

**MANAGING TALENT:  
EXPLORING HUMAN RESOURCES STRATEGIES IN A  
DYNAMIC ENVIRONMENT**

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## **ABSTRACT**

With increasing competition, volatility in markets and skill shortages human resources strategies are increasing seen as ways to enhance and develop an organisation's competitive advantage. However, if these policies and practices are not integrated they can lose their critical effectiveness for the organisation and indeed work against the attraction and retention of key human resources in what has been described as 'deadly combinations'. Through a case study analysis this paper explores the issues of human resource synergy and deadly combinations.

## **INTRODUCTION**

The first decade of the 21st century has seen what can best be described as a rollercoaster of labour market fluctuations from deepening talent shortages to a global financial crisis (GFC) threatening the largest shedding of labour since the great depression of the 1930s. In this context it could be argued that the management of talent is too difficult having to deal with so many variables. However we would argue that this point in time creates an ideal opportunity or 'litmus test' of an organisation's real attitude and skills in talent management when their bottom line is under pressure. This paper draws on the resource based view of the firm (RBV) (Barney, 1991) as the theoretical perspective underpinning the argument for developing talent management strategies in a dynamic environment. We argue that in an environment characterised by increasing volatility organisations need to design employment systems that prioritise human resource attraction, retention and development as a key element in sustaining competitive advantage post-global financial crisis. However, in doing so organisations must ensure that their human resource policies complement and create competitive advantage, rather than deadly combinations that negate each other.

## DEFINING TALENT

In attempting to quantify the concept of talent Michaels, Handfield-Jones and Axelrod (2001, p. xii), have argued that in its broadest sense:

Talent is the sum of the person's abilities – his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgement, attitude, character and drive. It also includes his or her ability to learn and grow.

In a human resource management context, this can be seen as the knowledge, skill and ability an organisation would want to attract and retain with the capability to learn and grow. Talent management has grown increasingly important in advanced market economies over the last two decades for a variety of reasons. Since the latter half of the 20<sup>th</sup> century, population trends across OECD countries reveal almost static populations and declining birth rates (OECD, 2004). This has generated growing concern regarding the long term labour market, with the first wave of baby-boomers reaching retirement. Under current employment and retirement strategies, more people will be leaving the workforce in most advanced market economies than will be joining it over the next few years (Critchley, 2004). However, these scenarios have been challenged. Cappelli (2003, 2005) and Critchley (2004), for example, acknowledge the changing demographics but argue that the critical flaw in the scenarios suggested above is that they assume employment strategies and relationships will not adapt accordingly. In both scenarios, it is clear that the need for attracting, retaining and developing highly skilled workers is likely to remain a pressing issue for many organisations as economies move to a knowledge and service base and the influx of the next generation of workers declines. Findings from PricewaterhouseCoopers' (2009:30) 12<sup>th</sup> Annual Survey of CEOs (1,124 CEOs from more than 50 countries) show that ninety-seven percent of CEOs identified access to and retention of key talent as critical to

sustaining growth over the long term. Therefore the need for talent management is likely to remain a significant organisational and human resource management issue.

### **MANAGING TALENT – A THEORETICAL PERSPECTIVE**

Within the resource-based view of the firm there are three types of resources that act as sources of competitive advantage: physical capital, organisational capital and human capital (Barney & Wright 1998). However, increasing levels of technological sophistication and the immediate transfer of information have diminished the competitive advantage that was once available through the first two resource bases. Products are now more readily copied and processes replicated so differentiation is increasingly focused on the human resources that generate new ideas (knowledge) or with those who deliver the product (service). There is increasing recognition therefore of the potential of the latter of the three resources, human capital, to make a substantial and lasting impact on sustainable competitive advantage (Barney & Wright 1998; Wright *et al.* 2005). This is supported by Cappelli and Crocker-Heftler (1996) and Coff (1997), who argue that it is these human resources that are at the core of a firm's unique strategic advantage.

The RBV (Barney 1991; Penrose 1959) provides a framework within which to understand appropriate organisational approaches to the long-term development of human resources (Boxall 1996; Sherman 2007). In recent years, the attraction, retention and development of employees has become an increasingly significant aspect of building organisational capabilities to ensure sustained competitiveness (Holland, Hecker & Steen, 2002). It has been argued that those organisations that invest resources in employee attraction and retention turn a potential problem into an opportunity thus gaining industry leadership (Boxall & Steenveld 1999).

In line with the RBV perspective, the approach developed by Hamel and Prahalad (1993) and Leonard (1992, 1998) argues that long-term investment in core competencies provides sustained

advantage over time as contemporary competencies become baseline capabilities. Both Hamel and Prahalad (1993) and Leonard (1992) highlight that in response to a shift to a knowledge-based economy, attraction, retention and, increasingly, the development of human resources are the key to the long-term renewal of the organisation. These points are supported by Boxall and Purcell (2008:175), who argue that firms need to attract and nurture people who have the competencies and ability that will make the organisation productive. An inability to do this will doom the organisation to failure or, at the very least, stunt its growth.

Research by MacDuffie (1995) and Wright and McCormick, Sherman and McMahan (1999) has shifted focus from examining HR practices in isolation to a system or 'bundles' of human resource practices. Research by MacDuffie (1995) and Delery and Doty (1996) indicates that in combination these HR policies and practices can enhance the organisation human resources and thereby competitive advantage. Storey (2007) supports this argument stating that the main focus of the RBV is that competitive advantage results from bundles of human resources policies and practices. These policies and practices must enhance the attraction and retention capabilities of the organisation to ensure their human resources are increasingly valuable, inimitable, rare and non-substitutable (Storey, 2007).

Given the above, there should be observable evidence of this approach in the human resource policies and practices developed to focus on attracting, retaining and developing employees. As Coff (1997) argues, the strategic management of human resources throws out particular challenges to organisations that base their advantages on these 'free' and highly mobile resources which are focused on employability rather than employment. As such, there is a need for organisations to structure their employment systems, practices and organisational structures to ensure they capture and retain this unique and critical resource.

It is important to also note that the combination of particular integrated human resource policies and practices may negate the development of competitive advantage through human resource by deterring attraction and retention of these key assets – this is known as deadly combinations. These deadly combinations have the potential to develop when human resource policies, and practices have differing focus and time horizons and therefore negate and/or actively work against other policies attempting to enhance the organisation human resources and therefore sustained competitive advantage (Becker et al, 1997). The development of deadly combination can occur for a variety of reasons, but to date little research has been undertaken into these issues. As such this paper will explore the development of human resource policies and practice through a case study in the Bio-technology sector in Australia. This sector attracts high calibre scientist and is very competitive as such the attraction and retention of key staff is vital. However, most organisations are generally small in size and therefore do not generally have specialist HR professional to guide and develop HR policies and practice. As such this provides an idea field of research into the development of HR policies and practice and the potential for deadly combinations in a high-skilled and highly competitive labour market..

## **METHODOLOGY**

The research design is an exploratory case study. This case study approach was used as it is considered the most effective and comprehensive approach to analysing data for a longitudinal study using multiple sources within the context of the diverse and complex organisation (see Yin, 1994). The fieldwork was undertaken in 2009 and included semi-structured interviews with various stakeholders. The nature of the questions allowed the interviewees to discuss issues relating to the human resource management, yet, also permitted expansion on any other issues they felt were associated and important. Secondary data including annual reports, newspaper articles, press releases, press conferences, and media was used to reinforce and validate the

primary data. Thematic analysis (Creswell 2009) was used to explore the dominant issues that emerged from the case study.

## **THE CASE STUDY - BIOTECH**

### ***Background***

Biotech is an Australian owned company established in 1997. Biotech main activities focus on human therapeutics which is the biggest sector of the bio-technology industry in Australia. Within this sector Biotech's focus is on highly virulent diseases. Biotech has a permanent workforce of 20 employees of which 70 per cent are scientist who work in a collaborative team environment. The major areas of human resource management policies and practices explored included recruitment and selection; training, development and career management; performance management; reward management and job design.

### ***Findings***

#### ***Recruitment and Selection***

Recruitment and selection are the fundamental aspects of attraction and retention as the gateway into the organisation. From a strategic perspective it allows the organisation to gauge its effectiveness in the external market by the calibre of potential employees it attracts, selects and retains. Biotech senior management and HR specialist acknowledge that Biotech recruits from a high skill and increasing 'tight' labour market, and because of the nature and size of the market, Biotech management focus on informal networks to attract staff. This they estimated accounted for 70 per cent of the employment. The secondary method was adverts on job network sites and quality newspaper for more general position as and when required.

When pressed on the strategic aspects of their recruitment policies, management had not developed information on successful applicants acceptance ratio – why successful applicant declined positions - retention rates or longevity of those attracted through the informal network.

### *Training, Development and Career Management*

In high-skilled labour markets such as bio-technology, there is a high expectation by employees that there are opportunities for knowledge and skill development for both internal advancement and maintaining a skill profile that is attractive in the external labour market. As the ‘war for talent’ intensifies this is becoming an increasingly important aspect of attraction and retention of key human resource (Boxall & Purcell, 2008; Holland, Sheehan & DeCieri, 2007).

From a training perspective, as would be expected for such a highly skilled workforce the focus was on compliance issues such as occupational health and safety training. However, in terms of developmental and career management, more important aspects of an attraction and retention strategy for the high-skilled employees, this appeared haphazard, with no consistent procedures and processes. For example attendance at conference to present and find out about new development and networking, where decided on a case by case basis. A key finding underpinning this lack of focus was the fact that no set budget or discussion of developing such a budget for development purposes was envisaged, despite as noted the increasing employee expectations and tight labour market developing in the sector. In the interviews with senior management, terms such as expense financial cost were often used to negate the need to develop these human resource practices. ABS figures indicate that organisations of this size generally allocate approximately 1 per cent of payroll to training and development. Following this the discussion on career management identified that jobs tend to evolve over time with no planned career management was taking place. Whilst acknowledging the size and flat structure of the

organisation are critical factors, the organisations management does not engage in planned career management that is suitable to the organisation culture and structure.

#### *Performance Management*

Formal performance management is undertaken annually at Biotech. This is managed by the supervisor and once completed filed for future reference. The CEO rarely gets involved, oversees or reviews this process despite there only being 20 staff. Further analysis revealed that scientists have a monthly target set with their supervisor. Again there is limited involvement of the HR advisor and no involvement of the CEO. One interviewee strongly believed that with limited developmental opportunities and career management, performance management was not very useful.

#### *Reward Management*

Reward management is a key aspect of an organisation initial attraction strategy but more clearly related to the retention of key employees. In line with what would be expected of high-skilled knowledge workers, Terziovski and Morgan (2006) found that knowledge workers in the Biotechnology sector place greater emphasis on intrinsic rewards. However, interviews with management and staff at Biotech revealed that intrinsic rewards outside the work itself were limited, with only flexible hours provided to staff. The major focus of management was the extrinsic reward system and the management language indicated that this was seen as a cost to manage rather than an attraction and retention tool. It was revealed that a new reward management system had recently been adopted as the old system provided little relationship between performance and reward for staff. However, the focus remains on extrinsic rewards for outstanding performance on an individual basis. Further in-depth research indicated that this was not systematic and at the discretion of senior management.

### *Organisation of Work*

The organisation of work or work design is a fundamental and critical aspect of attracting and retaining high-skilled knowledge workers. Therefore an interesting and challenging work environment is essential. Interviews found all employees valued working in semi-autonomous groups. In particular staff noted the freedom to develop innovative products without interference from outside the semi-autonomous group they work in.

### **ANALYSIS**

From a RBV perspective the attraction and retention of key knowledge workers in service and knowledge based economies is critical to sustained competitive advantage. Organisation therefore have to develop a strategic integrated approach to the management of these key resources in order to retain and develop their core capabilities. Therefore the bundling of human resource policies and practices that enhance core capabilities and sustained competitive advantage is critical. The alternative can result in human resources policies and practices that at best work in isolation and at worst, work against each other in a set of 'deadly combinations'. As Becker et al (1997) note, these deadly combinations are firm specific and unintended.

At Biotech, human resource strategies were at best, ad hoc, reactive and with little linkage or bundling to enhance the core capabilities and retention of key employees with several policies showing evidence of deadly combinations. With regard to recruitment, whilst in such a high-skilled labour market, networking is a key aspect of recruitment and selection, Biotech takes a reactive approach only engaging when a position requires filling. The organisation does not have a long-term approach to recruitment and selection. This is a concern in the context of an increasing competitive labour market.

With regards to training, development and career management, highly skilled staff expect to have their knowledge, skills and ability developed to enhance through progress both internally to extend their retention and be able to develop and maintain their standing in the external market. In other words training, development and career management are clear factor which differentiate 'employers of choice' for high skilled worker (Boxall & Purcell, 2008), and research indicates this to be the case in the biotechnology sector (Horwitz, Heng & Quazi, 2003). All training and development at Biotech is short term and ad-hoc. Management at Biotech does not make a connection between these policies as areas of employee attraction and retention and therefore are not linked to a recruitment and selection strategy, potentially negating the ability to attract ambitious and talented staff as well as affecting the retention of key staff in the long-term. As noted no human resource information (such as exit interviews) is sourced from those staff leaving the organisation.

The most significant deadly combination at Biotech appears in the performance management reward and work organisation nexus. The organisation of work is carried out in semi-autonomous teams which have significant autonomy and decision-making capabilities around the project they work on. However, whilst the work is group-based the performance system is individually orientated to identify the performance of the individual with no relationship to the group work, effectiveness or dynamics. The reward system is also individual rather than group-based. On top of this the research the group undertake is of a long-term nature yet both the performance management and reward system are short term and the reward system in particular is ad hoc. Thus there appears to a situation in Biotech where the emphasises is strongly on group work, mutuality and long-term goals, the appraisal and reward systems are short-term individually focused and in several instances ad-hoc in nature. This is critical issue, as all respondent noted the organisation of work was the most highly valued aspect of the work. For staff working in these

close-knit teams if there is a perception of inequity between reward and effort within the teams this can potentially be detrimental to the functioning of the team and the organisation as a whole.

To emphasise the lack of strategic initiatives at Biotech, management does not have a budget for training and development, collate figures on turnover or generate exit interviews to determine why staff leave, when staff leave (in terms of tenure and level) and where they go. As such they are not able to identify issues or problem in staff management attraction and retention.

### **CONCLUSION**

Biotech reflects a mix of ad-hoc, passive and generally short term individualised human resource policies and practices where the work culture is long-term and group-focused. It is clear that these policies of recruitment and selection, training, development and career management; performance, reward and job design are not strategically linked or bundled together to enhance each other. Secondly, several of the policies appear to be working against each other creating a situation of deadly combination which detract for the organisations overall objects. This issue of internally inconsistent human resource policies and practices goes to the heart of building core capabilities and fundamental to the sustained competitive advantage of the organisation. As highlighted by Boxall and Purcell (2008), it is possible for these firms to survive but the human resource strategies do not bestow sustained competitive advantage.

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