



# Talent management in a microeconomy

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## ABSTRACT

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In recent years, there has been a growing interest in talent management, but there is still considerable debate with regard to understanding of the meaning of talent. While talent management has been criticized for the lack of conceptual and intellectual foundation, this paper aimed at exploring the systematic approaches to talent management in Icelandic organizations. A qualitative study was performed and interviews were conducted with 10 human resources managers. The results indicated that there were positive attitudes towards the talent management. Also, the interviewees described talent management as a rather new phenomenon within Icelandic companies. Talent management was defined by the managers as a powerful tool to monitor, attract, and develop their employees' skills and retain new talent.

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In today's competitive global environment, firms are facing major challenges in relation to global talent (Schuler, Jackson, & Tarique, 2011; Tarique & Schuler, 2010). Irrespective of geographical location, organizations' talent management of knowledge workers and high potentials is of increasing strategic importance (Vaiman, 2010). In the past, the focus of interest was on increasing production and the managers strove to find the most effective way to increase productivity. Through the years the priorities have changed. These days, the focus is on utilizing the human resources of each company and cherishing them (Schweyer, 2004; Torrington, Hall, & Atkinson, 2011). In 1980s, new management theories emerged; as a consequence, employees were considered human assets as key elements of value creation process in companies. In the wake of these, organizations attempted to integrate human

resources and business strategies to achieve maximum effectiveness and competitive advantage. In 1997 and 2000 McKinsey conducted a study and raised the attention of companies to reduce the candidacy of employees and help recruit and retain talented individuals (Chambers, Foulton, Handfield-Jons, Hankin, & Michaels, 1998; Michaels, Handfield-Jons, & Axelrod, 2001). Nowadays, employees are increasingly considered as valuable resources in companies and talent management plays a vital role in managing this resource. Rothwell (2008) has even argued that talent management departments will take more responsibility than human resources departments in the near future. During the economic crisis in Iceland, unemployment rose dramatically and many organizations failed; however, the economic outlook has improved significantly and unemployment has been reduced from 14 per cent in 2008 to 3.4 per cent in 2016. This study seeks to explore talent management approaches in Icelandic organizations as they adapt to a tighter labor market.

### **The Review of Literature**

Iceland is an island in the center of North Atlantic with a population of around 330,000. The Icelandic economy is largely based on services, which account for nearly 68 per cent of the gross domestic product (GDP). Manufacturing industries, construction, and utilities make up 22.4 per cent of the GDP. A total of 99.6 per cent of Icelandic firms are micro, small, or medium-sized where the main growth is in tourism. In October 2008, the Icelandic economy collapsed due to failure of all major private commercial banks in the country. It was considered as the largest collapse of a banking system by any country in the history. The national currency, the Krona or Crown, collapsed in value and therefore other foreign currency transactions were suspended for weeks. As a consequence, the market capitalization of the stock exchange fell by more than 90 per cent. In the aftermath of the collapse, Iceland underwent a severe economic recession. The nation's GDP dropped significantly and the unemployment rate increased from 1 per cent to 14 per cent. As a result, the activity rate fell from 84 per cent to 79 per cent, the average number of work hours per week fell from 46.9 per cent to 44.9 per cent, and finally inflation rose from 3.6 per cent to 16.3 per cent. Such business environment put a considerable strain on the managers especially when it came to the restructuring and reorganization of companies. Under these circumstances, human resource managers played a key role. The interest of scholars and practitioners in talent management has been great over the past decade, and many people have grasped the concept and studied it (Scullion, Collings, & Caligiuri, 2010). There are many definitions for talent management and the way it is ordinarily understood vary widely. It is also controversial how much factors affecting effective talent management can influence on the daily activities of human resource managers and whether or how these factors can be classified under human resource management (Armstrong, 2006; Hosseinzadeh Nojehdeh, 2015). It has been found that the main difference between human resource management and talent management is that talent management processes are not separate but associated with the talents of each company which enables managers to find the right people for the determined tasks faster than traditional methods. It has also been found that talent management is considered as a part of human resource management due to its emphasis on talented individuals in the organizations (Saadat&Eskandari, 2016). In addition, the focus is placed on the employees' different needs

and the rewards are determined based on their performances. In human resource management; however, the focus is on working with the entire staff of the company but not with particular talented individuals. Therefore, it is believed that talent management cannot work independently and will always need the support of human resources (Chuai, Preece, & Iles, 2008; Hosseinzadeh Nojehdeh & Sattari Ardabili, 2015). Armstrong (2006) considered talent management as a part of human resource management which strives to provide a positive workplace and create programs that build an effective organization through integrating talent and knowledge management. In order to meet the different needs of employees within companies more efficiently, human resources are often divided into departments. These departments are consisted of talent management, knowledge management, performance management, and reward management. How well a company succeeds in competition depends on its performance which relies on the employees who can represent the most competitive advantage of company. Therefore, it is very important that systematic effort leads into the development of talent within the company (Armstrong, 2006). It may be difficult to bring talent management into the daily work of management because it needs to be present in the organizational culture which supports the policies and objectives of the organization (Rothwell, 2005; Zula, 2007). In addition, Paradise (2009) pointed out the importance of presenting a good definition of talent which all companies need. Companies can also increase their competitive advantage by having a good set of future managers to choose from them at the time of need instead of wasting time in search of new managers (Leibman, Bruer, & Maki, 1996). Kim (2010) believed that the best way to measure the benefits is to observe how many qualified employees are available within the company and how long it takes to find the right person for the right position or job. However, it is often difficult to measure the benefits of an effective talent management, especially with regard to financial profit (Kim, 2010). It seems quite difficult to define what talent management is which can affect how it is utilized in various businesses. Generally, it is used in a very broad sense and focuses most on important human resource management practices. Thus, practitioners and scholars struggle to identify what falls under talent management and how its factors influence the daily work of human resource managers (Armstrong, 2006; Capelli, 2000; Silliker, 2011). Scholars such as Lewis and Hackmen (2006) stated that talent management only exists to shed new light on the theories of human resource management. In this view, talent management addresses the same tasks as human resource management. Although it solves them in a short period of time, it adds no knowledge or proficiency to the talent management.

## **Method**

This study used qualitative research with the objective of gaining insight into the participants' experiences. Conducting interviews provided opportunity to gain a deeper understanding of the subject matter (Creswell, 2007). The statistical population of the study consisted of 10 employees who were selected in regard to their position, knowledge of the study materials, and the size of the company they worked for. Table 1 presents the information about the number of participants, their companies, and their positions.

Table 1  
*Number of Participants, Companies, & Positions*

	Operation of Company	Number of Employees	Positions
<i>Participant 1</i>	Tourist Services	150–250	HR
<i>Participant 2</i>	Financial Services	350–500	Staff Manager
<i>Participant 3</i>	Production and design	350–500	Corporate Director and HR
<i>Participant 4</i>	Computer and Software Store/Services	250–350	HR
<i>Participant 5</i>	Production and Distribution	350–500	Talent Manager
<i>Participant 6</i>	Financial and Software Services	150–250	HR and Communications
<i>Participant 7</i>	Production and Exportation	350–500	Executive Director of HR
<i>Participant 8</i>	Insurance Company	150–250	Director of HR and Operations
<i>Participant 9</i>	Insurance Company	150–250	Executive Director of HR
<i>Participant 10</i>	Telecommunications	350–500	HR

The interviews were conducted in these companies from October 2014 to January 2015. Each interview was 30 to 90 minutes long. All interviews were audio-taped with prior authorization from the participants.

## Results

In general, participants were rather positive towards the ideology of talent management. Although many of participants admitted that their companies could always perform better, all believed that their companies were aware of their employees' skills. Some thought that both human resource management and talent management were so closely linked that it was sometimes difficult to tell them apart. It was also pointed out that some companies did not use the term "talent management" and considered it as a part of normal human resources management. In the interviews, a great emphasis was placed on the changes that had taken place in human resources in recent years. In these interviews, most of the participants not only cited their present jobs, but also their overall working experiences as human resource managers in similar positions. Furthermore, all participants agreed that human resource issues have become more important in companies over the recent years. The status of human resources has also changed in corporations as they have the role of human resource managers. Payment and contracts used to be a large part of their daily activities, but today human resources are seen as part of the business strategy. According to the obtained data, all of the participants considered human resource issues as the most important factors in the companies. The interviews also revealed that the participants had similar views on the types of talents that were important for an employee to have. The most frequently mentioned talents or skills were cooperation skills, communication skills, organizational skills, service, and conscientiousness. It is important to answer the questions such as what kind of employees they have, what kind of employees they will need to have in five or seven years, and how they can direct their employees to that way. In terms of the benefits of talent management, it was often stated that companies should place a greater emphasis on job development. The greatest benefit is that people especially the experts did not stagnate at work. Talent management helps the people within the company to realize what their talents are and help them to strengthen and develop their skills for the benefit of the

employees and organizations. Moreover, it was noted that human capital was considered as the highest cost of each company. Therefore, it is very important to invest in the right employees to reduce the possible costs and avoid losing knowledgeable employees. It is clear from the interviews that all participants felt that talent management would serve their company in one way or another in the future. The participants concluded that the definition would probably need more time to evolve and become better as human resource practices mature.

### **Discussion**

All of the participants were rather positive toward the ideology of talent management, but most felt that they did not know the literature well enough in order to fully elaborate the concept. Participants described how their roles had changed over the years and how nowadays more emphasis is placed on recognizing talented people. According to the participants' answers, there was also a need to identify what kind of talents each company needs. Several factors emerged that were generally considered employee talents such as cooperation skills, communication skills, organizational skills, solicitude and conscientiousness. Previous studies have provided a similar picture of a talented employee and defined this person as someone who has ambition and interest in his or her profession, can work well with others in a group, and is flexible as an individual (Tansley, 2011). In some studies, the communication skills of participants were considered very important which is consistent with the works of other scholars (Vilhjálmsdóttir & Gústavsdóttir, 1999). Generally, all participants agreed that it was difficult to define the employees' talents according to their jobs, departments, and industries. This corresponds with what scholars have emphasized in order to define the talents of each employee in each job (Rothwell, 2008). Ready and Coger (2007) stated that all skills could not be harnessed in all jobs. The aspects such as types of talents and the way they were employed were much discussed in the interviews. As a result, it is important to identify the appropriate skills needed for each job and then find the right employee during the recruiting or hiring process. Many of the participants agreed that it was all about having the right people in the right places. This corresponded with the study of Ready and Cogen's (2007), who considered briefly the main elements of talent management to develop, motivate, and retain good employees. Therefore, the greater emphasis was placed on keeping the key employees and providing sufficient training and development for them; therefore, it did not lead to the stagnation of employment. This was in line with prior research that has indicated that organizations were able to provide a pleasant and inspiring work environment as well as career development opportunities for employees who increased the loyalty and engagement of employees towards the company (Backhausen & Thommen, 2006; Johnson, Scholes, & Whittington, 2008).

### **Conclusion**

The research revealed a general positive perspective towards the concept of talent management, although most participants thought they had limited knowledge of this concept. A lack of understanding of what factors could be classified under the notion of talent management was prominent. Furthermore, it was very difficult to measure how much human resource managers have already known about this concept. Many aspects of talent management were emphasized,

though they were not necessarily mentioned by name. It was clear that companies in Iceland were not as far advanced as many other foreign companies in terms of talent management. Therefore, it would be interesting to study the differences between similar size organizations in other countries to find the differences between companies operating in international markets. Like other studies, this study also suffered from some limitations. First, the participants were only selected from 10 organizations; therefore, the results of the study could not be generalizable to larger population. The results of this study might be influenced by industrial and geographical location factors. It is recommended to include participants from other geographical areas to increase the understanding of talent management principles in Iceland. Moreover, the participants agreed that the size and scope of foreign companies did not give us a global perspective of Iceland's small-sized companies. Consequently, it would seem to be of interest to examine the similarities or differences of other Nordic or North American companies of similar size to gain a better perspective of talent management. We would also recommend that this study should be repeated with a larger sample size. A quantitative study might seem to be of interest to map talent management practices and gain a deep conceptual understanding of the concepts.

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