

## TALENT MANAGEMENT – A KEY COMPONENT OF BUSINESS SUCCESS

Eliza ANTONIU

Faculty of Economics and Law, University of Pitești, Romania,  
[eliza.antoniu@upit.ro](mailto:eliza.antoniu@upit.ro)

**Abstract:** *In order to achieve and maintain success in business, any conscious organization needs to find and use new ways to perform. One of the critical tools, offered by Human Resource Management, is just the subject of this paper, namely talent management. Firstly, this paper aims to present the theoretical concept of talent management and its process and secondly, it approaches in a form of qualitative research the use of some of talent management tools – as performance assessment, compensation, employee's development and succession planning - in a competitive multinational company in the automotive industry.*

**Keywords:** Talent management, Human Resource Management, Performance, Development, Succession.

**JEL Classification Codes:** M220.

### 1. INTRODUCTION

In today's challenging business environment of globalization and increasing competition, organizations have high pressure to perform better than ever. Over the years, human resource management and its key component talent management have become essential tools in accelerating competitiveness and enhancing organizational capabilities to respond to market changes. In 21 century conditions, no organization can consider that once they have recruited and selected the best employee in place, their job is finished. The real challenge today is not hiring the right person for the right job but retaining the employee, and that is the role of managing talent.

Talent management of key employees, as developing executives who have leadership potential, for example, is critical to achieve the success in long-term by any organization. Talent management involves individual and organizational development in response to an evolving environment and it includes also the foundation of a supportive, people oriented organization culture. The fundamental concept of talent management – meaning the need to engage in talent planning to build a talent pool – is a key concern of human resource management in today organizations.

### 2. TALENT MANAGEMENT CONCEPT AND PROCESS

Talent management describes some integrated human resource practices (such as potential assessment, leadership and management development, succession planning and career planning) with the objectives of attracting and retaining the right individuals, for the right positions, at the



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right time. Organizations are run by people, so these people's talent will determine the success of organizations.

Talent management can be defined as „a conscious and deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs” (www.derekstockley.com). Talent management has also been defined as „the pool of activities which are concerning to attracting, selecting, developing and retaining the best employees in the strategic roles” (Scullion, H., Collings, D. G., 2011, p. 23). Talent management recognizes people who excel at particular activities so any organization should have the ability and capacity to recognize those people because they may create value and deliver the competitive advantage for the organization.

In addition talent management also aims at developing and deploying the right people at the right job on the right time and providing them the right environment to show off their abilities in a best possible way for the organizations (Uren, L., Jakson, R., 2012).

Michael Armstrong considers that talent management is „the process of ensuring that the organization has the talented people it needs to attain its business goals; it involves the strategic management of the flow of talent through an organization by creating and maintaining a talent pipeline” (Armstrong, M., 2012, p. 255).

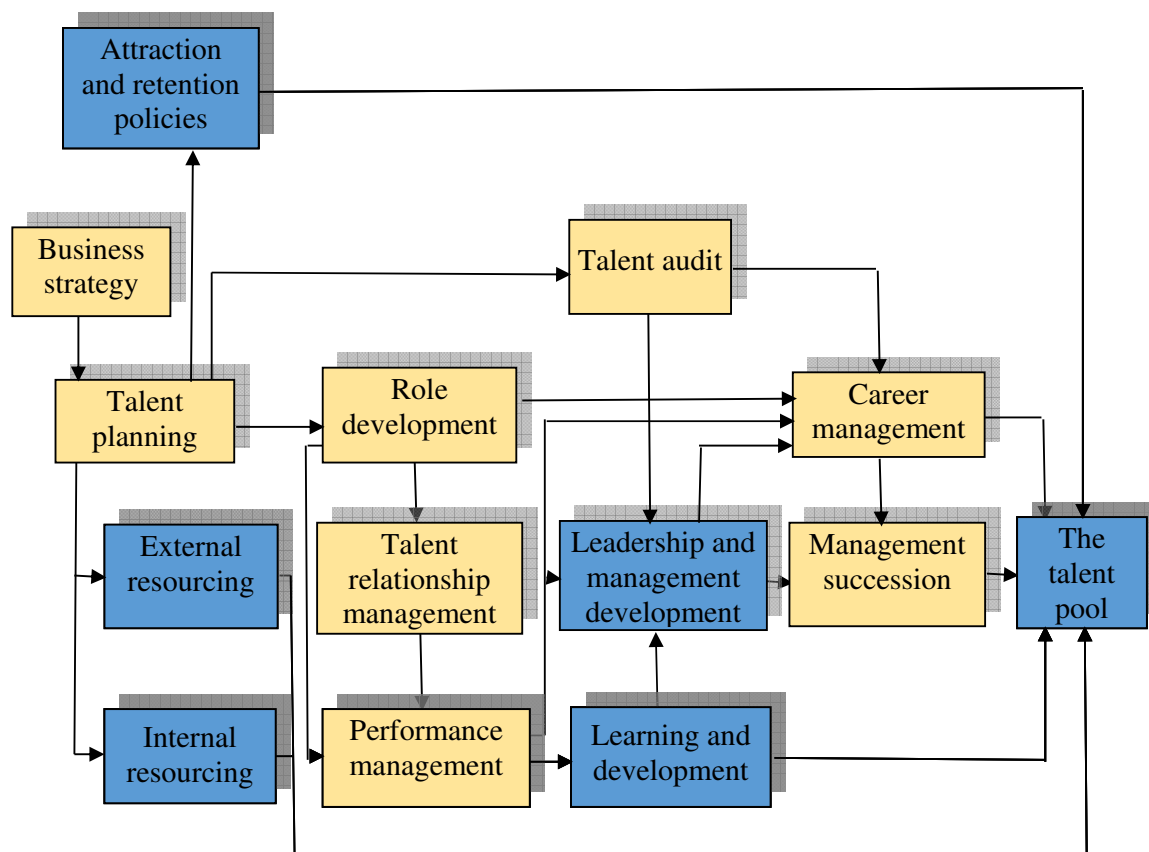
As suggested by Younger et al (2007), the approaches required include emphasizing *growth from within*, regarding talent development as a key element of the business strategy, being clear about the competencies and qualities that matter, maintaining well-defined career paths, taking management development, coaching and mentoring seriously, and demanding high performance. The main concerns of talent management are *obtaining, identifying and developing people with high potential*. This is to be expected, although it should not be at the expense of the development needs of people generally. Organizations that simply cater for the high-flyers and ignore the rest do so at their peril. The latter are the people in the engine room on whom the organization depends.

Talent management takes the form of a bundle of *interrelated processes*, as shown in Figure 1 (M. Armstrong, 2012, p. 258).

Talent management starts with the business strategy and what it signifies in terms of the talented people required by the organization. This provides the basis for talent planning. Ultimately, the aim is to develop and maintain a pool of talented people. This is done through the talent pipeline, which consists of the processes of resourcing, retention planning, succession and career planning and learning and development (especially leadership and management development) that maintain the flow of talent needed by the organization.

◆ *Talent planning*

Talent planning is the process of establishing how many and what sort of talented people are needed now and in the future. It is a sub-set of workforce planning and uses the same techniques. It leads to the development of policies for attracting and retaining talent and the determination of future requirements as monitored by talent audits. It also influences the development of the roles talented people carry out.



**Figure 1: The process of talent management**

(Source: Armstrong, 2012)

◆ *Resourcing*

The outcomes of talent planning are programmes for obtaining people from within and outside the organization (internal and external resourcing). They involve the implementation of policies for attracting high-quality people.

◆ *Attraction and retention policies and programmes*

These policies and programmes describe the approach to ensuring that the organization gets and keeps the talent it needs. Attraction policies influence programmes for external resourcing. Retention policies are designed to ensure that people remain as engaged and committed members of the organization. Line managers can be asked to carry out separate risk analyses for any key staff to assess the likelihood of their leaving so that steps can be taken to encourage them to stay. The outcome of these policies is a talent flow that creates and maintains the talent pool.

◆ *Talent audit*

A talent audit identifies those with potential, often through a performance management assessment. It provides the basis for career planning and development – ensuring that talented people have the sequence of experience supplemented by coaching, mentoring and learning programmes that will equip them for carrying out more demanding roles in the future. Talent audits can also be used to indicate the possible danger of talented people leaving (risk analysis) and what action may need to be taken to retain them.

◆ *Role development*

Talent management is concerned with the roles people carry out. This involves role development – ensuring that roles provide the responsibility, challenge and autonomy required to

create role engagement and motivation. It also means taking steps to ensure that people have the opportunity and are given the encouragement to learn and develop in their roles. Talent management policies focus on role flexibility – giving people the chance to expand their roles by making better and extended use of their talents.

◆ *Talent relationship management*

Talent relationship management is about building effective relationships with people in their roles. It is better to build on an existing relationship than try to create a new one when someone leaves. The aims are to recognize the value of individual employees, provide opportunities for growth, treat them fairly and achieve talent engagement, ensuring that people are committed to their work and the organization.

◆ *Performance management*

Performance management processes, including 360- degree feedback, provide ways of building relationships with people, identifying talent and potential, planning learning and development activities and making the most of the talent possessed by the organization. Properly carried out, performance management is a means of increasing the engagement and motivation of people by providing positive feedback and recognition. This is part of a total reward system.

◆ *Learning and development*

Learning and development policies and programmes are essential components in the process of talent management – ensuring that people acquire and enhance the skills and competencies they need. Policies should be formulated by reference to *employee success profiles*, which are described in terms of competencies and define the qualities that need to be developed. Employee success profiles can be incorporated in role profiles.

◆ *Leadership and management development*

Leadership and management development in the talent management programmes referred to the introduction of a variety of management and leadership development interventions to properly equip managers. While some are in general terms about launching *leadership and management development programmes* others are about specific training and development around particular themes, including:

1. change management;
2. talent management and development;
3. people and performance management;
4. decision making and difficult conversations.

◆ *Management succession planning*

Management succession planning takes place to ensure that, as far as possible, the organization has the managers it requires to meet future business needs. It is considered in detail later in this chapter.

◆ *Career management*

Career management is concerned with the provision of opportunities for people to develop their abilities and their careers so that the organization has the flow of talent it needs and they can satisfy their own aspirations.

In order to exemplify the talent management concept we have chosen Renault Group Romania, one of the most competitive organizations in the automotive industry, which is constantly investing in the development of its employees.

### **3. TALENT MANAGEMENT - RENAULT GROUP ROMANIA**

The success of the Renault Romania Group is due to several factors but is also due to the fact that it has a special resource: *talented people*.

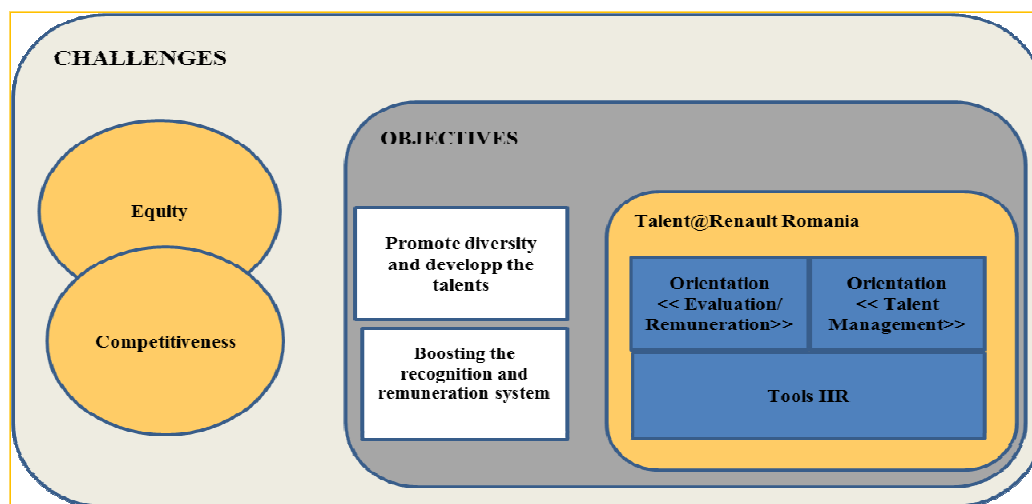
Its Human Resource Strategy is based on organization mission „ *Renault Group Romania has the mission to ensure that the organization has the human resources that meet the requirements and needs of the trades in the organization. ...We are preparing for the future with more and better performing people with expertise and technology-oriented future.*” (Dana Oprisan - Executive Director Human Resources Group Renault Romania) and includes several objectives:

1. Ensuring the necessary human resources
2. Ensuring the qualifications and level of skills necessary for all staff
3. Continuous improvement in the safety and health of employees
4. Applying and managing a system for promoting participatory innovation.
5. Talent management

As may be seen, one of the organization’s objectives is talent management; that shows Renault management interest to achieve a better performance and sustain its employee development. By managing the employee’ skills the company performance will boost and employees will gain more knowledge and experience for their current and future career.

Talent management is an *integrated approach* by Renault Group Romania. The following objectives were defined to respond to organizational challenges in this aspect (see Figure 2):

1. *Promote diversity and develop the talents.* Employees with high skills and achieved performance will be promoted.
2. *Boosting the recognition and remuneration system.* Based on the good results obtained, the efforts will be recognized and compensation will follow.



**Figure 2: Challenges and Objectives of Talent Management Renault**

(Source: <https://group.renault.com/ro/talent/>)

In order to achieve these objectives, the strategy of Human Resources Group Renault was updated, including several criteria such as:

- all the orientations (promotions) are applied in the entire Group Renault;
- the age is not anymore a criteria for career development and remuneration;
- Annual Staff Performance Reviews (People Review) are widespread within the Group Renault;
- Global Performance Evaluation Criteria are better defined;
- the Potential is better detected (development plans generate progress); and
- the job /remuneration of each employee is in line with the market.

The first step in talent management process at Renault is to assess the level of employees’ performance. The assessment process is annually and has several stages.

It begins with „*people review*”, a meeting that takes place every year between October and November and during it is evaluated the position and performance of each employee in the presence of the line manager, peers and HR Department. Between the objectives of this meeting are: to prepare for the assessment on how the individuals have mastered their job, to assess their development potential, to discuss the time frame of their mobility and possible career directions and to prepare action plans for development.

The next stage is „*performance appraisal*” during it, in addition to the assessment of the achievement of results based on the objectives set, it is defined the job mastery of the employee according to 4 categories. These categories are defined in a grid that assess different types of skills – technical, managerial/professional attitudes, independence, ability to manage complexity and change, achievement of sustainable results (see Figure 3).

1. OUTSTANDING	The employee achieves performance levels which go beyond his/her missions, by adopting an innovative and breakthrough approach. He /she has a strong vision which enables him/her to be fully independent, even when facing new situations. He/she drives change.
2. ABOVE EXPECTATIONS	The employee achieves performance levels which go beyond his/her missions. He/she is very independent, knows how to anticipate changing conditions or situations which are highly complex, by being proactive.
3. MEETS EXPECTATIONS	The employee carries out all the job missions, with a good level of independence and initiative. He/she anticipates problems by taking his/her contact persons into account. He/she knows how to adapt to a changing or complex scenario.
4. BELOW EXPECTATIONS	The employee partially carries out his/her missions. He/she is still acquiring professional skills, or they are to be developed, and he/she is partially independent in carrying out his/her duties.
5. TOO EARLY TO ASSESS	Newly appointed (less than 6 months). The employee is in the process of learning.

**Figure 3: The Performance Grid**

(Source: own processing after <https://group.renault.com/ro/talent/>)

In the third stage, „*the assessment of the employee’s potential*”, is analyzed if different individuals are capable of occupying a higher position in the future, regarding a period of 5 years, with or without visibility on development beyond that period. This potential can be assessed as follows:

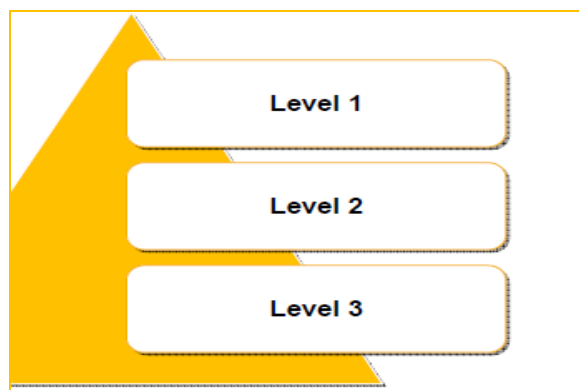
- High - Ability to occupy a higher position and visibility on further development.
- Moderate - Ability to move on to a higher position but no visibility of development beyond this level.
- Stable - Ability to develop horizontally for the next mobility.

The last stage of this process is „*Individual Appraisal*”, as a meeting during it each manager and employee takes the time to talk about the reality of the job, contribution to the company’s performance and the company’s expectations in terms of job mastery in the years to come. Its main purpose is to evaluate and recognize the role of each employee, taking into account the needs of the company as well as the employee’s career ambitions. After a discussion with the employee during a face-to-face interview, a written report (assessment and objectives) will be created and will be regularly questioned by HR manager, concerning the rate of completion.

Based on the process presented above, the talent management continue with two essential components: *compensation* and *develop* talent.

The compensation system includes:

- The *Fix Compensation*. In order to maintain equity and encourage competitiveness between employees, the fix compensation is based on responsibility level, the job position in the market, and the level of the employee performance. The fix remuneration is built using HAY method, which provides the actual level of salaries for many jobs in different companies.
- The *Variable Compensation*. This component was redefined in order to boost employees' performance and the criteria are based on responsibility level, Renault Group results, collective results and individual contribution. The levels of responsibility are named L1, L2 and L3 (see Figure 4).



**Figure 4: Levels of responsibility**

(Source: own processing after <https://group.renault.com/ro/talent/>)

L3 is the first level and regards Project Managers, Service Managers and Department Managers, L2 is the second level and regards Divisions Managers and L1 is the highest level and regards Regional Managers. The compensations are direct linked with the level of responsibility.

The *develop* component of Talent Management assures the achievement of the following objectives:

- Delegation, identification of potential and appointment on the key positions.
- Objectivity in the assessment of potential.
- Formalized and monitored development plans.

The development of employees is essential and it can be done through different actions and process that are included in individual and team development plans. These plans are created based on three aspects: *Training (10 %)*, *Relation (20%)* and *Experience (70%)*.

1. *Training* is the first part of development plan for each employee, it has a weight of 10% and includes different types of trainings: indoor training, e-Learning, reference books, conferences / seminars, newspapers.
2. *Relationship* is the second part of development plane, it has a weight of 20% and it can be developed by: coaching, feedback continue, tutoring, mentoring, peer-sharing and teambuilding.
3. *Experience* is the third part of the development plan, it has the biggest weight - 70% and it can be developed through: projects / taskforces, transverse mobility, international mobility, transversal teams and partnership.

Through development plans, the employees will evolve from *knowledge* to *know how*.

After attending any or several of these training programs, the employees' potential and eligibility for promotions are reviewed in career committees. There are, within Group Renault, 3 categories of potential promotions: *Emerging High Performance and Potential* (called to occupy a Local Key Position in the next 5 years); *High Performance and Potential* (called to occupy a

Regional Key Position in the next 5 years) and *Corporate High Performance and Potential* (called to occupy Global Key Position). All three categories of potential promotions has to follow criteria regarding the performance achieved in the last 3 years for the company, mainly experience, English level of knowledge, geographic mobility availability and assessment from the management.

The last aspect of talent management analyzed in this paper is succession management, one of the strategic aspects that assures the continuity of the company. Renault uses succession plans to anticipate the movements of key management positions and to identify potential successors for them. First, the company evaluates the leadership potential of executives in order to obtain a clear and objective vision of their abilities and second, it establishes three types of successors, as following:

- *Emergency successor*: meaning a person who can temporarily assume the position in the event of the unexpected departure of the holder.
- *Ideal Successor*: the best people to hold the position in a logic of a programmed mobility.
- *Further Candidate*: people who could take up the position in the future, based on an adapted development plan and a proven performance.

Within Renault Group, 100% of key management positions have an up-to-date succession plan.

#### 4. CONCLUSIONS

While approaches to talent management vary across organizations around the world, we can conclude that using this important concept is a sure path to obtain competitive advantage, a constant growth and a high customer satisfaction. Organizations that excel at talent management, as is the presented case of Renault, have the following strategy: strong alignment between human resources and an organization's strategic initiatives and objectives; and high maturity in recruiting, retaining (using a fair compensation system), and developing the best talent to manage strategic initiatives successfully and assure succession.

With the increasing complexity of today business environment and the ever increasing pace of change, organizations tend to recognize that it is no longer enough to use standard tools of human resources management. They need an innovative concept as talent management, that has the ability to deal with ambiguity and can lead strategic initiatives that drive change in any organization.

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