What is the value of talent management? Building value-driven processes within a talent management architecture ☆

Paul R. Sparrow *, Heba Makram

Centre for Performance-led HR, Lancaster University Management School, Lancaster LA1 4YX, United Kingdom

A B S T R A C T

The paper uses two concepts to organize the talent management literature: talent philosophies and a theory of value. It introduces the notion of talent management architectures and first analyses four talent management philosophies and the different claims they make about the value of individual talent and talent management architectures to demonstrate the limitations of human capital theory in capturing current developments. Having demonstrated the complexity of issues being researched, it then synthesises these back down into a theory of value, and develops a framework based on four separate value-generating processes (value creation, value capture, value leverage and value protection). This framework draws upon a number of non-HR literatures, such as those on value creation, the RBV perspective, dynamic capabilities, and global knowledge management, and its use to understand the nature of value and how this might inform the design of any talent management system or architecture. The paper articulates 14 research propositions that the field now needs to prove and suggests how research might now address these.

© 2015 Elsevier Inc. All rights reserved.

1. Intoduction

The field of talent management is maturing and there are now significant debates about the breadth and focus of the function. Practitioners face choices about the design, role, remit, return on investment and ownership of talent functions, along with potential contributions to strategic workforce planning, employer branding, and global capability transfer. All of this raises questions about the necessary re-skilling for HR functions (Sparrow, Hird, & Cooper, 2015). Academics are now contextualizing talent management by investigating its use in specific business sectors or small and medium sized enterprises (Festing, Schäfer, & Scullion, 2013; Valverde, Scullion, & Ryan, 2013), or cross-organization partnerships (Sparrow et al., 2015) or emerging markets and countries with distinctive national business systems (Cooke, Saini, & Wang, 2014; Skuza, Scullion, & McDonnell, 2013), showing that "context is everything". There are immense variations in the chosen philosophy, models of potential, choice of bundled practices, and principles to which talent systems might operate. Talent management is best seen as a "bridge field" (Sparrow, Scullion, & Tarique, 2014) drawing upon ideas from HRM, supply chain management, marketing, the resource-based view and capability theory and even economic geography. This is both a strength – the field has the potential to break out from the shackles of single academic discipline or management function thinking – and a weakness — it relies upon somewhat generic and diffuse claims for unique and valuable contribution to organizational understanding.

The field is at an important juncture. Its development is being impeded by this rapid contextualisation and the different values, assumptions, allegiances and philosophies being surfaced. It makes a series of implicit value claims, some of which are taken for granted, whilst others are more tentative. Certainly most are unproven. It faces one of two futures. First, it could continue, after five previous

special issues, to enrich our understanding through the examination of ever more contexts. Whilst this would be of general interest, we believe that it would underplay the potential for a unique contribution that might be made by the study of talent management. Interest in the topic would dissipate, and the field might be subsumed within the broader interests and theoretical frameworks of human capital management. Second, it could demonstrate that as an umbrella issue, talent management has the potential to address a series of valuable challenges faced by organizations, in novel ways not possible by the adoption of single disciplines or academic lenses.

We point the way to this second future. Answering questions about value is a core challenge that must now be addressed for the field to develop further. The advancement of the field is best served by addressing the question of *value* within talent management. In order to do this we need to remind ourselves that we are really studying the *management of talent*, not the narrower HRM concerns of talent management. We develop a framework based on ideas about value, which makes it easier for researchers to organize, link and position many of the sub-debates within the talent management field, enables a more inclusive field by linking together the interests of a diverse family of researchers, and enables researchers to understand that whilst they might be studying apparently unique contexts, their research can be linked to that of others through redress to the underlying issues of value.

2. Using notions of talent philosophies and value-driven processes to better differentiate talent management architectures

In order to understand which elements of talent management are the most valuable for organizational performance (or effectiveness) we need to ask the deeper question — which is *how does a talent management architecture generate value for the organization*? The talent management literature borrows the concept of an "architecture" from the HR capital literature. The architectural metaphor is used by several writers (Becker & Gerhart, 1996; Becker & Huselid, 2006; Kang, Morris, & Snell, 2007; Lepak & Snell, 1999; Wright, Dunford, & Snell, 2001; Wright & McMahan, 1992) to highlight the locus of value creation in strategic HRM. A talent management architecture, then, is the combination of systems, processes and practices developed and implemented by an organization to ensure that the management of talent is carried out effectively. By assuming the operation of such architectures, the talent management literature has indirectly relied upon human capital thinking to make a series of "value claims". This thinking argues that value resides in the unique set of knowledge, capabilities, contributions, commitment, skills, competencies and abilities possessed by an organization's talent. Valuable, rare, imitable and non-substitutable talent, enables an organization to implement value creating strategies and achieve a sustained competitive advantage. Talented employees are distinguished from other employees by the capital they possess, which enables them to make a difference and add value to their organizations. Talented employees are both an organization strategic asset and a manipulable resource that has the potential to contribute to value creation. Schiemann (2014) also note that talent architectures have to manage effectively the whole 'talent life cycle'.

For Lepak and Snell (1999) two issues complicate discussion of architectures: different strategies (e.g., innovation, customer centricity, lean management), each, emphasise different internal business processes in terms of competitive advantage, and the skill sets that become critical for value creation are also likely different across these processes. An architecture might on the surface appear the same across organizations, but in reality, the assumptions that underpin it are often unique to each organization and dependent on business strategies, the insights of organizational decision makers, and the inherent philosophies of the organization (Boxall, 2012; Paauwe, 2004; Sparrow et al., 2014).

This paper addresses the question *how might a talent management architecture generate value for the organization*. From a theory-building perspective it shows that a more differentiated view is needed about how the management of talent is of value, by first using the notion of talent management philosophies (Meyers & van Woerkom, 2014). These philosophies are underwritten by tacit or explicit beliefs, assumptions and values about how organizations should work.

At the organizational level, value is created when organizations exploit their internal resources and capabilities to implement strategies that enable them to respond to market opportunities i.e., by creating economic value and enhancing an organization's performance. As Collings (2014, p.302) notes research has taken too narrow a view of performance and value: "…performance is generally considered solely in terms of shareholder returns. This translates into HR systems that fail to effectively align individuals and organizations in the generation of value". Our paper lays out a number of different ways of thinking about value and introduces the notion of value-driven processes. It develops four concepts of value creation, value capture, value leverage and value protection. We see these as four separate processes, all needed for the effective management of talent, and all providing a useful way for thinking about the total needs of a talent management architecture. We explain each process later in the paper, but briefly define them here.

Value creation is the process through which the organization attracts, acquires and accumulates valuable and unique talent resources and exploits their potential to create value. Value capture is the process through which an organization then bundles its talent resources with other resources to increase their dependency on the organization context, and hence weaken their bargaining power. Value leverage is the process through which an organization develops and extends the captured capabilities of its talent resources to add new use value. Finally, value protection is the process through which an organization develops isolating mechanisms to protect its talent resources from being lost to other competitors.

2.1. Talent management as the categorisation of people

For Collings and Mellahi (2009), the most useful way of laying out different talent management philosophies is to consider the focus of attention that each engenders. They outline four generic philosophies:

1. People approach: talent management as a categorisation of people.
2. Practices approach: talent management as the presence of key HRM practices