practitioners find its realisation quite challenging, but nonetheless extremely important, for the company’s future (BCG, 2008).

To date, the field of characterisations and explanations as to what constitutes the essence of talent management is immense. Nevertheless, certain commonly held views are in evidence, as several authors have observed (e.g. Lewis and Heckman, 2006; Collings and Mellahi, 2009; Silzer and Dowell, 2010). An initial view emphasises the human capital aspect and therefore the definition of talent (e.g. Byham, 2001; Peters, 2006; Ready et al., 2008); a second view sees talent management as “a process through which employers anticipate and meet their needs for human capital” (Cappelli, 2008, p.1); and a third view perceives talent management as an instrument to reach economic outcomes (e.g. Gandossy and Kao, 2004; Lockwood, 2006). We go along with the second view: We understand talent management to be a distinctive process that focuses explicitly on those persons who have the potential to provide competitive advantage for a company by managing those people in an effective and efficient way and therefore ensuring the long-term competitiveness of a company. In light of this, an integrated talent management process could subsume HR practices, such as attracting and staffing, training and development, assessment and compensation, and focus on those workers who have – from their company’s perspective – the right qualifications, potential and performance level to deliver the desired results (Davis et al., 2007; Berke et al., 2008; Galagan, 2008; Schuler et al., in press).

Our analysis looks at the underlying talent management strategy and not individual practices in isolation. We argue that the strategic level more accurately reflects the multiple paths through which talent management procedures can influence performance
To tie in with our understanding, we focus on four possible aspects of talent management strategy. Notably, each of these strategies contains many distinct practices that form an integrated talent management process.

### 3.1 Talent management to support the corporate strategy

In this case, talent management is understood as a sum of activities to support the corporate strategy explicitly (e.g. to successfully expand business activities) (Becker et al., 2009; Silzer and Dowell, 2010; Boxall and Purcell, 2011; Schuler et al., in press).

There is some support for the concept that those organisations with a strong link between talent management practices and corporate strategy report higher (financial) performance outcomes (Huselid, 1995; Joyce et al., 2007; Tansley et al., 2007). Additionally, if companies emphasise one strategic goal over other goals, priorities can be settled on a corporate level and are no longer decided by workers on the front line (Lipsky, 2010). Therefore, the sum of activities is purposively focused on one superior corporate goal, and the impact on financial and organisational outcomes is higher. Furthermore, if talent management is recognised and realised as part of a corporate strategy, a companywide talent mindset can be implemented (Cohn et al., 2005); also, talents feel appreciated and have higher motivation and stronger commitment (Gandossy and Kao, 2004).

**Proposition 1a:** Talent management practices aligned with corporate strategy lead to higher financial outcomes such as company profit and market value.

**Proposition 1b:** Talent management practices aligned with corporate strategy lead to a higher impact on organisational outcomes such as company attractiveness, the achievement of business goals and customer satisfaction.

**Proposition 1c:** Talent management practices aligned with corporate strategy lead to higher human resource outcomes such as performance motivation and commitment.

### 3.2 Talent management to enable succession planning

The use of talent management diminishes the time spent hiring replacements for leaders and specialists. In focus is meeting the demand for the right people with the right competencies at that exact point in time when they are needed, either with internal successors or with candidates from outside the company (Cappelli, 2008; Hills, 2009).

According to previous studies, a proactive internal succession planning reduces transaction costs and, subsequently, raises corporate profit (Sebald et al., 2005; Steinweg, 2009). Furthermore, a seamless succession may reduce the loss of knowledge and enhance work quality, for example, because information and practices can be transferred personally (Conway, 2007). Also, since customer satisfaction is driven, amongst other things, by work quality (Evans and Jack, 2003), this strategy leads to an increase in customer satisfaction. Furthermore, if leaders inform talents about their future and the promising pathways open to them, talents trust in leaders as long as they fulfil their promises when talents satisfy their requirements; this integrity is a distinct factor in establishing trustworthiness (Mayer et al., 1995). Subsequently, according to the expectancy theory of Vroom (1964), this strategy convinces the talent to show far greater levels of performance motivation of talent, provided that the promised succession is a
result of individual desires (valences), that the talent is confident in what he is capable of doing (expectancy) and that he considers that he will get what has been promised (instrumentality).

Proposition 2a: A talent management strategy effectively influencing corporate succession planning will raise financial outcomes such as corporate profit.

Proposition 2b: A talent management strategy effectively influencing corporate succession planning will raise organisational outcomes such as customer satisfaction.

Proposition 2c: A talent management strategy effectively influencing corporate succession planning leads to higher human resource outcomes such as performance motivation, work quality and trust in leaders.

3.3 Talent management to attract and retain talent

Talent management practices ensure that the right people want to join the company and effectively bring new, talented workers into the company. Moreover, talented workers are identified and valued, and incentives exist to retain them (Ringo et al., 2008; Brundage and Koziel, 2010).

To attract and retain talent, the company needs to know what talents want and, consequently, have to set the incentive system in line with their needs. Subsequently, their esteem needs are fulfilled and, as a result, talents demonstrate higher job satisfaction and motivation (Maslow, 1954). Furthermore, talents are valued and retained by specialised programmes existing within the company; they get meaningful work combined with special rewards. According to previous studies, this appreciation and recognition leads to higher commitment (Beechler and Woodward, 2009; DeConinck and Johnson, 2009) and job satisfaction (Herzberg et al., 2008). Furthermore, the quality of work ought to be enhanced through the use of this strategy in view of the fact that experience is an essential source of learning (Kolb, 1984). The longer the talents stay in a company, the higher the level of company-specific knowledge and qualification remains. Furthermore, customer satisfaction is driven by work quality (Evans and Jack, 2003) and employee commitment (Reichheld, 1993), which is why this strategy causes higher levels of customer satisfaction. Finally, since employee commitment and customer satisfaction are essential value profit chain elements, this strategy enhances corporate profit (Reichheld, 1993).

Proposition 3a: Talent management with a focus on talent retention will raise financial outcomes such as corporate profit.

Proposition 3b: Talent management with a focus on talent retention leads to higher organisational outcomes such as increased customer satisfaction.

Proposition 3c: Talent management with a focus on talent retention leads to higher human resource outcomes, such as job satisfaction, motivation and commitment, and enhances work quality and qualification.

3.4 Talent management to develop talent

The development needs of talents are identified and met in an effective way while career options and paths are offered. Therefore, talents have the intention of developing their company-specific relevant skills (Ready and Conger, 2007; Ringo et al., 2008).
According to the agency theory (Pratt et al., 1991), talent management is a process which can be used to direct employees’ behaviour in a direction that fits business needs. Furthermore, the development of talents is an incentive to meet individual needs, and, subsequently, talents (agents) follow the company’s (principal’s) direction. This systematic investment in human capital not only causes employees to be more highly qualified and, subsequently, produce work of a higher quality, but also enhances intellectual capital. Since this is part of a company’s capital, the market value of a company also increases (Friederichs and Labes, 2006; Scholz et al., 2006). Furthermore, given that more qualified employees are more productive, this strategy leads to higher company profit (Pfeffer, 1994; Axelrod et al., 2001; Lawler, 2009). According to previous studies, career options and progress are crucial for the motivation of talent (Gandossy and Kao, 2004; McGrath, 2008), job satisfaction (Ellickson and Logsdon, 2001) and commitment (Bartlett, 2001). This arises because talents prefer non-material compensations, such as career perspectives, challenging job content and scope of action, over monetary compensation (Bulter and Waldroop, 2000; Gandossy and Kao, 2004; Ready et al., 2008) and are apparently looking out for developmental perspectives (Ready and Conger, 2007; Lawler, 2008). Therefore, companies who have this focus enhance their attractiveness as a preferred employer very easily by communicating this talent management strategy.

Proposition 4a: Talent management with a focus on developing talent enhances financial outcomes such as corporate profit and market value.

Proposition 4b: Talent management with a focus on developing talent enhances organisational outcomes such as an employer’s attractiveness.

Proposition 4c: Talent management with a focus on developing talent achieves higher human resource outcomes, such as increased work quality and level of qualification, and talents demonstrate higher job satisfaction, performance motivation, commitment and trust.

4 Analysis

The conceptual framework of this study is based on the four talent management strategies as well as on the three measurements of organisational performance, namely financial outcomes, organisational outcomes and human resource outcomes. The web-based survey was conducted between June and July 2010. Participants were members of the Association of HR professionals in Zurich, Basel and Bern, covering the main part of German-speaking Switzerland.

The survey was made up of three parts:

1. individual and organisational information
2. information about companies’ talents and talent management strategies
3. information about talent management controlling instruments.

To identify the main strategic goals of talent management strategies of Swiss companies, we asked the participants to rate different strategic goals which applied in their company. In the following analysis, we focus on the above-mentioned four strategies and analyse
the effect of each particular talent management strategy on three sets of outcomes. We measured the financial outcomes with two indicators, company profit and market value. The respondents had to declare whether the respective talent management strategy had an influence or not. To measure organisational outcomes, we used the ordinal-scaled indicators: company attractiveness, achieving business goals and customer satisfaction. The respondents had to evaluate the observed effectiveness of talent management since its implementation on these indicators, using a five-point Likert scale, from ‘very low’ to ‘no influence’ to ‘very high’. For human resource outcomes, we used six performance indicators: job satisfaction, performance motivation, commitment, work quality, qualification and trust. Here again the respondents had to evaluate the effect using a five-point Likert scale, from ‘very low’ to ‘no influence’ to ‘very high’.

To evaluate the effect of different talent management strategies on the binary dependent variables, company profit and market value, we used a logit model because we were interested in how a particular talent management strategy influences the probability of a positive evaluation of performance outcomes.

In order to test the propositions on the financial outcomes, we ran a logit regression of the following form:

\[ y_i^{*} = t_i \alpha + x \beta + \varepsilon_i \]

\[ y_i = I(y_i^{*} > 0) \]

where \( y_i^{*} \) is the dependent variable of the latent regression model for the financial outcomes, namely company profit and market value, and \( I(\cdot) \) is an indicator function that returns 1 if the latent variable is bigger than zero and 0 otherwise.

The effect of talent management strategies on the ordinal-scaled organisational and human resource outcome variables is analysed with an ordered logit model. Again we were interested in how a particular talent management strategy affects the probability of reaching a higher evaluation in the respective outcome variable. We ran an ordered logit regression of the following form:

\[ y_i^{*} = t_i \alpha + x \beta + \varepsilon_i \]

\[ y_i = j \text{ if and only if } k_{j-1} < y_i^{*} \leq k_j, j = 1, \ldots, J \]

where \( y_i^{*} \) is the dependent variable of the latent regression model for the human resource outcomes, such as job satisfaction, performance motivation, commitment, work quality, qualification and trust, and also the organisational outcomes such as company attractiveness, achieving business goals and customer satisfaction. A threshold mechanism divides the real line represented by the latent variable \( y_i^{*} \) into \( J \) intervals, using \( J + 1 \) threshold parameters \( k_0, \ldots, k_J \).

In both regression models we included a dummy variable \( t_i \) for each of the four talent management strategies. \( \alpha \) is the respective coefficient. \( x \) is a vector containing a set of control variables such as industry sector, company size, company revenue span and
company geographical structure dummy variables, including how long companies have conducted a formal talent management system, \( \beta \) is the respective coefficient vector and \( \epsilon_i \) is an independent and standard logistic distributed error term.

5 Results

The raw data consisted of 580 companies. To evaluate the impact of the strategic focus of the implemented talent management system, we excluded all companies without a formalised talent management system, and this consisted of 317 companies or 55%. After data cleansing, the working sample consists of 138 companies practising formal talent management, 17% of which are made up of small- and mid-sized companies, 21% with 250 up to 1000 employees, 33% with 1000 to 5000, 11% with 5000 to 10,000 and 18% of companies with more than 10,000 workers. The four biggest industries represented are the manufacturing sector with 37%, finance and assurance services with 25% and public agencies and retailers, each represented by 9%. A total of 8% of the companies were regional, 21% national and 71% international/multinational-oriented. In our sample, talent management is a relatively young phenomenon; in more than two-thirds of the companies, talent management practices have been implemented for less than six years.

The results of the regression analysis are shown in Table 1. For each talent management strategy, we ran either the above-mentioned logit or ordered logit regression according to the outcome variable analysed.

The third row of Table 1 shows the results of the effects of talent management, focusing on corporate strategy. This talent management strategy has a statistically higher and more significantly positive impact on company profit but no effect on market value, which is why our proposition 1a is only partly supported. The focus of talent management practices on corporate strategy has a positive effect on organisational outcomes, which corroborates proposition 1b. The statistically positive impact on performance motivation partly supports proposition 1c.

The seventh row of Table 1 shows results as to what happens if talent management is focused on succession planning. This strategy has a statistically significant and positive effect on company profit. Subsequently, this supports our proposition 2a. No statistically significant effect can be found on customer satisfaction, which is why we have to reject proposition 2b. Regarding human resource outcomes, there is a statistically positive effect on performance motivation, work quality and trust in leaders. This supports proposition 2c.

The results of a talent management strategy focusing on talent retention are presented in the 11th row of Table 1. We find no effect on company profit, which leads us to reject proposition 3a. A focus on talent retention has, as expected, a positive effect on customer satisfaction and on all human resource outcome indicators such as job satisfaction, motivation, commitment, work quality, qualification and trust in leaders. This supports propositions 3b and 3c.

The antepenultimate row of Table 1 presents the results of the effect of a talent management strategy, which focuses on developing talents. This strategy has a statistically positive effect on all the performance indicators we reviewed. These results corroborate propositions 4a, 4b and 4c.
Table 1

Regression results

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Financial outcomes</th>
<th>Organisational outcomes</th>
<th>Human resource outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company profit</td>
<td>Market value</td>
<td>Company attractiveness</td>
</tr>
<tr>
<td>TM strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate strategy</td>
<td>1.76*** (0.52)</td>
<td>0.63 (0.43)</td>
<td>1.62*** (0.48)</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>–66.57</td>
<td>–83.09 (0.51)</td>
<td>–96.28 (0.48)</td>
</tr>
<tr>
<td>Chi² (23)</td>
<td>39.64</td>
<td>24.87 (0.51)</td>
<td>41.21 (0.48)</td>
</tr>
<tr>
<td>Succession planning</td>
<td>1.19** (0.44)</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>–70.27</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Chi² (23)</td>
<td>32.24</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Retaining talents</td>
<td>0.65 (0.44)</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>–72.04</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Chi² (23)</td>
<td>28.69</td>
<td>– (0.41)</td>
<td>– (0.42)</td>
</tr>
<tr>
<td>Developing talents</td>
<td>0.90** (0.46)</td>
<td>0.98** (0.41)</td>
<td>1.18*** (0.43)</td>
</tr>
<tr>
<td>Log likelihood</td>
<td>–71.14</td>
<td>–81.10 (0.43)</td>
<td>–98.66 (0.43)</td>
</tr>
<tr>
<td>Chi² (23)</td>
<td>30.50</td>
<td>28.84 (0.43)</td>
<td>36.45 (0.44)</td>
</tr>
</tbody>
</table>

Notes: Standard errors in parenthesis.
Control variables: industry sector, company size, company revenue, company geographical structure and duration of formal talent management system.
Significance level: * 10%, ** 5% and *** 1%, N = 138.
6 Discussion

In this section, we examine the results from the four strategic perspectives considering the propositions mentioned above.

6.1 Focus on corporate strategy

Talent management practices with a strong focus on corporate strategy and its alignment with overall corporate goals have a statistically higher significant impact on corporate profit; one that is greater than that of any other focus on talent management practices. This might be, for example, because companies aligning their HR activities along a given strategic direction have lower coordination costs and achieve synergy advantages (Boxall and Purcell, 2011). Furthermore, to the extent that changes in the corporate environment evoke a particular talent management response, talent management is finally all about making business strategy work. Therefore, Boxall and Purcell (2011) argue in favour of an accord harmony between corporate strategy and talent management. The strong impact on organisational outcomes that companies which excel in talent management strategy show underlines the relevance of this match. Subsequently, the strong strategic focus on one superior goal pursued consecutively with this talent management strategy also explains the higher level of success in achieving business goals. Furthermore, it seems that having clear goals (Locke and Latham, 1990) and being appreciated by the highest corporate level (Herzberg et al., 2008) considerably raise talents’ performance motivation.

6.2 Focus on succession planning

Talent management, understood as a strategy to meet a company’s demand for the right people at the right time and place, has a strong impact on corporate profit. On the one hand, it links back to lower transaction costs, since internal successors can be discovered and introduced to new work places more easily than external successors. On the other hand, it seems that this strategy successfully accomplishes information flow and reduces the loss of knowledge because established and proven practices can be more easily adopted personally from predecessors, which may also explain the positive impact on talents’ work quality. The non-existent effect on customer satisfaction might be because work quality is only one criterion for customer satisfaction and maybe not appreciated as much in this sample as a continuing customer–employee relationship (Reichheld, 1993). The statistically highly significant increase in trust and in performance motivation could be a result of the perceived calculability of the future as well as of the integrity of the leaders. Talents know which pathways are promising and thus know about their possible future positions. According to the expectancy theory (Vroom, 1964), this is why talents show higher motivation. Furthermore, this belief held by talents that the promises of their leaders can be relied upon seems to play a crucial role in building up trust in those leaders.

6.3 Focus on attracting and retaining talents

The perceived non-existent effect on company profit is quite surprising. It might be that the costs associated with retaining talents are rated higher than the benefit itself, which is why the direct impact on profit cannot be valued. Nevertheless, this talent management
strategy leads to higher customer satisfaction, which supports the results of earlier studies (e.g. Kontoghiorghes and Frangou, 2009). This might be the consequence of a higher employee commitment pursued with this strategy, which causes, subsequently, long-term customer relationship (Reichheld, 1993). Obviously, a certain degree of continuity and consistency is very highly appreciated. The statistically highly significant impact on the level of talent shows that identifying the right people and having special programmes to keep them in the company raise their work quality and qualification levels. This effect might be due to a progressive accumulation of company-specific knowledge caused by a successfully managed (organisational) learning process pursued in tandem with the said strategy (Senge, 2006). Moreover, as talents are part of a privileged group of employees and are valued, they show a higher level of job satisfaction, performance motivation and commitment.

6.4 Focus on developing talents

Focusing on the development of talent is equal to making systematic investments in human capital. As a result, the intellectual capital rises and influences not only the current market value, but also that in the future. Regarding the organisational outcomes, talent management with a focus on development has a statistically higher significant effect on an employer’s attractiveness. This arises because it is apparent that talented workers are looking for career paths, developmental perspectives and challenging work contents. It seems that companies in this sample communicate their talent management strategy successfully because they reach a high position in the rankings as a preferred employer. Changes observed at the individual level since the implementation of this talent management strategy are a statistically significantly higher job satisfaction, performance motivation, commitment and higher trust in leaders, as employees are given career and development perspectives and goals according to their competencies and engagement levels. Leaders believe in talents and invest in their human capital. Therefore, we find a reciprocal relationship between the involved parties (Dabos and Rousseau, 2004). Talents trust in leaders and make their investments pay off (Hitt et al., 2001).

7 Conclusion

In this paper, we sought to characterise talent management strategies and their impact on organisational performance by evaluating perceived effectiveness. We disclose why talent management is a worthwhile investment, highlighting the impact of pursuing a talent management strategy on financial, organisational and human resource outcomes. We revealed that talent management practices with a strong focus on corporate strategy have a statistically significant, positive impact on corporate profit; an impact that exceeds any other focuses of talent management. Talent management strategy, which aims to support the succession planning, has the weakest impact on organisational performance, particularly on non-financial outcomes at both the organisational level and the human resource level. It seems that this component is what traditional human resource management always consisted of, managing human resources, but doing so in a more effective way. We found the pursuit of a strategy focusing on the attracting and retaining of talents to have the greatest effect on human resource outcomes, underlining its value.
for improvement in work quality and levels of qualification. The focus on developing talents has a statistically significant, positive effect on almost all the performance indicators reviewed. This reveals the significance of focusing on employees’ needs and meeting their expectations.

Overall, all strategies have a direct effect on talent motivation: being part of a privileged group and getting attention and appreciation must undoubtedly have a distinct impact on talents’ performance motivation, either because talents want to remain in an elected group of employees or because they want to turn to account the investment and trust provided by the company.

This study should be interpreted by taking into consideration its limitations. The non-random sampling design and the relatively small sample mean that the generalisability of the results is limited. The data was collected from three associations of HR professionals in the German-speaking part of Switzerland. Furthermore, all data was collected through a survey from heads of HR, personal managers, executives and supervisors. A full 360-degree instrument would be useful in determining more accurately the effects of talent management, particularly at the workforce level. Also, the different focuses in talent management strategies are not necessarily aligned with completely different practices, but with different core areas. Future research could take this into account.

At present, this study reports a promising association between distinctive talent management strategies and outcomes, but we are not yet in a position to assert cause and effect. Additionally, this data should be verified with other metrics and financial measurements. Nevertheless, this study opens the door for further research on and analysis of the perception of talent management at the workforce level.

References


Effectiveness of talent management strategies


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