

ADVISING THE 'PERSUADABLE CLUSTER' OF HUNGARIAN COMPANIES ON TALENT MANAGEMENT

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Abstract

Based on the Hungarian data of the Visegrad funded project titled „Integrated talent management-challenge and future for organisations in Visegrad countries” (Visegrad Fund / number 21220142), a pilot cluster analysis was conducted to find out the main characteristics of talent management. The recent appreciation of the human capital has contributed to the application of new management procedures in the HR practice. One of them is talent management whose aim is to find and recruit talented people as well as to develop and retain those talents who have already been employed. We have found that there is a close relationship between the economic situation of the Hungarian companies and their talent management. Our paper also aimed at providing practical advice to Hungarian companies, which are open for talent management.

Keywords: Talent management, Cluster analysis, HR

JEL classification: J24

Introduction

In course of our cluster analysis, we used the database of the Visegrad Fund Project "Integrated Talent Management - Challenge and Future of Organizations of Visegrad Countries" and we summarized the result of the case studies - conducted within this framework- as the qualitative part of the research. A selective survey was used as a method of data collection. The selective file was determined randomly in each country. The individual items of the questionnaire were scaled according to the Likert scale from 1 to 5. In the database created in this way, each respondent represents one business object. We examined the responses given by 49 Hungarian companies in our present research.

Economists say that talent is crucial and it is the greatest advantage in competition. Companies should choose to find talented employees instead of making their choices based on technology, factory or even capital (Tucker-Gandossy-Verma, 2007. p. 10)

In our research into talent management, we formulated our questionnaire keeping the following conceptual definition in view:

Global talent management is more future oriented and is defined in terms of human resource planning and projecting employee/staffing needs. Here the focus is on the types of individual level capabilities needed in the future. (Lewis -Heckman, 2006.)

The real history of talent management started at the end of the 1990s, when the McKinsey Organisation conducted a research into this topic. The research involved more than 6,000 companies.

The summary of the research issued in 1997 included the results of the survey (questionnaires) and the case studies of the most closely observed 18 companies. It shows that efficient companies have better adjusted Human Resource Management.

The managers of these companies think that in the long run, there is a connection between successful performance and talented people.

Talent management is definitely related to the attitude towards talents, which is known as Talent Mindset. It was also an interesting finding that most companies recognise talents and their special performance but they neglect them.

Talent management went through a dramatic development from the 1980s to the end of the 20th century. This is clearly shown in Figure 1.

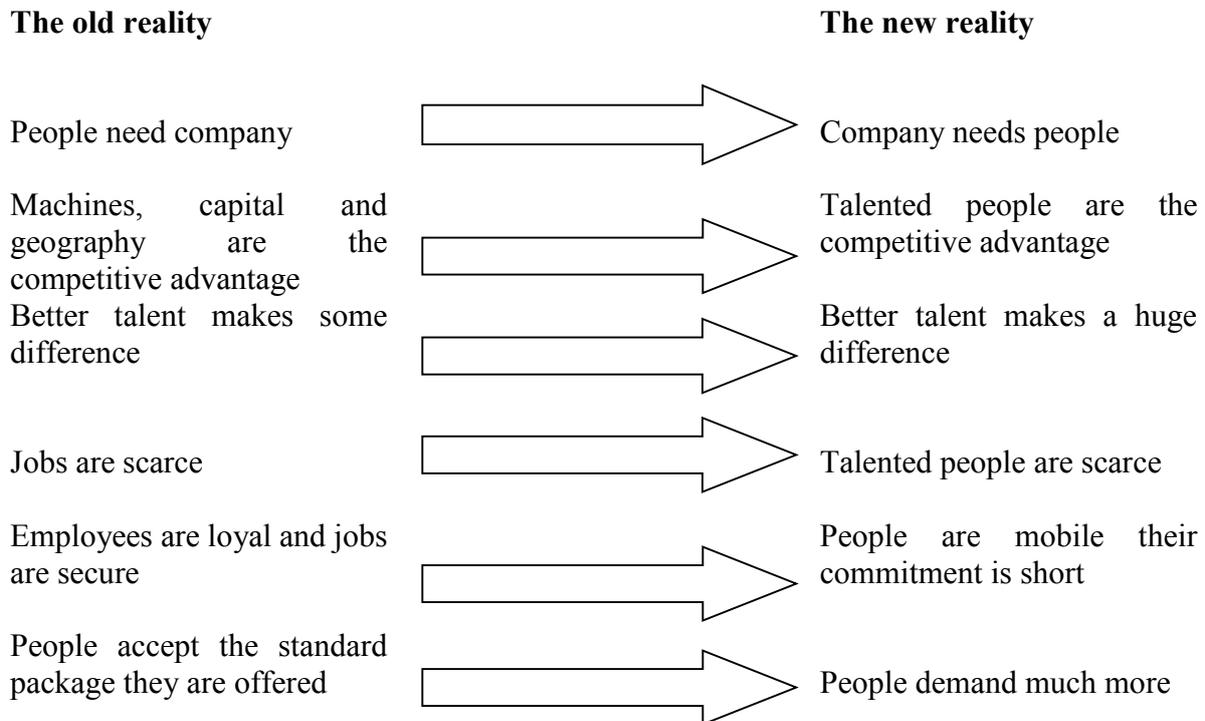


Figure 1. Comparison of the priorities of the environment in the past and in 2001

Source: Michaels, Hanfield-Jones, Axelrod: The War for Talent, 2001, p. 6.

However, we must note that there have been some changes concerning reality described in Figure 1 (Bersin, 2010; Hatum, 2010; Schuler, Jackson and Tarique, 2011; Collings and Mellahi, 2010).

Partially due to globalization, the rapid changes in business and the economic crisis, people generally seek a safe environment in the labour market, too.

Talented people also value a stable, predictable work environment. They are ready to commit if they are duly valued. Thus, the human aspects of the work environment are becoming more and more important.

These thoughts are summarized in Figure 2.

The only issue which has not changed is the importance of talented people and the fact that there are not too many of them. Consequently, companies and organizations should value them properly, because they are the key people for them and the future of the organization depends on their commitment and performance.

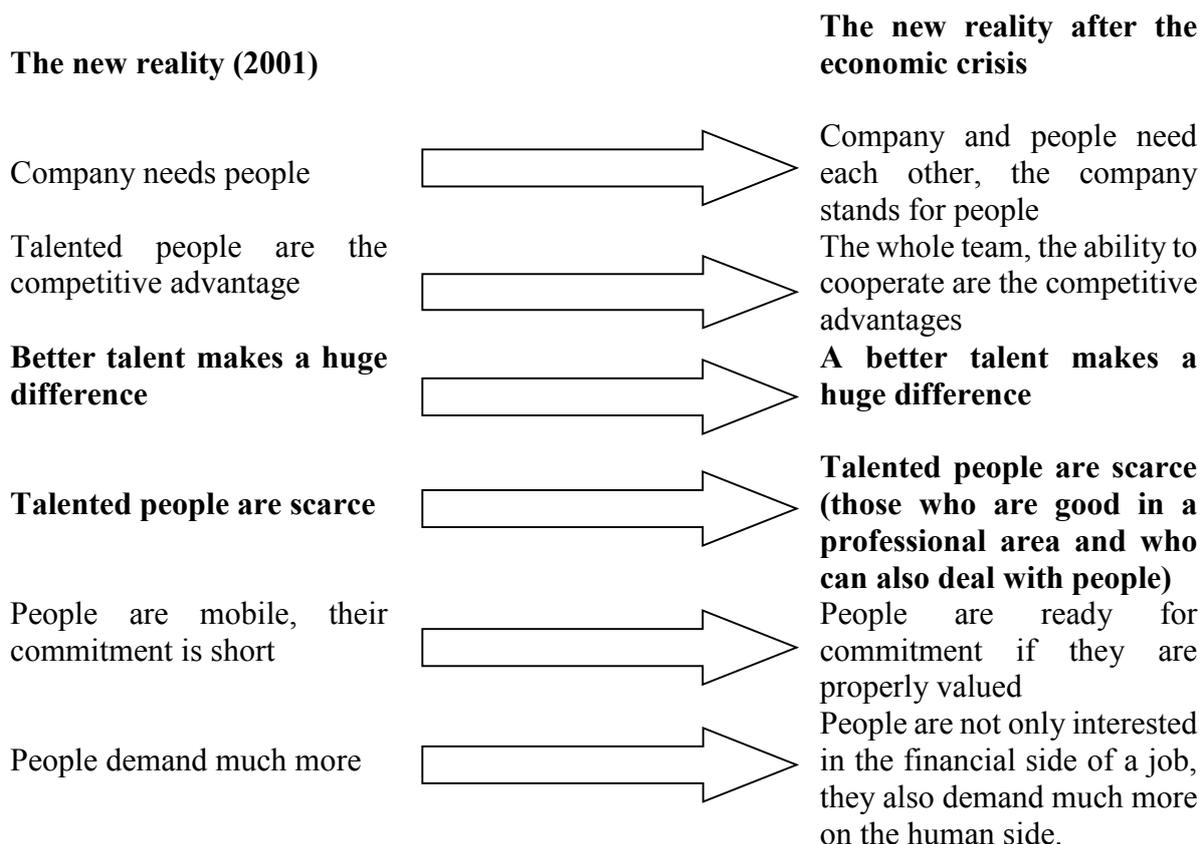


Figure 2. Comparison of the priorities of the environment in 2001 and at present

Source: Based on Michaels, Hanfield-Jones, and Axelrod: The War for Talent, 2001, p. 6. own design

Materials and methods

The practical advice is based on the summary of the case studies conducted by the Project Team¹ in the Visegrad countries. The similarities of the historical backgrounds of the four countries allow us to use each other's good practices. At first, we prepared the cluster analysis to find the group of companies which should be convinced on the implementation of talent management.

Classification or clustering is an important area of research in the statistical, analytic methodology. It is a multidimensional method used for exploring the structures among the objects, the respondents. We chose the cluster analysis method in order to form groups (clusters) which are relatively homogenous inside, and at same time, they can be easily distinguished from one another, i. e. they are heterogeneous. Clustering has three requirements in statistics (Hunyadi-Vita, (2004): 1. each object of the variable must belong to a cluster, 2. each object belongs to exactly one cluster, 3. the clusters must be homogenous.

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Results and discussion

The organisations and the respondents completing the questionnaire have the following characteristics:

- 42.9% of the companies are large, 30,6% of them are medium-sized.
- The majority of the respondents (69,4%) work in the service sector (4 respondents gave no information about their core activities).
- The questionnaire was mainly completed by employees holding 'other' positions (53.1%). However, the percentage of those holding HR positions is quite significant (24.6%).
- 57.1% of the companies have a HR Department or position.
- In 40.8% of the companies the economic conditions improved, 28.6% of them showed no change and 30.6% of the companies stated that their economic conditions had worsened.
- In 40,8% of the companies the rate of administrative workers is 20%, in 22.4% of them, it is 50% and in 36,7 % of the companies the rate is 9% or lower.
- 53.1% of the examined organisations have no foreign capital, 46.9% of them have.
- 83.7% of the responding organisations are privately owned.

In course of the cluster analysis, we wanted to know what characterises the clusters created from the respondents in terms of talent management strategy, talent identification, benchmarking, talent development and talent retention.

We used WARD's method in our cluster analyses. The number of clusters was determined on the basis of the 'elbow-criterion' As a result, we got two-or three-cluster solutions. We continued analysing the clusters with the help of cluster centroids (means). We compared the means through variance analyses. The dependent variables were the topics of the questionnaire, while the independent variables were Talent Management with a two-cluster solution (clu2_1) and Talent Management with a three-cluster solution (clu3_1) (hereinafter the Talent Management variable). In the case of the three-cluster solution, the members of one of the clusters regularly gave neutral responses to the questions. We decided to choose the three-cluster solution because it allowed us to separate the following three characteristic groups of companies:

- those who are involved in talent management,
- those who definitely don't deal with talent management,
- those who do not reject talent management.

It will be worth contacting the third group in order to give them recommendations on the basis of the results of this project and to describe them the good practices mentioned in the project. It is important to note that dispersions were lower (to a small extent) in the case of the three-cluster solution, i.e. they better reflect the properties of the individual clusters.

We assigned the following names to the clusters in our research:

1. COMMITTED TO TALENT MANAGEMENT – DEVELOPMENT-ORIENTATED:
Talents enhance their competitiveness, they gain competitive advantage, which results in higher business incomes and higher profits.
2. THE PERSUDABLE:
They are open to talent management (they don't reject it), however, they are not deeply involved with the topic (e.g. because of the lack of professional knowledge or resources).
3. IGNORING TALENTS – STATUS QUO –ORIENTATED:
For some reason, the predictable changes brought about by talents are undesirable for them; it is difficult to persuade them of the importance of talent management.

After that, we conducted the cross-table analysis in respect to the basic information about the companies and to the Talent Management Variable. (Cross-table analysis examines the relationship between the variables and shows their combined frequency distribution.)

The analysis shows that there is a significant relationship between the size of a company and the Talent Management variable. It means that we discarded the zero-hypothesis because there is a relationship between the variables. In the other cases, the zero-hypothesis is fulfilled because there is no relationship between the variables. However, cross-table analysis is not easy to use if in any of the cells the value expected on the basis of marginal distributions is lower than 1, or if in more than 20% of the cells this value is lower than 5. This can be seen in each cross-table in our research. This problem can be solved by further data collection, as marginal frequencies and the expected values can increase in this way.

Table 1 gives a summary of the characteristics of each cluster.

Table 1. Cluster characteristics

| | Cluster 1 Talent Managers – development orientated | Cluster 2 The Persuadable | Cluster 3 Ignoring talent – status-quo orientated |
|---------------------------------------|---|-------------------------------------|--|
| Size of company | large | large | medium |
| Core activity | service | service | service |
| Ownership | private | private | private |
| Foreign capital | not significant | no | yes |
| Rate of administrative workers | 10-49% | 10-49% | less than 9% |
| Economic situation | improved | hasn't changed | worsened |
| HR team | yes | yes | no |
| Respondent's position | other | other | other |
| Agreement with the strategy | yes (4.3) | neutral (3.1) | no (2.0) |
| Talent identification and recruitment | neutral (3.10) | neutral/don't agree (2.89) | don't agree (2.45) |
| Benchmarking | neutral (3.14) | neutral/don't agree (2.65) | definitely don't agree (1.77) |
| Talent development ¹ | neutral/don't agree (2.61) | neutral/don't agree (2.64) | neutral/don't agree (2.73) |
| Retention ² | definitely don't agree (2.31) | neutral (2.70) | neutral (2.90) |

Source: Own editing, 2013.

1 -2. There are several negative questions within the topics of talent development and retention. That is the reason why Cluster 3 got higher values in these questions.

The cluster topics were evaluated on the basis of the case summary reports retrieved for each topic. The means of the responses within one cluster were averaged by clusters.

Textual evaluation of the clusters

1. The characteristics of the COMMITTED TO TALENT MANAGEMENT – DEVELOPMENT-ORIENTATED Cluster:
Its members are typically privately owned, large companies in the service sector where the presence of the foreign capital is not decisive. The rate of administrative workers is 10-50%. Their economic situation has improved, and each of them has a HR team or a specialist. They agree on the strategic importance of talent management and its assessment; however, their talent identification and benchmarking are in embryonic stage. The same could be said of the processes of talent development and retention, but at least they have been introduced and have been operating. The topics of talent development and retention contain several negative questions, that is the reason why the magnitudes changed during the evaluation of the clusters.
2. The characteristics of the PERSUADABLE Cluster:
Its members are typically privately owned, large companies in the service sector where there is no foreign capital. The rate of administrative workers is 10-50%. Their economic situation has not changed, and they have a HR team or a HR specialist. They do not deal with the strategic importance or the assessment of talent management, and their talent identification and benchmarking as well as talent development and retention are rudimentary. At least these processes have been introduced and have been operating in these companies.
3. The characteristics of the IGNORING TALENTS – STATUS QUO -ORIENTATED Cluster:
Its members are typically privately owned, medium-sized companies in the service sector. Foreign capital is represented in these companies. The rate of administrative workers is 9% or lower. Their economic situation has worsened. They do not have a HR team or a HR specialist. They do not deal with the strategic importance or the assessment of talent management. Talent identification and benchmarking have not been implemented; neither have the processes of talent development or retention. The topics of talent development and retention contain several negative questions, that's the reason why the magnitudes changed during the evaluation of the clusters.
The members of this cluster almost reject talent development and behaviour.

Advising the Persuadable Cluster

In order to support the companies, which are open for talent management, we prepared the following implementation guide:

1. Identify the employees who the company considers to be talented and find out why. Mostly, they will be the possible successors of (top) managers. They are key persons for the company, who are able to drive the business forward.
2. Integrate talent management into the HR strategy (the HR Strategy is integrated into the overall strategy of the organization.)
3. Talented people can be recognised during the process of recruitment if the staff dealing with recruitment is aware of the definition and the common values of talents.
4. Performance management has to be established or revised, if it already exists, and talent management should be fitted into it as an integral part of performance management.

The Talent matrix categorises the employees into groups each of which have different needs (Table 2.). In Box 1, there are the best performers, in Box 9 there are the low performers, who are not able to adapt to the new, changing situations.

Table 2. Talent Matrix example

| | | | |
|----------------------|--|---|---|
| Potential | 4 Unusual Coach | 2 Rising Stars Invest: Increase challenge | 1 Rising Stars Invest: High Risk Assignment |
| | 7 Low Performers Identify Mismatch/move | 5 Key Contributors Strech & Test | 3 Adaptable Professionals Retain, Appreciate & Leverage |
| | 9 Low Performers Up or out | 8 Contributors/ Professionals Retain and Strengthen | 7 High Professionals Retain & Appreciate |
| Level of Performance | | | |

Source: Integrated Talent Management (2013), p. 111

5. Inform your employees on the new process. If it is possible, leave them a reasonable period to get to know and understand that the selected colleagues will contribute to the success of the organisation, which will ensure the security of all the employees.
6. The process should be easily accessible; the employee can be trained on using it.
7. Talent management should be based on Education, Experience and Exposure.
 - a. allow the involvement in the process on voluntary basis and
 - b. on the basis of the supervisors' or team's proposals
 - c. take into consideration the performance evaluation and
 - d. the person's character, e.g. whether he/she
 - i. thinks over problems from a fresh point of view
 - ii. knows him/herself well, learns from experience
 - iii. treats others constructively
 - iv. has a passion for ideas
 - v. inspires others beyond normal
 - vi. his/her presence builds confidence in others
 - e. Informal and formal mentoring, coaching are very valuable parts of the activity, because they can strengthen the relationship between the employees. In addition, they may improve efficiency.
 - f. Provide chance for the employee for job rotation (also on international level) to get experience in as many fields as possible
8. Pay due attention to the retention of talented people. Get to know them, find out what is important for them. It is not only salary that counts. For a talented employee, as for anyone

else, sometimes the working environment- furniture, lighting, social activities, support to professional education, holiday opportunities, etc. - is more important.

9. Follow-up (the process has to be worked out) is very important in the case of each activity and it has to be part of the company's quality management, which supports the sustainability of the operation.

Transparency and the human point of view are very important parts of the process, because this framework ensures a safe environment for the employees' development.

Conclusions

To answer the question of this cluster analysis we can say that talent management counselling should be aimed at companies (Cluster 2, Persuadable) whose economic situation has not changed according to their report and which don't have any foreign capital investments. In addition to that, they should have a HR specialist or a HR department, which makes cooperation easier. Besides the questionnaires, case studies are also being prepared in the participating countries. As the cultures of the Visegrad countries are very similar to one another, good, positive practices can be applicable everywhere. We are sure that the first most important step is the development of the talent management strategy and its adjustment to the corporate strategy. The next steps will depend on the characteristics of the organisation. However, we provided a general further guide to support and assist the advisors or the decision makers of the relevant organizations.

The core messages of the advice are:

- the human point of view of Talent management,
- the recognition of its importance and the transparency of its process.

These aspects are interdependent. They are based on each other. They cannot be handled independently. We think that the companies which consider them and act accordingly will operate more successfully in the future.

Based on our analysis, we can say that there is an interaction between the economic situation of companies and talent management. In our research, we dealt with talent management only. Our statements and suggestions are aimed at showing its positive impacts.

However, we cannot ignore the fact that a successful talent management strategy (and its implementation) is not the only factor that influences the economic situation of a company.

We should support the companies belonging to Cluster 1, while in the case of the members of Cluster 3, we should find the reason why they reject talent management. It definitely cannot be an economic reason, as a budgetary organisation will not intentionally do anything that would worsen its economic prospects. Therefore, only the PEST and SWOT analyses could bring the first results, which might promote development in these cases.

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