

# TALENT MANAGEMENT AS A FACTOR OF QUALITY EMPLOYEE CARE

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## **Abstract**

This paper deals with approaches to talent management, their effectiveness and the way they are seen and used in companies in different conditions. The successful implementation and use of talent management in a company leads to a competitive advantage, which delivers the best results and gives satisfaction to all of the interested parties. In the current global economic slowdown, people are very important as an intangible asset for any company and it is necessary to have them technically proficient, able to respond flexibly to change, talented, creative and qualified to carry out innovation. The major aspects of talent management practiced within an organization must consistently include; performance management, leadership development, workforce planning/identifying skills gaps and recruitment. This paper analyses the importance of focusing on talent management implementation and methods. Some examples of successful talent management implementation in Czech companies are analyzed and the results of an international survey on the implementation of talent management in selected companies are presented.

## **Introduction**

Talent management became a new phenomenon in the 1990's and continues to be adopted in many companies worldwide. Talking about talent management means that organisational talent is a valuable resource that must be actively managed. The reason is that many companies realized that their employees' talents and skills drive their business success and therefore it is important and efficient to invest in the talent management process. It is necessary for companies to understand that nurturing of talented employees has to be developed continuously. Companies need to have a developed system for identifying talented employees which is the first, very important step in the procedure. Talent management is very often connected with processes which help to identify and develop leadership candidates. Talent management refers to the process of developing and integrating new workers, developing and retaining current workers, and attracting highly skilled workers to work for your company. The issue with many companies today is that many organizations put tremendous effort into attracting employees to their company, but spend little time retaining and developing talented employees. A talent management system must be integrated into the business strategy and implemented in the daily processes throughout the company as a whole.

So, what can companies do to find qualified potential leaders? Of course they can try to find them from outside sources, but many companies view this as a complicated procedure which is both money and time consuming. The first step should be to pay attention to internal talent sources. They should tap into the quality people already in the organisation and thus develop and retain their own talent. If the company can find effective ways to identify and develop

their own talent, they can ensure that -- in an increasingly difficult business environment -- they have the people they need. [1]

To implement talent management approaches in companies we have to show the economic arguments to support their use. Fundamentally, there are two main arguments in support of effective Talent Management:

1. Recurring costs are reduced

Put simply, it is more cost effective to identify, develop and retain talented management than to replace lost talent through recruitment from the external labour market. Various studies estimate (conservatively) the cost of replacing an executive can run into several times the salary of that executive. For example, research from Ernst and Young estimates the average cost of replacement at \$1 million.

2. Economic outputs improve

Over the last several years, there has been a growing body of research and evidence that clearly shows the incremental economic value that talented, high performing people deliver.

For example in Australia, a number of irreversible and unavoidable trends in business today have been identified which support the need for organisations to focus on managing their leadership skills and which can be seen in many other developed countries worldwide.

- Accelerated retirements – the ratio of people employed to people over 65 has been decreasing rapidly. Today for each person over 65 there are six people employed. However, it is projected that by 2025 there will be only three people employed for each person over 65.
- ‘Psychological contracts’ - trust and loyalty between an employer and an employee has gradually weakened over the last decade and is now quite fragile in many organisations. This often results in a leadership type, who are more interested in managing their own careers than in being guided by ‘paternal’ employers. Leaders today are more prepared to make moves between organisations and industries to pursue their own goals of self-development, financial security, personal challenge and/or lifestyle.
- Leadership talent as a competitive differentiator - quality of leadership is one of the top factors in determining an organisation’s ability to succeed. [1]

## **1 International Survey of Talent Management**

In May 2008 specialists from Human Capital Advisory Services did a survey of 58 of the World’s largest companies to find out their talent management approach. Some international companies were included in FTSE 100, some were key government organisations. These companies were from different spheres of business (15 from financial services, 18 from business and biological sciences and 12 from the public sector). The rest of the organisations were from technology, media and communications. Eleven of the questioned companies were from Central and Eastern Europe. Companies were questioned over six weeks in February and March 2008 and human resources managers or the managers responsible for a talent management programme took part. During the interviews they were given many qualitative and quantitative questions in order to help understand not only the current procedures for the creation of opportunities but also the problems which the organisations have to face.

The results proved that most of the companies were aware of the importance of talent management and used basics principles, but many lacked a sophisticated approach including innovation, cooperation, and participation, and supported and managed by the company executives.

In relation to the ageing population and the increasing number of the Y generation, talent management strategies have to be enlarged and innovated to cover new areas, not only recruitment and stabilisation in order to gain and retain talented workers. The right and effective strategy of talent management is one of the key factors to a company's success.

These are the main findings of the study:

- 76 % of organisations focus their talent management efforts primarily on workers with a high potential to be top managers. The conclusion is that it is necessary to implement a more open approach which will identify talented employees and key segments of workers within the whole hierarchy of any organisation;
- 75 % state that the organisation of talent management and its implementation is led by the HR department. The survey showed that success also depended on whether talent management principles were supported throughout top management as well;
- Only 25 % of the companies surveyed realized that a direct working contact with company leaders was a very strong stabilisation instrument for talented employees;
- 60 % confirmed that they tried to connect workers within social matters of corporate social responsibility;
- 80 % of companies use traditional approaches of evaluation and remuneration based on annual results. Nevertheless, with a specific system of appreciation for talented employees, companies could differentiate themselves from competitors and make themselves more attractive on the labour market;
- The entrance of the Y generation will bring new talent management strategies to keep in step with new specific requirements of this young generation;
- Organisations will have to implement new technology and networks which enable higher cooperation and innovation;
- New models of talent management will be implemented mainly in departments relying on outsourcing as in the HR, financial or IT departments. [4]

## **1.2 The Situation in the Czech Republic**

The survey of talent management in the Czech Republic found that big Czech companies do care about the talent management process. Nevertheless, the level of talent management strategies varies significantly. Firms identify their talented employees and have prepared mainly formal development programmes for them. The main aim of talent management is usually to plan for succession.

The survey showed differences with questioned companies in other countries too. The talent management process in Czech companies could be deeper and more focused on the specification of groups included in the talent management process. Most often talent management is connected with key workers, successors and graduates. These groups have different levels of specific development programmes. There are huge opportunities for Czech companies in the clear identification of these groups and the definition of suitable programmes for these talented employees to fulfil the objectives of these groups. Firms should use a job rotation system, create combined teams, provide international internships, support networking and other programmes, which enable talented employees to identify deeper with the company.

Below are two examples of talent management approaches in Czech companies. One is a big car components company; the second is a company producing jewellery. In both cases, the

economic slowdown in the last year has affected the HR budget and the talent management activities connected with them.

1. The car company already has a developed system of talent management programmes. There are specified groups of talent management for graduates, university educated people and candidates for management positions. The company realized that there was a huge talent potential among employees with secondary education too. The company has identified the advantages of this target group – a large number of employees in the company (more than 50%), with a high interest to develop themselves (nearly 90% from the target group), lower requirements, and inherent potential.
2. The jewellery company – this company also realizes the importance of talent management programmes. Up to now, there has been no programme for talented people in the company, but the company planned to identify talent potential and develop a programme for it in connection with the company's global strategy. Unfortunately, due to the complicated economic situation on the market, this company is an example where the HR budget was very limited for the year 2009 and the company could find no way to implement this proposed talent management programme.

## **2 Economic Crises and Talent Management**

The situation on the labour market has been changing in the last couple of month. The unemployment rate has increased and to find new qualified employees has become less complicated. Nevertheless, in the midst of this complicated economic situation it is a key factor to find employees who are in step with current new requirements and who understand the main economic, financial, production and organisational problems of today's economic crisis. The advantage of those companies which have already implemented talent management programmes are clearly visible. It enables the promotion of potential talent in this complicated economic situation. In this economic crisis, talented employees are very important because of their high potential and sustainability for professional growth in new areas. Talented employees' share of company efficiency is higher than expected and the value added by talented employees exceeds expectations. Only talented employees can help a company survive in conditions of economic crisis. There is a proven relationship between talent management and the efficiency and effectiveness of a firm. If the company has not enough qualified employees, it is limited in innovations and unable to react quickly to new problems.

The Softscape 2009 State of Global Talent Management survey report confirms that even in the midst of a global economic slowdown and continuous reports of job cuts, talent management or human capital management (HCM) has been thrust to the forefront of corporate strategy. Indeed, 74% of the organisations surveyed – and 83% of large enterprises – now believe that nowadays integrated talent management is mission critical.

Ranked in order of importance, the top HR challenges for 2009 are:

1. Hiring talented employees & filling key positions
2. Improving the leadership succession pipeline
3. Engaging & motivating the workforce
4. Identifying & retaining high performers
5. Building a performance-oriented culture [6]

More than 70% of companies believe that organisations with integrated talent management strategies and processes have a better financial performance than those that have not integrated their talent functions. Integrated talent management facilitates the hiring, development, engagement, and retention of high performing talented employees, which, in

turn, drives the bottom-line financial performance, customer satisfaction, and competitive advantage.

Companies should answer the question if they care about their talented employees effectively and do not risk losing them in these difficult times. There is a noticeable decrease in budgets for HR activities. This could be the reason why a company can easily lose its talented employees. Paradoxically, it has become more and more common that people leave the private sector, which seems to be more unstable, in order to work on some interesting projects in the public sector. To get a top position in such an important state project can be a good challenge for talented employees.

To survive the current economic obstacles can be seen as the main challenge for companies in 2009. On the labour market, the key factor is to retain talented employees and, moreover, to gain some new ones.

The guidelines to ensure this can be summarized as follows:

- To develop programs for talented employees, which enlarge their abilities and knowledge;
- To place employees in positions where they can use their talent to the maximum;
- To create a network among employees to help them achieve their objectives. [5]

This is a big task for HR managers to achieve with their limited sources. Here are some ideas which can help to keep talented employees in the company.

- Evaluation of the current system of benefits – it is important to find out if the current system of remuneration fulfils employees expectations and if we pay them according to their effort. Does the system of benefits motivate talented employees?
- Focus on the system of management of execution – you should evaluate if your system of management of execution is really motivating for employees – can managers use tools such as target determination, evaluation of objectives, motivation and coaching.
- Motivate through targeted education and development programmes – the budget for educational activities will probably decrease due to the economic crisis. Nevertheless, it is necessary to remember to prepare careers and development plans carefully. In cases where there is a budget cut, it is a good idea to at least implement cheaper forms of the job training, such as mentoring and coaching.
- Development of talented employees and rapid promotion opportunities — it is important to enable talented employees to be rapidly promoted in a crisis. It is important to promote talented people to higher posts or authorise them for key projects where they can apply their abilities and skills.
- Hiring of new employees – the labour market currently offers more qualified and talented people, who can bring to the company new ideas, experience and enrich the company environment. [6]

This economic situation will probably cause HR budget cuts one way or another. It is necessary to realize that the economic situation will improve again and to be prepared with high quality employees for new economic growth. [8]

## Conclusion

It is not surprising that in this period of the economic slowdown the importance of talented people has increased. The current labour market offers a larger supply of qualified and talented employees. It is very important that companies continue to invest in HR activities and maintain and develop their talent management programmes. This will ensure the competitive advantage of any company and will help it to be successful in a strongly competitive market.

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## **TALENT MANAGEMENT JAKO FAKTOR KVALITNÍ PÉČE O ZAMĚSTNANCE**

Příspěvek analyzuje přístupy k řízení talentů v podnikovém prostředí. Seznamuje se základními principy a poukazuje na význam této strategie v rámci konceptu řízení lidských zdrojů, který v dnešní složité ekonomické době představuje pro firmu důležitou konkurenční výhodu. Význam procesu řízení talentů je prezentován výsledky mezinárodního výzkumu od Human Capital Advisory Services. Ten ukazuje na existenci programů řízení talentů také ve firmách v České republice, poukazuje však na jeho nedostatečnou propracovanost. Jsou zde uvedeny 2 příklady velkých českých společností z pohledu řízení talentů. Závěr příspěvku seznamuje s významem řízení talentů v době ekonomické krize. Tento příspěvek vznikl v rámci výzkumného projektu "Společenská odpovědnost firem se zaměřením na aplikaci normy ISO 26000 v Evropě", který je realizován v roce 2010 z finanční podpory specifického výzkumu na Hospodářské fakultě Technické univerzity v Liberci.

## **TALENTMANAGEMENT ALS FAKTOR EINER QUALITÄTSGERECHTEN MITARBEITERBETREUUNG**

Der Beitrag analysiert die Verfahren für das Management der Talente im Unternehmensumfeld. Er macht mit den grundlegenden Prinzipien bekannt und verweist auf die Bedeutung der Strategie im Rahmen des Konzepts des Managements menschlicher Ressourcen, das in der heutigen komplizierten Zeit der Wirtschaft für die Firma einen wichtigen Wettbewerbsvorteil darstellt. Die Bedeutung des Prozesses des Talentmanagements wird durch die Ergebnisse der internationalen Forschung von Human Capital Advisory Services präsentiert. Hier wird unter anderem auf die Existenz von Programmen des Talentmanagements auch in Firmen in der Tschechischen Republik, allerdings auch auf ihre unzureichende Durchdachtheit, verwiesen. Genannt werden an dieser Stelle zwei Beispiele großer tschechischer Gesellschaften unter dem Aspekt des Talentmanagements. Der Schlussteil des Beitrages betont die Bedeutung des Talentmanagements in der Zeit der Wirtschaftskrise. Dieser Beitrag entstand im Rahmen des Forschungsprojektes "Gesellschaftliche Verantwortlichkeit der Firmen mit Orientierung auf die Anwendung der Norm ISO 26000 in Europa", das im Jahre 2010 mit finanzieller Unterstützung der spezifischen Forschung an der Wirtschaftsfakultät der Technischen Universität in Liberec realisiert wird.

## **TALENT MANAGEMENT JAKO CZYNNIK DOBREJ TROSKI O PRACOWNIKÓW**

Artykuł analizuje podejście do zarządzania talentami w środowisku firmowym. Przedstawia podstawowe zasady i wskazuje na znaczenie tej strategii w ramach koncepcji zarządzania zasobami ludzkimi, która w dzisiejszych trudnych ekonomicznie czasach stanowi dla firmy ważną przewagę konkurencyjną. Znaczenie procesu zarządzania talentami jest prezentowane na podstawie wyników międzynarodowych badań Human Capital Advisory Services. Wskazują one na istnienie programów zarządzania talentami również w firmach w Republice Czeskiej, wskazując jednocześnie, że są one w niewystarczającym stopniu dopracowane. Przytoczono 2 przykłady dużych czeskich spółek, omówione pod kątem zarządzania talentami. W zakończeniu artykułu zaprezentowano znaczenie zarządzania talentami w czasach kryzysu gospodarczego. Artykuł ten opracowano w ramach projektu badawczego pn. "Odpowiedzialność społeczna firm z orientacją na wdrożenie normy ISO 26000 w Europie", który jest realizowany w 2010 roku w ramach dofinansowania badań specjalnych na Wydziale Gospodarczym Uniwersytetu Technicznego w Libercu.