Towards Mature Talent Management: Beyond Shareholder Value\textsuperscript{1}.

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David G. Collings

Professor of Human Resource Management
DCU Business School
Dublin City University
Dublin 9
Ireland
Tel. +35317006937
Email. David.collings@dcu.ie

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Towards Mature Talent Management: Beyond Shareholder Value.

ABSTRACT
Talent management has become one the most prevalent topics in the field of people management and development for practitioners and academics alike. However, while managers do appear to appreciate the importance of talent management, they often fail to manage it effectively and the linkages between talent management and organisational performance remain unclear. In this invited feature article I argue that the failure to effectively manage and develop talent can be traced, in part, to a narrow conceptualisation of performance in much thinking on talent management. At an organisational level this means that performance is generally considered solely in terms of shareholder returns while ignoring other stakeholders. This translates into HR systems that fail to effectively align individuals and organisations in the generation of value. This paper foregrounds employees as stakeholders and argues that organisations that are defined by a sense of purpose and that prioritise employees as stakeholders, generally have higher levels of alignment between organisational and employee goals with more highly motivated employees and ultimately more sustainable performance. Some implications for research on talent management are developed.

Key words: Talent, Talent Management, Stakeholder value, Pluralist, Alignment, Human Resources, Human Resource Management, Human Resource Development
**Introduction**

Talent management, which broadly refers to management and development of high performing and high potential incumbents in critical organisational roles, has become one of the most prevalent topics in the field of people management and development for practitioners and academics alike (Al Aris et al, 2014; Dries, 2013; Scullion et al, 2010; Sparrow et al, 2014). Arguably the discourse of talent management has brought issues around the management of people to the attention of senior organisational leaders to a far greater degree than has been the case in the past. For example, 66 per cent of CEOs identified developing the leadership and talent pipeline as a key priority (PWC, 2012). Indeed, talent was identified as the top priority on CEO’s agenda for Human Resources (HR) in a recent study by Cornell University (Wright, Stewart & Moore, 2011). However, despite the rhetoric it appears that while managers do appreciate the importance of talent management, they often fail to manage it effectively (Collings et al, 2011; Schuler et al, 2011) and the linkages between talent management and organisational performance remain unclear (Collings, 2015).

Given the focus of human resource development (HRD) on “developing and unleashing expertise for the purpose of improving individual, team, work process and organizational system performance” (Swanson & Holton 2009: 4), there is clearly much resonance between the fields of talent management and HRD (Kim & McLean, 2012; Iles et al, 2010). Indeed, building on Ruona’s (2000) study of core beliefs associated with HRD, Swanson and Holton (2009) suggest that the field holds strong beliefs about learning and development as avenues for individual growth, that organizations can be improved with human expertise, that we want to see people and organizations be healthy and growing and that there is a commitment to people and human potential, as well as a passion for learning and productivity. This reinforces the import of talent management for HRD researchers because of many of these core beliefs and philosophical assumptions are consistent with the arguments being made in the current paper in the context of talent management.
In this invited feature article, I argue that the failure to effectively manage and develop talent can be traced, in part, to a narrow conceptualisation of performance in much thinking on talent management (see Callahan, 2007 more broadly on HRD research). At an organisational level this means that performance is generally considered solely in terms of shareholder returns. This translates into HR systems that fail to effectively align individuals and organisations in the generation of value. This is reflected in the conceptualisation of talent management in unitarist terms where the agenda is set by management and perspectives of other stakeholders are not recognised (Thunnissen et al, 2013).

In contrast, those companies that are defined by a sense of purpose and that prioritise employees as stakeholders, generally have higher levels of alignment between organisational and employee goals with more highly motivated employees (Birkinshaw et al, 2014). This facilitates employees coming together to do something they believe in and is likely to create far greater value than the unquestioned pursuit of shareholder value. Such an approach reflects a more pluralist understanding of talent management where the interest of wider stakeholders are recognised. A pluralist understanding is justified and important as higher levels of alignment between organisational and employee goals with more highly motivated employees (Birkinshaw et al, 2014) are, as will be outlined below, posited to translated into more sustainable organisations which generate greater returns for all stakeholders. Given space limitations, I will focus on employees as stakeholders as an example of how the perspectives of stakeholders should inform practice and research on talent management. This has significant implications for research on talent management in terms of the design of studies in the area. In turn, better designed research is more likely to inform practice in talent management and translate into better outcomes for organisations and individual employees alike.

The paper begins by considering definitions of talent management. I then consider the limitations of shareholder value as a measure of the contribution of talent management and as
a focus for research on talent management. How foregrounding employees as stakeholders, as opposed to over-emphasizing shareholder wealth, can be a more fruitful strategy in research and practice exploring the impact of talent management practices is then considered. The paper concludes with some implications for research for academicians who study people management and development issues.

**Talent Management Defined**

Since the discourse of talent management entered the managerial lexicon in the mid 1990s, debate has abounded on how talent management is defined. Indeed, one of the key factors that has retarded the academic development of talent management has been a lack of agreement around the conceptual and intellectual boundaries of the area of study (see Al Aris et al, 2014; Dries, 2013; Lewis & Heckman, 2006; Scullion et al, 2010). The various approaches to talent management have been well documented and a full discussion is beyond the scope of the current paper (see Lewis and Heckman, 2006; Collings and Mellahi, 2009; Thunnissen et al, 2013). However, the literature points to a number key streams of thinking in the broad area of talent management. These range from talent management as a new label for traditional human resource management (HRM); a focus on succession planning; the management of star performers (Lewis and Heckman, 2006); the identification of pivotal positions (Collings and Mellahi, 2009); and the use of data and analytics to inform decisions around talented employees (Vaiman et al, 2012). Similar distinctions have been made about how talent management is conceptualised in the HRD space (see Iles et al, 2010). Moreover a separate stream of literature focused on the nature of talent (see Meyers et al, 2013; Nijs et al, 2014; Nilsson & Ellström, 2012) and talent development (Garavan et al, 2012).

For the purposes of the current paper, I adopt one of the most cited definitions of talent
management (Collings and Mellahi, 2009: 305) that integrates a number of streams of thinking on talent management.

...activities and processes that involve the systematic identification of key positions which differentially contribute to the organisation's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation.

As argued above a key limitation of extant work on talent management has been the limited consideration of the measures of success. I now consider how this can be traced to a narrow focus on shareholder value and propose a wider stakeholder perspective as an alternative and more appropriate measure of the impact of talent management.

**Sustainability and Value**

Although the impact of talent management on organisational performance has yet to be empirically established, practitioner studies point to the focus of those interested in the topic. For example, a study by Ernst and Young (2010: 4) claimed that over a five-year period organizations with talent management programs which are aligned with business strategy deliver a return on investment (measured by return on common equity (ROE)) on average, 20% higher than rival companies where strategies are not aligned. Where key elements of their talent management programs are aligned, ROE over a five-year period averages 38% higher than competitors without alignment. While clearly such practitioner reports should be viewed with a degree of caution owing to a lack of peer review of underlying methodologies and findings, I use it here to point to the perceived focus and value of talent management.
Theoretical discussions similarly tend to focus on organisational performance in narrow terms with a focus on shareholder returns.

As the above example illustrates, talent management research has largely evolved premised on the objective of maximising shareholder wealth (see also McKinsey’s original work on talent management). While some point towards the importance of sustainability (Boudreau and Ramstad, 2005) or ‘community wealth’ (Ulrich and Ulrich, 2010), it is generally in the context of improving organisational performance in narrow terms. Thunnissen et al’s (2013) contribution is one of the rare exceptions in developing a broader conceptualisation of talent management incorporating a greater discussion of context and recognising the wider range of actors concerned. They recognise that talent management research has been largely managerialist, accentuating the economic side of work. This downplays the import of non-economic value. One limitation of Thunnissen et al’s paper is that it generally focuses its discussion to non-profits and smaller enterprises. I contend that a pluralist understanding of talent management is relevant for all organisations regardless of size.

Specifically, in this paper, I call for a broader consideration of the outcomes of effective talent management. This is premised on the argument that shareholder wealth can often be a poor indicator of the long-term sustainability of the organisation (Laverty, 1996; Marginson and McAulay, 2008). Further, the relentless maximisation of shareholder wealth may not be consistent with maximising the value added by human capital within the organisation. It can prioritise the generation of short-term returns over investment in human capital and pursuing longer-term sustainable performance (Goergen et al, 2014). Fundamentally, an organisation’s orientation towards sustainability comes down to its leadership’s understanding of value. Traditionally, this has been conceptualised as maximising and prioritising profit and shareholder wealth, in many western economies. This value proposition can become self-perpetuating in driving practice and behaviours in the organisations (see discussion below on Wal Mart). A narrow profit orientated value proposition, invariably creates a narrow, short-
term focus on financial performance. For example, a recent study by McKinsey consultants found that 63 per cent of respondents felt the pressures to generate short-term results had increased over the previous five years. Worryingly 79 per cent of respondents felt that the time period over which performance was evaluated was two years or less (Barton and Wiseman, 2014). This has significant implications for how employees are managed and developed in the contemporary organisation.

As Legge (1999) argued in the context of HRM research, positioning employees in a market-based discourse foregrounds economic criteria rather than social values in legitimizing people management practice. Broadly similar critiques have emerged more recently in the HRD literature (MacKenzie et al, 2012; Rigg et al, 2007; Sambrook, 2004). A central theme in this more critical literature is that HRD expertise is legitimized in professional practice through extracting intellectual capital from individual employees and converting it into financial bottom-line performance (MacKenzie et al, 2012). These market-based objectives translate into poor terms and conditions for employees in many industries. In low cost industries such as retailing, employees are generally viewed solely as a cost to be minimised (Ton, 2014). For example, organisations such as McDonald’s have been criticised recently for their failure to pay a living wage to employees. Specifically, the firm was criticised for advising workers to get a second job (Picchi, 2013) and to consider claiming food stamps (Cohn, 2013) to make ends meet. Similarly, Walmart’s relentless drive to deliver “always low prices” has resulted in the firm being a defendant in numerous class-action law suits on ‘employment-related issues as varied as failure to pay required overtime to hourly employees, challenges to exempt (from overtime) status by assistant store managers, and allegations of gender-based discrimination in pay, promotions, job transfers, training, job assignments, and health-care coverage’ (Cascio, 2006: 26). The impact is felt beyond employees with suppliers squeezed so tightly on margins that there is little left for them to innovate or invest in employees (Cascio, 2006). Such outcomes are consistent with the relentless pursuit of low costs underlying Wal Mart’s value proposition.
Worryingly research has also indicated that the approach to employees adopted in firms such as Wal-Mart results in unmotivated and poorly trained employees who are unable to effectively perform the roles they are expected to in a relatively complex operating environment. This translates into lower sales and profits for the organizations concerned (Ton, 2011). While such employees may not seem to meet the criteria for talent identified in the definition above, an alternative understanding of value, with customer service at its core could place such employees front and central in the organization’s talent strategy. Indeed, there is a growing body of research that points to the negative impact of low road employment practices aimed at maximizing shareholder wealth in the short-term for the longer-term performance of organizations. For example, downsizing, often a reactive response to poor quarterly performance, has been demonstrated to correlate with decreases in subsequent firm profitability. These negative effects are more pronounced in industries characterized by research and development (R&D) intensity, growth, and low capital intensity (Guthrie and Datta, 2008). Similarly, while high levels of pay dispersion between the highest and lowest earners in organizations (reflecting low wage rates for the least valued employees and high rewards for leaders) have been shown to yield short-term benefits, the long-term repercussions in terms of performance are negative (Connelly et al, 2013). In a similar vein, Chadwick and Flinchbaugh (2013) found that a high proportion of part-time workers in an organization, often seen as a means of generating employment flexibility and cost containment by organizations, is negatively related to firm performance. These studies point to the potential failure of employment practices driven by short-term efforts to maximize shareholder value to deliver on the very value they set out to generate.

Indeed, at a higher level the unquestioned pursuit of shareholder value to the exclusion of other stakeholder’s value and values is likely to generate poor returns. There is increasing recognition that employee’s perceptions of the intentions behind HR practices are as important as the practices themselves (Nishii et al, 2008). As Kearns (2013: 48) questions:
‘Why would the majority of rational employees want to give their all for the benefit of shareholders whom they are never likely to meet? Who, other than the shareholders themselves, gets excited by the shareholdings of shareholders?’ Indeed, the failure of the literature on talent management to explore the question of workers’ values and motives (c.f. Wright and Boswell, 2002) and how these impact on their performance is a key limitation of the extant literature on talent management. On balance, this research suggests that using shareholder returns as the primary outcome variable (both in theoretical and empirical work) in research in talent management results in an incomplete understanding of the effectiveness of talent management practices. It provides a poor indication of the extent to which the value of human capital is maximized within the organization.

However there is an alternative model where shareholder wealth is not the driver of organisational activity. Here the value proposition is well defined and covers the plurality of stakeholders in the organisation. Consider Costco, the US retailer. The following statement from Costco’s co-founders demonstrates that shareholders as stakeholders are subordinate to customers (members), employees, and suppliers. “We remain committed to running our company and living conscientiously by our Code of Ethics every day: to obey the law; take care of our members; take care of our employees; respect our suppliers; and reward you, our shareholders” (Costco Wholesale Corp. Annual Report 2005, p. 5). This could be considered a more mature approach to talent management. Such maturity is reflective of an appreciation by organizational leaders that the interests of the organization are best served, and the maximum value generated, by maximizing the value of all stakeholders both internally and externally (http://www.hrmaturity.com). This mature approach is reflected in wage rates and other employment conditions much higher than the norm in the industry. It is reflected in more positive relations with suppliers and labour unions. While the market remains skeptical of Costco’s strategy, it has out-performed Wal-Mart consistently over the past number of decades (Blinn, 2013; Cascio, 2006; Ton, 2011). This translates into significantly better sales and profit per employee and shareholder returns. Similar results are evidenced in
organization such as QuikTrip, Mercadona, Trader Joe's where investment in employees means larger labour budgets but translates into stellar operational execution, higher sales and profits. Employees also work more efficiently, find work more fulfilling while delivering improved customer service (Ton, 2011; 2014).

A broader approach to measuring the outcomes of talent management could for example follow Rogers and Wright’s (1998) focus on performance information markets (PIM) as a more appropriate measure of firm performance. This approach considers a wider range of stakeholders and identifies four key information markets pertinent to organisational research. These include the financial market, the labour market, the consumer/product market, and the political social market (see also Boxall and Purcell, 2011; Janssens and Steyaert, 2009; Paauwe, 2004). A key focus for talent management needs to be on identifying the most appropriate outcome variables to focus on in measuring the effectiveness of talent management. Such a wider focus would resonate with shifting thinking within arguably more enlightened elements of the business community where the unquestioned pursuit of shareholder wealth has become more prevalent (see for example www.bcorporation.net).

I now outline how foregrounding employees as stakeholders, as opposed to over-emphasizing shareholder wealth, can be a more fruitful strategy in research and practice exploring the impact of talent management practices.

**Talent Alignment**

Given the limitations of a narrative of value premised on shareholder wealth outlined above, it is important to consider why employees may engage with the organization and generate the greatest value. While clearly there are tradeoffs, and there is an economic element to the relationship, the so-called transactional element of the psychological contract, higher levels of
mutuality and a focus on the relational aspects of the psychological contract are likely to translate into more stable relationships and sustainable performance (Boxall, 2013; Conway and Coyle-Shapiro, 2011; McDermott et al, 2014; Rousseau, 1995). In this regard, a second key critique of the literature on talent management is that heretofore much of the research has been rather disjointed and tended to focus on individual talent management practices (or so-called employment practices-Boxall and Macky, 2009) in isolation while failing to capture the quality and impact of the system as a whole (Thunnissen et al, 2013). While some have called for the development of ‘congruent talent management practices’ (Collings and Mellahi, 2009), in reality a full appreciation of the overarching system and the impacts on the employment relationship have been neglected (see Boxall, 2013 for a similar argument on HRM research). Indeed, individual employee’s experience of talent management have been largely neglected in the extant literature (cf. Bjorkman et al, 2013; Dries and Peppermans, 2008; Marscaux et al, 2014; Sonnernberg et al, 2014). Given the posited role of individual human capital in organisational performance (see Crook et al, 2011; Hitt et al, 2001; Wright and McMahan, 2011) it seems a natural progression for research to consider how this individual human capital translates into value for the firm. Indeed, the embodiment of human capital in individual employees brings agency issues, such as intentionality and motivation, to the fore in considering its impact in an organizational context (Kraaijenbrink, 2011). However, from a talent perspective these issues have largely been neglected.

As noted by Boxall (2013) the key means through which the needs of individuals and organisations are married is through the employment relationship- a process whereby employees exchange rewards for access to the human capital embodied in employees, where employees become legally subordinate to their employers (Cullinane and Dundon, 2006). However there are a range of outcomes possible and greater levels of shared satisfaction or mutuality are likely to produce more stable and mutually beneficial relationships (Boxall, 2013; Conway and Coyle Sharpio, 2011; McDermott et al, 2014; Sonnernberg et al, 2014). Drawing liberally on Boxall’s (2013) work, I outline three key axes of alignment in the
employment relationship that are likely to result in higher levels of mutuality and more sustainable relationships between those designated as talents and their employers. The focus of the discussion is on those individuals who are members of the organization’s talent pool, but a clear implication of the line of argument above is that a high base of investment in the organization’s employees is equally important. This is not to suggest that alignment is a linear process, and the requirement to balance multiple goals is acknowledged (see also Birkinshaw et al, 2014).

The first axis of alignment relates to a capabilities match. This relates to the capabilities being sought by the organization and the capabilities on offer by individuals (Boxall, 2013). In other words how do the capabilities of the individual match the requirements of the organization and vice versa? Indeed, a key advancement of the talent management literature has been an improved understanding of the pivotal roles in organisations that offer the greatest potential for differential performance. This approach is consistent with calls for a greater differentiation between roles in organisations. It places the emphasis on strategic over non-strategic jobs (Becker and Huselid, 2010; Collings and Mellahi, 2009), or between organizational roles that promise only marginal impact vis-à-vis those that can provide above-average impact (Boudreau and Ramstad 2007). Such jobs make “a disproportionate contribution to the effective implementation of a strategic capability” (Becker and Huselid, 2010: 381). These are characterized by rarity (as few as 10 per cent the roles in the organisation), strategic impact (there is a clear line of sight to the execution of the organisation’s strategy though its strategic capability) and, most significantly, there is potential for incumbent performance variability (i.e. high performers clearly display higher output than average performers in the roles) (Becker and Huselid, 2010).

Thus, from an organisational perspective the focus for talent management systems should firstly be on identifying pivotal roles in organisations. Once these are identified, the requirements for human capital should be considered in a dynamic way. Boxall (2013)
conceptualises this in terms of static fit (the knowledge, skills and abilities (KSA) that are required now) and dynamic fit (the KSAs required for the future). Additionally, the nature of human capital should be considered in terms of generic (such as education) versus firm specific (knowledge of process and systems, support team, reputation etc.) human capital. While the former is generally non-transferable and particularly linked to performance within an organisation, the latter is more transferable and those designated as talents can trade it on the labour market (Becker, 1964). Equally the extent to which generic human capital can generate rents for hiring firms is open to question. For example, even in professions where performance is considered to be determined by individual stars such, as Wall Street analysts, research has demonstrated that firm-specific human capital is far more significant in explaining performance than individual-level human capital (Groysberg, 2010; see also Huckman Pisano, 2006 in the context of cardiac surgons). His studies point to significant performance drops when those stars change employers and the value of the firm-specific human and social capital were depleted. Bidwell’s (2011) study of investment bankers shows similar performance dips and further highlights that these external hires cost more than those who are internally promoted into new roles.

In terms of capabilities alignment key questions for organizations include, identifying the strategic jobs that should be the focus of the talent management system, the nature of capabilities required presently and in the future and whether these capabilities draw on firm specific or generic human capital. One key caveat in this regard is that pivotal positions should be considered in the context of sustainable performance and not limited to short-term performance gains. We can draw a number of examples from recent international banking crises in this regard (see for example the discussion on the emphasis on building market share in Irish banks in MacKenzie et al, 2012: 357).

From an individual perspective, the capabilities match raises questions around how the role and organisation fits with one’s experience and offers the potential to grow and develop
Again there is likely to be a dynamic element to this matching equation from an employee’s perspective. For example, Bidwell and Briscoe (2010) explored why workers moved between organisations—these moves were premised on systematic changes in workers’ needs and resources over the course of their careers and how this impacted on the kind of organisations they target in job search. Their study of college graduates in the IT sector confirmed that workers were more likely to target larger organizations that provide more training early in their careers. Subsequent moves tend towards organizations that have higher demands for skills later as their careers advance. Other key factors which are likely to impact on the perception of match from an employee’s perspective include the perceived fit of the organization with the individual’s values and personalities (Kristof, 1996), employee age (Kooij et al, 2013) and perceptions that the role will allow the individual to utilize their skills and knowledge effectively (Boxall, 2013).

All in all the capability match creates some important questions for individual employees in terms of the fit of the role and organization with their career stage, the fit with their individual values and the potential to exploit their experience and knowledge.

The second axis of alignment relates to the commitment alignment (Boxall, 2013). From a talent management perspective two key contextual factors influence the alignment of commitment between employers and talented employees. Firstly, the break down in traditional long-term internal labour markets is well documented (Cappelli, 1995) as employers seek greater flexibility in staffing relationships in response to market pressures. Indeed, recent research points to the reduced power of workers in securing closed employment relationships as central to reduced tenure of workers in the US context (Bidwell, 2012). From an employer’s perspective there is a requirement for flexibility in operations but also for commitment from employees (Boxall and Purcell, 2011). A key advancement of talent management, and particularly a talent pool strategy, is an attempt to forecast talent mismatches and minimize the requirements for redundancies or reactive hiring (Cappelli,
2008). In effect, organisations attempt to minimise quantitative risks where there are too many or too few employees in the work forces relative to requirements and qualitative risks whereby the skills can competencies of the employees do not match the requirements of the organization. Effectively, managing these contingencies can maintain employee commitment while ensuring the organisation has the quality and quantity of skills required.

Secondly, talent management systems by their nature are exclusive in many organisations, privileging certain categories of employees over others (Gallardo-Gallardo et al, 2013). Clearly the decision to identify certain categories of employees as talents has important implications for the remainder of the workforce. Indeed, a key question for many organisations in designing talent management systems is the extent to which talent decisions will be secret or communicated to the wider workforce. Indeed, this decision is likely to have significant impacts on the commitment of employees. There is an emerging body of research which helps to better understand the commitment alignment of talent systems. For example, based on their empirical study Sonnernberg et al, (2014) found that in order to have the desired impact on employee attitudes and behaviours, employees’ perceptions of talent decisions must be in line with distinctions made by the organisation. Specific examples of incongruence include situations where executives classify an individual as talent, but the individual is unaware of the designation and *vise-versa*. Their study points to the signalling effect of talent management practices and demonstrates a significant and positive association between talent management practices and psychological contract fulfilment. They caution that there is greater room for misinterpretation in inclusive systems whereby perceptions of talent status are open to question. Similarly, Bjorkman et al (2013) demonstrated that individuals who knew they were identified as talent had a stronger commitment to building their competencies, to actively supporting strategic priorities and lower turnover intentions. Theoretically Bjorkman and his colleagues traced these findings to social exchange theory and whereby the employer’s investment in the talent was reciprocated though higher levels of
commitment.

Thus, key questions for organisations in terms of the commitment match revolve around developing an effective talent pool strategy that considers the dynamics of the talent requirements over time to minimise mismatches in terms of quality and quantity of talent. From an individual perspective key questions relate to the match between their capabilities and the opportunities within organisations. In evaluating potential changes in employer they should weight up the relative match of their individual and firm specific human capital in the context of the requirements in the new role.

The final axis of alignment relates to return on investment that the parties believe the gain from the deployment of their capabilities- which is termed contribution alignment (Boxall, 2013). From an organisation perspective one can distinguish between the potential value of the employee’s human capital and their assessed contribution or performance. For organisations following a talent management strategy similar to the one advocated here, a central element of strategic jobs is the potential for variation in performance between an average and top performer in the same role. This amplifies the importance of the contribution alignment and ensuring that the benefits of interest alignment outweigh the costs (Gottshalg and Zollo, 2007). However, in many organisations the cost of attracting and retaining stars results in situations where the renumeration package captures most of the star’s expected value added. This can result in a situation whereby the organization suffers a ‘winners curse’, having won the auction for the talent because they estimated the star’s value most liberally in the market, their valuation is called into question when compared with the other bidder’s lower valuations (Groysberg, 2010).

Research from the movie and baseball industries suggests that although teams and movies with ‘stars’ generated more revenue that those without stars, stars captured most of the rent through high salaries, and subsequently, the returns generated to the firm were minimal
(Groysberg, 2010). Thus, on balance it appears that organizations often over-estimate the contribution of key talents and as a result over-invest in them relative to others. This leads to a number of key challenges in relation to how stars are viewed by others within the organization and poor alignment in terms of contribution match. Additional factors that may emerge from the organizational perspective include considerations around talent motivation and underperformance (Boxall, 2013). It is also important to ensure that contribution is achieved through behaviours that are aligned with the values of the organization. Thus contribution should be evaluated in the context of how it is achieved.

From an organizational perspective, the contribution alignment test challenges organisations to assess the return on investment in talent in a critical way. As was demonstrated above in many circumstances excessively high levels of renumeration of stars can capture all of the additional rent generated by the stars. While from a short-term, shareholder value orientation this may not be too great a challenge, it clearly creates issues for the sustainability of organizational performance. For example, in professional football (soccer) in Europe player wages have risen by such a degree over recent decades that they challenge the sustainability of the very clubs they play for. In response, UEFA the European governing body have introduced so called Financial Fair Play regulations to attempt to ensure the sustainability of teams from a financial basis (Müller et al, 2012).

From the employee perspective the test of contribution alignment generally concerns perceptions of fairness of rewards and other benefits relative to the employee’s perceived contribution to the organization. These assessments traditionally focus on reward, promotion, status and workload (Boxall, 2013). This is premised on the historical approach to motivation that prioritizes gain goals for employees. Such goals are focused on income generation or gaining promotion (see Birkinshaw et al, 2014; Grant et al, 2008; Latham, 2012). In this regard, the relativity of rewards to those who employees consider comparators is often more
significant that the absolute level of rewards (Bloom and Michel, 2002:33; Carrell and Dittrich, 1978: 203). Perceptions of relative underpayment have negative repercussions. Zenger (1992) found that the emphasis on rewarding best performers resulted in moderately high performers leaving the organization because of feeling of inequity (see also Kabanoff 1991, Kulik and Ambrose 1992). Similarly, studies on the impact of wage dispersion (Connolly et al, 2013 Pfeffer and Langton, 1993; Siegel and Hambrick, 2005) have consistently demonstrated that it diminishes cooperation (Pfeffer and Langton, 1993), increases managerial turnover (Bloom and Michel, 2002), lower group cohesion (Bloom 1999, Cowherd and Levine 1992, Summers and Hendrix 1991) and negatively impact firm performance (Siegel and Hambrick, 2005). Bloom and Michel (2002) noted that while extreme pay dispersion enabled firms to retain key star performers, it resulted in high level of turnover among managers. Similarly, Connolly et al’s (2013) research displayed that while high levels of pay dispersion may lead to short term gains, the longer term implications were often negative. Indeed, recent research has questioned the effectiveness of high levels of executive remuneration (Pepper et al, 2013). In this regard perceived organizational justice has been proposed as a useful lens to consider these issues from the employee perspective (see Gelens et al, 2013; 2014; Bjorkman et al, 2013).

Again an alternative perspective on goal setting which prioritizes pro-social goals- normative corporate goals that that underlie employees’ motivation for joint production- influences employees to focus on the success of the organization. Such pro-social goals generally project a higher order purpose that the company and employees stand for. This could be for example customer service or patients in a medical company. Financial goals become a natural consequence of the achievement of pro-social goals rather than the end goal in themselves (Birkinshaw et al, 2014). It is likely that such pro-social goals will be particularly impactful on employees with high levels of intrinsic motivation. Indeed, emerging research evidence reminds us that employee’s perceptions of the intent of HR management and development
practices can be significant in explaining their evaluation of the practices (Nishii et al., 2008) and this is likely to translate into their subsequent evaluation of the contribution alignment.

Thus from an employee’s perspective the contribution match relates to judgments around the benefits they receive from their employers relative to their perceived efforts in delivering on job requirements combined with relative to other employees. Their perceptions of the rewards and other benefits they receive are also likely to be impacted by their perceptions of the intentions behind the various HR practices. Pro-social goals are likely to be particularly impactful in influencing employee evaluation of the contribution match.

**Conclusions**

This paper has been a call to reflect on the nature of practice and research on talent management. While our understanding of the topic has expanded significantly over the past decade or so (see Al Ariss et al., 2014; Collings et al., 2013; Dries, 2013; Sparrow et al., 2014), a key limitation of much of the extant work in the area has been an over-emphasis on shareholder wealth as a driver of talent management. In line with some recent contributions the current paper calls for a broader understanding of talent management (Thunnissen et al., 2013) framed in more pluralist terms where the management agenda is not so privileged. Indeed, building on Boxall’s work the paper proposes three axes of alignment whereby the interests of organisations and individual employees can be congruent and which offer potential for the generation of greater value and for more sustainable performance.

Delivering on this ambition will require academic research to develop insights which can inform practice in talent management and create an even more compelling case for the alignment of employee and organizational interests and focusing on value generation for stakeholders beyond shareholders. This will necessitate the reframing of dependent variables
in research in talent management. As Paauwe and Boselie (2007) suggest, the employee-organisational relationship should be evaluated in terms of productivity, contribution to employee well-being, while also considering the extent to which the norms, values and expectations of the organisation’s environment are fulfilled. A key contention of the current paper is that foregrounding a broader, more pluralistic evaluation of the outcomes of talent management will provide a more balanced understanding of the contribution of talent management and the sustainability of organizational performance.

I echo Tunnissen et al’s (2013) assertion that research on talent management research should refocus on the organisation as a whole and to draw upon multiple theoretical lenses to more fully understand the nuances and complexities of any organisation and its behavior. This contrasts with recent shifts in organisation research, and talent management in particular, which has in response of the growing complexity of organisations, narrowed its focus to particular parts of the organization, while neglecting organisational-level phenomena (Greenwood and Millar, 2010). This has particular resonance for the field of HRD. Given that HRD has often been viewed, particularly by those outside the field, as a subset of HRM (Werner, 2014), a key focus of HRD research has been on isolating the contribution of HRD to organizational outcomes. A more ambitious research agenda, with a focus on the complexities of the wider organization, will require closer alignment between HRD research and researchers from other fields including, for example, HRM (see also Werner, 2014).

Clearly this places significant demands on talent management researchers in terms of research design. Indeed, while we have witnessed significant advances in the empirical study of talent management over the past decade or so, much of this research is based on relatively small samples or case studies (McDonnell et al, 2013). A more complete understanding of the nuances of talent management will require multi-level theorizing and empirical work incorporating perspectives from organizational leaders, employees and other key stakeholders. It is only through such multi-level work that the alignment of employee and
organizational interests can be explored in depth. There is little doubt that HRD as a field has much to contribute to this research stream.
References


http://www.hrmaturity.com


Ulrich and Ulrich (2010)


