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**School of Business and Management**

**Knowledge Management & Leadership**

**Maximizing human capital through talent management practices**

**Master's thesis**

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ABSTRACT	
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<p>The objective of this thesis is to determine the effects that talent management practices have on human capital and how these talent management practices are performed in organizations. Additionally, the effect that talent management capabilities have on each other is explored along with the challenges organizations face with talent management.</p> <p>An introduction to relevant themes such as human capital, attracting talent, acquiring talent, retaining talent are provided as background to gain an understanding of talent management and human capital. These are examined through a synthesized framework that combines both talent management and human capital.</p> <p>The empirical portion of this study is achieved through four semi-structured interviews in organizations of varying size and industry. This method is specifically chosen to achieve variance in perspectives while simultaneously allowing for a deeper perspective into the topics through the semi-structured interview format. The findings indicate that talent management practices significantly affect an organizations human capital. Additionally, talent management strategies supporting corporate strategy and focusing on attraction are shown to be most efficient. Organizations place most value in the attraction element of talent management and it is seen as the foundation to successful talent management.</p>	

TIIVISTELMÄ	
Tekijä	Miika Kestilä
Tutkielman nimi	Inhimillisen pääoman maksimoiminen osaamisen johtamisen käytäntöjen avulla
Akateeminen yksikkö	LUT School of Business and Management
Koulutusohjelma	Tietojohtaminen ja johtajuus
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Avainsanat	Inhimillinen pääoma, Osaamisen johtaminen
<p>Tämän tutkielman tavoite on tarkastella osaamisen johtamisen käytäntöjen vaikutusta organisaation inhimilliseen pääomaan. Tämän lisäksi tavoitteena on tarkastella osaamisen johtamisen käytäntöjä tässä kontekstissa. Osaamisen johtamisen eri osa-alueiden vaikutusta toisiinsa tarkastellaan sen lisäksi, että niitä tarkastellaan organisaation haasteiden näkökulmasta.</p> <p>Tutkielma sisältää kirjallisuuskatsauksen inhimilliseen pääomaan, osaamisen houkutteluun organisaatioon, rekrytointiin sekä osaamisen säilyttämiseen inhimillisen pääoman perspektiivistä tarkasteltuna. Osaamisen johtaminen ja inhimillinen pääoma yhdistetään tutkielmassa yhdeksi viitekehykseksi.</p> <p>Tutkielman empiirinen osio koostuu neljästä puolistrukturoidusta haastattelusta, jotka toteutettiin erikokoisiin ja eri toimialoilla toimiviin organisaatioihin. Tämä tapa valittiin siksi, että aiheeseen saataisi erilaisia näkökulmia, mahdollistaen kuitenkin syvällisen perehtymisen aiheeseen. Tutkielman löydökset indikoivat, että osaamisen johtaminen vaikuttaa huomattavan paljon organisaation inhimilliseen pääomaan. Tämän lisäksi kaikista vaikuttavimmat osaamisen johtamisten strategiat nojaavat yrityksen strategian suoraan tukemiseen sekä parhaiden osaajien houkutteluun. Organisaatiot asettavat tärkeimmäksi osaamisen johtamisen prosessiksi osaajien houkuttelun ja sen katsotaan olevan mahdollistaja koko muulle osaamisen johtamiselle.</p>	

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As my studies at LUT finally draw to a close, I'm feeling a mixture of gratitude and anticipation. Gratitude for everyone I've had a pleasure to meet in the past six years and for everything I've experienced and learned – paired with intense feelings of excitement and anticipation for what the future has in store.

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## 1 INTRODUCTION

In literature, strategic talent management has suffered from a lack of a distinct and clear definition. During the past years the focus in research has shifted from traditional human resource management principles and a focus on organizational elites towards a more practical model on how talent should be managed in a global environment. (Collings & Mellahi, 2009) In practice, talent is within the top three priorities of CEOs interviewed in the United States, according to a recent study by Groysberg and Connolly (2015). Strategic human resource management focuses more on organizational performance rather than the individual and has also been identified in research as a source of sustainable competitive advantage. (Becker & Huselid, 2006)

According to Lewis & Hackman (2006), the lack of a distinct definition has led to three different ways to interpret talent management: as a term for old HR practices, succession-planning and management of talented employees. Perhaps the most important controversy – and the one with a large risk for misunderstanding – is the differing views on whether talent management should comprise all talent within an organization or top talent only. (Iles, Chuai & Preece, 2010) One can quickly understand why talent management as an academic field but also as a practical application could use a single, clear-cut definition in order to avoid confusion, frustration and further misunderstandings.

Not only has talent management suffered from a distinct lack of a clear definition, it has also been lacking in terms of scientific research. As a practical topic it has been duly noted and its' value recognized, but the academic field has suffered from a lack of theoretical frameworks. The purpose of this study is to examine talent management capabilities and practices in different organizations and how they affect the organizations human capital through a framework of talent management from a holistic perspective by synthesizing popular views of strategic talent management in to one comprehensive model, which can also be utilized from a practical standpoint. (Lewis & Hackman, 2006)

Lewis & Hackman (2006) synthesize the topics that have been front and center within TM research in their work on current research theories and future directions of talent management:

*“Identifying the talent required for international business operations (Tarique & Schuler, 2010); managing top management talent (Joyce & Slocum, 2012); linking the strategic management of business operations and TM practices (Collings & Mellahi, 2009); and understanding TM in the context of organizational-linkage mechanisms, such as mergers and acquisitions. Studies linking TM to topics such as skilled migration and expatriation, diversity management (Al Ariss & Crowley-Henry, 2013), and managing the various generations of the workforce (Meister & Willyerd, 2010) have also started to appear.”*

They also propose that a common, overarching theme in all this research is the prevalence of organizations unwilling, or perhaps incapable of, managing talent properly and effectively despite taking great care in recruiting measures. Organizations go to great lengths in order to recruit and attract talent, but the management of said talent is often lacking.

The definition, or the lack thereof, of talent management is one that has affected the academic field negatively, and the field has long needed a clear definition not only for the term talent, but also for talent management as a whole. For the purposes of this paper we will refer to talent in a broad manner and think of talent as capabilities either lost or gained as a result of gaining or losing a person. More specifically, talent is defined as “the collective knowledge, skills, abilities, experiences, values, habits and behaviors of all labor that is brought to bear on the organization’s mission.” (Schiemann, 2013). This broad definition allows us to approach talent from a very holistic perspective without contradicting with major articles in significant ways. As it pertains to talent management, it is well-defined by Schiemann (2013) and will be used for the purposes of this thesis as well. Schiemann (2013) defines talent management as such:

*“Talent management is a unique function that integrates all of the activities and responsibilities associated with the management of the talent lifecycle regardless of geography—from attracting and acquiring talent to developing and retaining it. A key measure of success is the ROI on the investment of talent as a resource, when the ‘return’ is considered broadly to include benefits beyond financial ones alone.”*

As talent management has been categorized in several different ways and can be described from significantly differing viewpoints, it is worthwhile to note different perspectives. A value-perspective in talent management is logical from a practical standpoint, and it additionally utilizes several different fields of study, such as value creation, RBV, capabilities, global KM and architectural ideologies. The theoretical framework and ideology has been pioneered by Sparrow and Makram (2015). Talent management, drawing ideas from HRM, marketing, supply chain management and the resource-based view can in fact be seen as a bridge field. (Sparrow, Scullion & Tarique, 2014)

This study will first explore the relevant core literature around strategic talent management and its constituents from a perspective that allows us to achieve a comprehensive view of the methodology around the best strategies of talent management and human capital. A framework will be synthesized from best practices. Human capital is the core foundation that drives organizations – without people, there is nothing to manage, lead, or produce work. As a natural extension, it is then important to look towards how organizations manage this talent. In practice, talent management has crucial practical implications on key recruiting and talent management KPI's such as time to hire, candidate satisfaction, cost of hire and candidate quality, job satisfaction, employee commitment, motivation and turnover. The business implications of a successful talent management strategy are vast, measurable and thus should be the key to any successful talent strategy.

Managing and creating on-going relationships with potential candidates by utilizing deep and versatile talent pools internally and externally is essential to maintain authentic contact with potential candidates, regardless of organization size. Interviews will be conducted at four different companies with the goal of examining

their strategic talent management and human capital practices through the framework synthesized from core research on talent management. The need for successful, planned and deliberate talent management and readily accessible top candidates is amplified as a company grows, especially since a growing company has larger demands and therefore various recruiting needs must be answered as quickly as possible across a wide variety of segments, requiring different skillsets and specialization. Not only is the amount, accessibility and the candidates' image of the company relevant, quality is of utmost importance. Therefore, a key strategic talent management strategy is of utmost importance to any organization.

### **1.1 Research objectives and limitations**

The objective of this thesis is to critically examine the core literature surrounding talent management, examine talent management practices and their effects within organizations and to distill this knowledge in to practical recommendations. This framework will serve as a basis to critically examine talent management and human capital practices in four organizations. A secondary reason for focusing this thesis around talent management is the fact that not much research has been done from a theoretical perspective regarding talent management, and by extension not much research has been done from a practical standpoint. This thesis attempts to offer some preliminary findings from several organizations on how their talent management practices are executed and what their effect on human capital is.

While it is important to define what talent management is, it is equally important to define what it is not. It takes and refines the concept of talent management further than previous strategic human resource management literature, which has been a key indicator in forming the field of talent management. Strategic HRM literature has proven that human capital and human resources are without a doubt a potential for sustainable competitive advantages. (Becker & Huselid, 2006) Additionally, strategic HRM literature has pointed towards the fact that an organizations resources and capabilities are largely dependent on its human capital and people – pointing to the fact that people are the core drivers of organizational success. (Cheese, Thomas & Craig, 2008) This has widespread implications on the

importance of talent management and further what can be achieved through the successful application of talent management.

### **1.1.1 Research problem and research questions**

The research problem of this thesis is centered around the strategic talent management practices that organizations currently practice and how those efforts could be furthered optimized in the frame of the entire talent lifecycle and human capital. The objective is to examine the impact of talent management and what organizations are either leaving on the table regarding human capital with insufficient practices or gaining with excellent talent management practices. The research questions are as follows:

***“How do organizations perform key talent management processes and how do these processes affect human capital?”***

The secondary research questions are as follows:

***“What are the biggest challenges organizations currently face regarding talent management from the perspective of the provided framework?”***

***“How do the talent management processes of the talent lifecycle affect each other?”***

The purpose of these research question is to examine whether theory meets practice – are the challenges of talent management proposed in the literature proportionate to the realistic situation at hand? Where do organizations feel like they should do better and where are they lacking? What are their biggest pain points regarding talent management?

## **1.2 Structure of the study**

The study consists of eight core chapters, beginning with an introduction. The purpose of this introduction is to present relevant information on the topic and persuade the reader in to understanding the importance of the topic from a business perspective. The chapter offers relevant background information regarding talent management. Additionally, the research objective and research questions are presented in a way that supports the structure of the study. Limitations are also discussed.

The second chapter introduces the theory of human capital and combines this with the literature surrounding talent management in order to gain a comprehensive view over the key literary themes of this thesis. The third chapter focuses on examining the theoretical background of talent management with the focus being on attracting, acquiring and retention – the current and past themes, limitations, challenges and directions of research. The purpose of this chapter is to provide a comprehensive compilation of the theory of talent management as it pertains to the research objective and questions. The scope is purposefully kept mostly on talent management, while still incorporating some key views from HRM that are very similar to the talent management literature. In sub-chapters key concepts under talent management and pivotal roles, talent pools and human capital will be explored from the perspective of talent management.

The third chapter also synthesizes a framework of talent management. The framework is based on combining the talent lifecycle birds-eye view with its relationship to human capital. It is meant to incorporate the best of what others have discovered in the talent management literature so far, while simultaneously remaining practically applicable where needed.

The fourth chapter focuses on expanding on the methodology of this thesis. Research methodology and the collection of data will be considered and explained. Chapter five is reserved for discussing and analyzing the results of the data gathered, while chapters six is reserved for discussions, followed by conclusions in

chapter seven. The purpose of chapter seven is to explore how this thesis has provided answers to our research questions. Finally, chapter eight is reserved for reflections, practical applications and potentially identified further research opportunities.

## 2 HUMAN CAPITAL

The history of human capital resides from time before knowledge work was ubiquitous. Capital was previously identified as physical labor, land and management. These alone were not capable of explaining economic growth - the remaining parts that affected business were identified as human capital. (Schultz, 1961) The underlying assumption that underpins human capital theory is that the capabilities of people are comparable in value to those of other resources. When this resource is utilized in an effective manner, this leads to profitability at an individual, unit, organization and therefore even societal level.

(Schultz, 1961) Additionally, investments in human capital are shown to directly affect productivity (Black, 1996). Human capital is also prevalent in talent management theories, being one of three key perspectives and the one this thesis focuses on. (Ready et al. 2008). Human capital can be seen as the basis for talent management, as human capital acts as the foundation for defining talent in general through its division into knowledge, skills, abilities and other characteristics. The effects of human capital in organizations are vast and measurable, a meta-analysis of human capital research on entrepreneurship even indicates that human capital affects entrepreneurial success within organization in a small, yet significant way. (Unger, Rauch, Frese & Rosenbusch, 2011)

Human capital is the most important form of capital in a modern knowledge-economy. Over 70% of the total capital of the United States consists of human capital. Technology has been one of the ultimate drivers of economic growth during the recent decades, and an increase in human capital is one of the most important drivers behind this growth. In the future, the relevance and importance of human capital is likely to only increase. (Becker, 2002) Human capital has also long been seen as one of the drivers of entrepreneurial success in organizations (Florin et al., 2003). Additionally, research has also shown that human capital has a general impact on business success through various different parts of human capital. (Bosma et al. 2004; Van der Sluis et al., 2005; Cassar, 2006).

In addition, human capital has also been shown to correlate positively with innovation in a multi-country study, providing strong basis for assuming that human capital partially drives innovation. (Dakhli & De Clercq, 2004)

The effects of human capital are vast and the proof of its ever-growing relevance are vast. The effects of talent management practices on an organization's human capital offer a potentially interesting interaction, as a link could provide concrete tools for organizations to achieve desired results in human capital through their own actions through talent management practices. Human capital comprises of an increasingly complex and vast amount of areas, that present a challenge in measurement and understanding. Wright & McMahan (2011) propose that a core challenge with human capital is no longer its acceptance as a term and concept, but rather the differences in understanding the depth and complexity of the topic along with the various different ways it can, or should, be measured through.

**Table 1** Definitions of Human Capital Theory by leading economics scholars

<i>Author</i>	<i>Year</i>	<i>Definition</i>	<i>Dependent variable</i>
Shultz, T. W.	1961	Human capital as the knowledge and skills that people acquire through education and training being a form of capital, and that this capital is a product of deliberate investment that yields returns.	Investment in people that has returns
Mincer, J.	1962	Theory of human capital as education and schooling that will prepare the workforce.	Quality workforce
Denison, E. F.	1962	Theory of human capital as a form of education that contributes to economic growth by attributing a proportion of economic growth not explained by increases in capital, labor and productive land to improvements arising from increased educational levels in the workforce.	Improved workforce
Becker, G. S.	1964	Theory of human capital as a form of investment by individuals in education up to the point where the returns in extra income are equal to the costs of participating in education. Returns are both private to the individual in the form of additional income, and to the general society in the form of greater productivity provided by the educated.	Private and social returns to investment in education
Bowman, M. J.	1969	Theory of human capital as a form of investment. Expenditures on social services, health and education are analogous to investment in physical capital.	Investment
Blaug, M.	1976	Human capital as the idea that people spend on themselves in diverse ways, by purchasing education and training not for the sake of present enjoyments, but for future pecuniary and non-pecuniary returns. Individuals and governments incur direct and indirect costs, and a link exists between investment in education and individuals' lifetime earnings.	Pecuniary and non-pecuniary returns
Psacharopoulos, G. and Woodhall, M.	1985	Human capital as investing in both formal and informal education and training, which provides and enhances individual productivity by providing knowledge, skills and attitudes and motivation necessary for economic and social development.	Productivity in the workforce
Romer, P. M.	1986	Human capital as a form of 'new growth theory', which regards knowledge creation as endogenous responding to market incentives such as improved profit opportunities or better education.	Improved profit
Psacharopoulos, G.	1985	Human capital as being formed through investment in education and training. This results in increased productivity among the employees in the workplace.	Increased productivity
Romer, P. M.	1987	Human capital as a continuation of the growth theory, which regards knowledge as more endogenous. Increasing returns to organizations are due to investment in human capital through specialization.	Increasing stock of knowledge

**Table 1** (continued)

<i>Author</i>	<i>Year</i>	<i>Definition</i>	<i>Dependent variable</i>
Romer, P. M.	1990	Human capital as the amount of total stock of human capital that an organization, country or economy has. The economy with a larger total stock of human capital will experience a faster rate of growth.	Faster rate of growth
Becker, G. S., Murphy, K. M. and Tamura, R.	1990	Defines human capital in the form of the fertility model and argues that there is a correlation between family size and the decision to invest in human capital; therefore, societies with small families have invested in human capital and benefited from more economic growth.	Faster economic growth
Cohn, E. and Geske, T. E.	1990	Human capital as an investment in education and training that has both private and social returns. Schooling and training increase one's productivity and thus one's chances in a free market to obtain higher wages – and certainly increase the contribution to the social product.	Increased productivity
Becker, G. S.	1993	Theory of human as investment in an individual's education and training, which is similar to business investments in equipment. Looks at the economic effects of investment in education on employment and earnings, and shows how the theory measures the incentive for such investment.	Employment and earnings
Bontis, N.	1996	Expenditures made by individuals and governments in purchasing education and training is seen as an investment. This investment is expected to yield future pecuniary and non-pecuniary returns.	Pecuniary and non-pecuniary returns
Fitz-Enz, J.	2000	Human capital as the traits one brings to the job: intelligence, fulfilling work energy, a generally positive attitude, reliability and commitment. One's ability to learn: aptitude, imagination, creativity, and what is often called 'street smarts' savvy (how to get things done).	Productivity and efficiency
David, P. and Lopez, J.	2001	Human capital as acquired human capabilities that are durable traits yielding some positive effects upon performance in socially valued activities.	Quality performance

Figure 1. Definitions of Human Capital Theory (Nafukho et al. 2004)

The exact definition of human capital has remained relatively similar during the course of research that has been done since the inception of the term. The underlying premise is that investing in human capital provides some form of return; either at an individual, organizational or societal level. These are all heavily interweaved with each other, as investment in human capital at an individual level could be the result of an organizational effort to increase human capital, therefore benefiting both the individual and the organization. Therefore, efforts such as these are also likely to benefit society either directly or indirectly.

Nafukho et al. (2004) have compiled different definitions of human capital across decades. Some notable trends are that in the beginning the focus of research was more directly on the workforce and investment in specific terms and wording. As times progress to an era where knowledge work is more common, the focus shifts on to increasing productivity, performance and growth. On the other hand, these could just be different terms used to describe the same thing – investment in human capital ultimately means better returns; be it through productivity, growth or improving the workforce.

Research on human capital has traditionally been very focused on the individual level. (Becker, 1964; Schultz, 1961). The term itself is therefore not new, but the

definition from an individual level is in certain contexts. As we view strategic recruitment practices from several different perspectives and level, the same will be repeated for human capital. From a more practical and current standpoint it is beneficial to look at human capital resources from all angles – at individual, unit and organizational levels.

Ployhart et al. (2014) describe human capital from a broader perspective, as such: “Human capital resources are individual or unit-level capacities based on individual KSAOs that are accessible for unit-relevant purposes.” Note the distinction from human capital to human capital resources as a broader term. KSAOs are defined as knowledge, skills, abilities and other characteristics. The different characteristics of human capital, especially at different levels, has not always been very clear. Research on human capital has intermittently suffered from the lack of proper distinction between unit, individual and firm level analysis regarding human capital.

### Representative Definitions of Human Capital Resources

Article	Definition	Level of Analysis	Disciplinary Origin
Becker (2002: 3)	“Human capital refers to the knowledge, information, ideas, skills, and health of individuals.”	Individual	Economics
Coff and Kryscynski (2011: 1430)	Human Capital: “an individual’s stock of knowledge, skills, and abilities (hereafter skills).”	Individual	Strategy/ Microfoundations
	Firm-level human assets: “firm-level aggregation of employee skills.”	Firm	Strategy
Crook, Todd, Combs, Woehr, and Ketchen (2011: 444)	“The term <i>human capital</i> refers to the knowledge, skills and abilities (KSAs) embodied in people (Coff, 2002).”	Firm/Individual	Strategy
Hitt, Biermant, Shimizu, and Kochhar (2001: 14)	“Human capital attributes (including education, experience, and skills) ... of top managers affect firm outcomes.”	Firm	Strategy
Huselid, Jackson, and Schuler (1997: 171)	“Employees’ collective knowledge, skills, and abilities.”	Firm	Strategic Human Resources Management
Kor and Leblebici (2005: 968)	“Firms’ strategic human resources such as professionals with specialized knowledge and expertise.”	Firm	Strategy
Ployhart and Moliterno (2011: 127-128)	“A unit level resource that is created from the emergence of individuals’ knowledge, skills, abilities and other characteristics (KSAOs).”	Unit	Psychology/Strategy
Somaya, Williamson, and Lorinkova (2008: 936)	“Defined broadly as the cumulative knowledge, skills, talent, and know-how of the firm’s employees.”	Firm	Strategy/Knowledge-Based View
Wright and McMahan (2011: 95)	“At the unit level, human capital can refer to the aggregate accumulation of individual human capital that can be combined in a way that creates value for the unit.”	Unit	Strategic Human Resources Management
Youndt and Snell (2004: 338)	“Human capital simply refers to individual employees’ knowledge, skills, and expertise.”	Individual	Strategic Human Resources Management

Figure 2. Representative definitions of human capital resources (Ployhart et al. 2014)

Ployhart et al. (2014) offer several different human capital distinctions and characterize human capital to contain three core elements: structure, function and level. Above is depicted several various definitions on human capital – all rather alike but different in meaning once accounting for the level of analysis. However, the perspective and scope widen essentially when different disciplines are introduced to the mix when compared to definitions offered from purely economic

perspective (Nafukho et al. 2014). In order to maximize human capital, it is likely that an interdisciplinary mix and perspective is required – a combination of organizational strategy, strategic human resource management, economics and psychology offer the most well-developed perspective. Becker (2002) proposes that education and training are the two most influential elements affecting human capital at an individual level. This also applies at a firm level, as HRD is closely linked to human capital (Nafukho et al., 2004).

Human capital can be seen as a base and necessity that must be thoughtfully organized and made a priority within organizations before prioritizing other matters. Identifying, nurturing and developing human capital creates the environment for successful talent management, as talent management is quite literally the act of managing human capital in practice.

As human capital is the most important form of capital in the modern knowledge economy, it stands to reason that successfully managing said human capital through talent management practices serves to be of crucial importance to all organizations. In the following chapter and sub-chapters a closer look at talent management is examined through the lens and theoretical basis of human capital presented in this chapter. If human capital is more theoretical and conceptual, talent management can be seen as more practical and operatively useful.

### 3 TALENT MANAGEMENT

There are key areas into which the talent management literature been practically divided in to. The areas are by no means conclusive, meaning that they in fact have suffered from the lack of a unified definition for talent management. This chapter aims to examine the key research areas through a critical lens and find synergies between them in order to synthesize a framework that is more practical and involves multiple different perspectives. This framework will work as the foundation for four different interviews that will be conducted at various organizations in order to examine their current talent management capabilities and frameworks.

In order to understand talent comprehensively from a strategic perspective, it is imperative to take a birds-eye view to talent operations. Schiemann (2013) introduces a model of talent lifecycle, which we will utilize for the purposes of this thesis as a modified version. Underneath the original framework is shown:

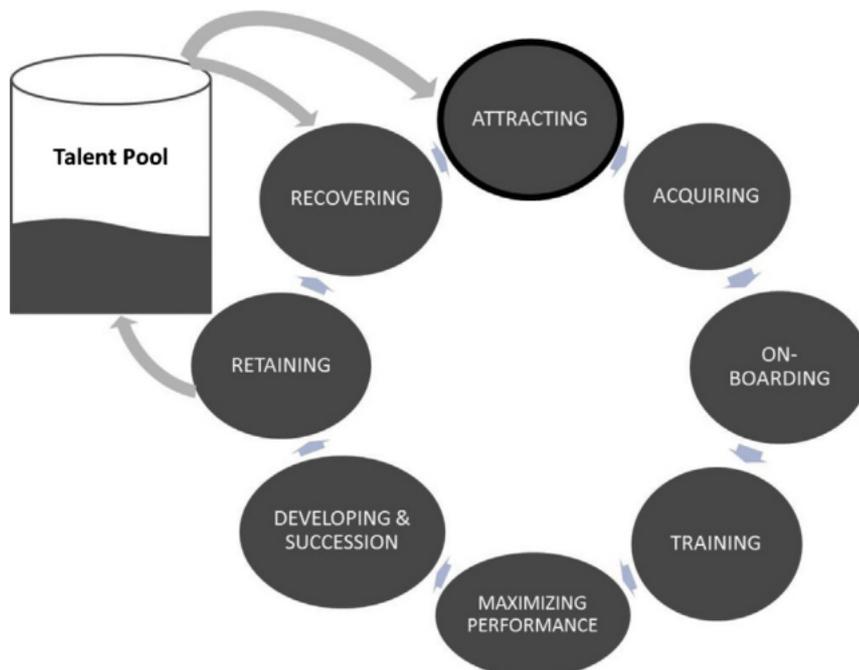


Figure 3. Talent Lifecycle (Schiemann 2013)

The talent lifecycle involves all stages of interacting with talent and offers a holistic view on talent operations that organizations must undertake in order to be successful. This model takes into account not only the internal talent management perspective that is so often narrowed upon in the talent management literature, but rather the entire lifecycle of talent, including touchpoints up until recruitment and again after talent exits an organization. It also encompasses perspectives based on talent outside of employees, such as long-term contractors or outsourced labor. These groups of talent share similarities with employees yet require slightly differing processes and perspectives.

Different talent management strategies also have wildly differing impacts on organizational performance. (Bethke-Langenegger et al., 2011) It is necessary to define organizational performance in this context, since depending on context it can take on a multitude of different meanings and cause misunderstandings. Dyer & Reeves (1994) suggest measuring organizational performance with a three-pronged approach; through financial outcomes (profit, market value), organisational outcomes (e.g. customer satisfaction, productivity) and HR outcomes (e.g. job satisfaction and commitment).

Positive correlation between talent management and all of the three measures of organizational performance have been established. Joyce et al. (2007) have established that talent management is a worthwhile investment from the perspective of net profit margins, return on assets and return on equity. Additionally, Axelrod et al. (2001) have shown the positive effect on sales revenue and productivity, market value and shareholder value.

From an organizational outcome perspective, the effects of a strong talent management strategy are vast and improve an employers' image and brand. This is highlighted and enhanced when the strategy is transparent and well-marketed both internally and externally. (Towers Perrin, 2005) On the other hand, DiRomualdo et al. (2009) have demonstrated the impact a talent management strategy can have on organizational outcomes through proving links between operational excellence and strength of organizational culture. From a human

resource perspective DiRomualdo et al. (2009) research shows that a strong talent management strategy affects not only employee engagement positively, but also better retention.

From a more theoretical point of view, the research on talent management has suffered from lack of definitions and thus research. (Lewis & Hackman, 2006; Collings & Mellahi, 2009). The theory behind talent management can be divided into three key perspectives. The first perspective emphasizes the human capital aspect (Ready et al. 2008). The second view relies on seeing talent management as an integral process to answer the demands of an organization through key talent (Cappelli, 2008). The third key perspective simply sees talent management as a tool to achieve economic targets. (Lockwood, 2006). From these three talent management perspectives, we will be focusing primarily on the first two.

### **3.1 Talent lifecycle framework**

The purpose of this framework is to combine the best thinking created by some of the seminal articles of talent management and talent optimization into a single framework in order to “get the best of both worlds.” The key theories utilized for the creation of this framework will be the utilization of Ployhart et al. (2014) work on human capital resources, the work of Collings & Mellahi (2009) and Boudreau & Ramstad (2005, 2007) on pivotal positions, talent pools and human capital.

Additionally, the work of Becker & Huselid (2006) on emphasizing strategic roles over non-strategic ones is taken into account. In addition to this, a holistic view of talent management will be utilized by using Schiemann’s (2013) work in describing the talent lifecycle. While the framework will have an emphasis on the attracting, acquiring, talent pools, retaining and pivotal positions parts of the talent lifecycle, it is extremely important to adopt a holistic view in order to approach the issue of talent management from a strategic perspective as each area affects not only the preceding one, but can have an indirect impact on other areas as well. This relates directly to one of our research questions, where the objective is to explore the effects that the different elements of the talent lifecycle have on each other.

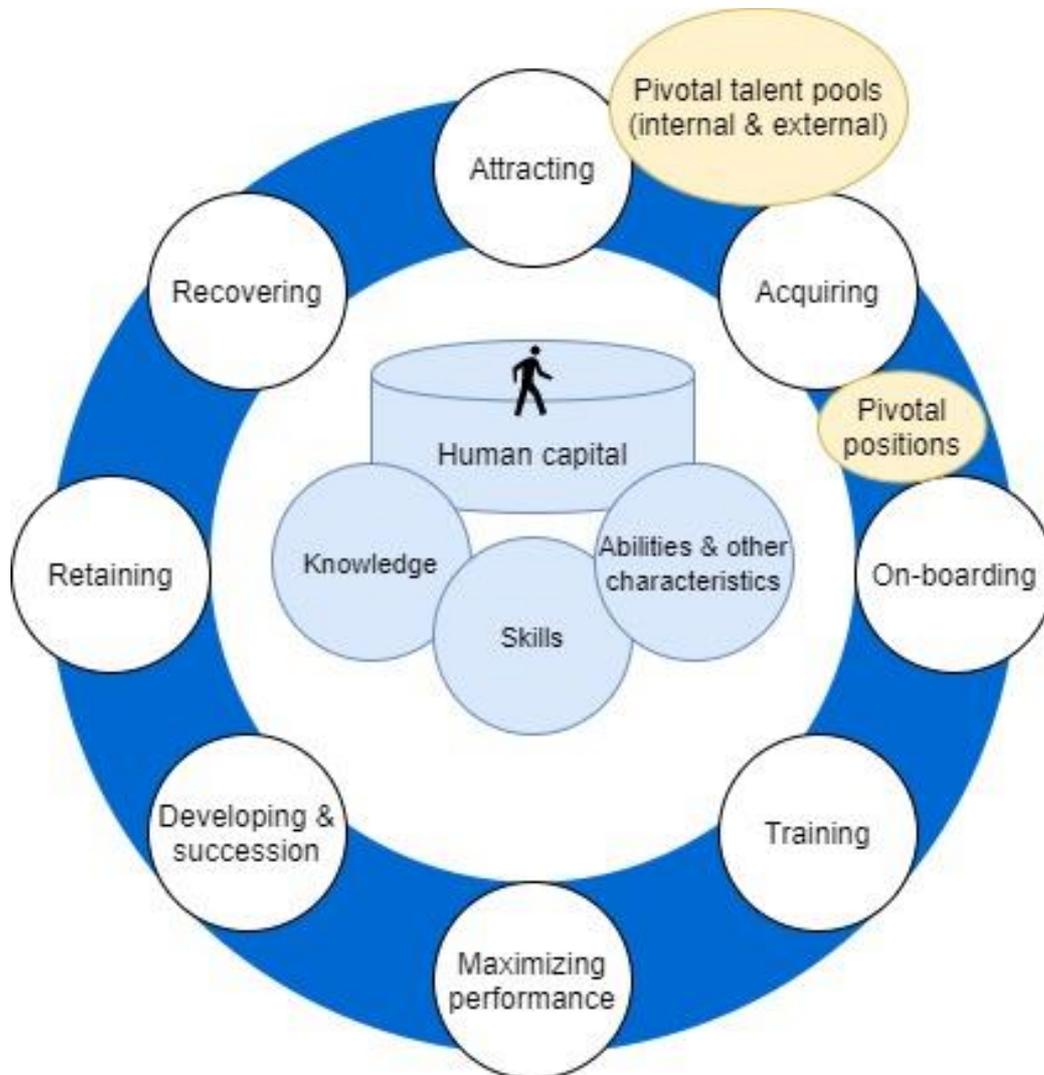


Figure 4. Original framework

The above framework is synthesized from concepts by Schiemann (2013), Ployhart et al. (2014), Collings & Mellahi (2009) and Boudreau & Ramstad (2005). Within this framework the talent lifecycle is the bigger frame – and the focus is in attracting people from pivotal talent pools (both internal and external) in acquiring people from pivotal talent pools into pivotal positions while maximizing human capital in terms of knowledge, skills, abilities and other characteristics. The purpose and reasoning behind solely choosing to focus on attracting, retaining and acquiring is because they are simply the most practically applicable and drivers of the most business value from a practical standpoint now and in the future. The rest of the themes of

the talent lifecycle are in this thesis to provide context and fill in the bigger picture, but the focus is solely on attracting, acquiring and retaining – all observed through the lens of human capital. Human capital is chosen as an addition to the talent lifecycle due to the increasing relevance of people and knowledge work as key drivers of business value and organizational capital. As mentioned previously, the most important capital an organization possesses is no longer its physical or structural capital, but by a far margin it's human capital. This trend will not reverse in the future but rather accelerate, as automation and artificial intelligence replace menial, mundane and repetitive tasks and make room for creative and human-specific work.

By proxy, this will create a demand for efficient knowledge work, in effect creating an unforeseen demand for top talent. This places pressure on organizations to succeed in attracting and acquiring talent (importantly from key talent pools), followed by placing them into pivotal positions, where they are most likely to have the largest impact. The distinction, however, is leaving development of current personnel and an HRD lens out of closer examination due to the limitations and subsequently already quite a large amount of ground to cover during this thesis. However, it is fully acknowledged that developing current employees and enhancing human capital from that perspective can also play a significant role in the transition towards a more future-resilient organization that can thrive in uncertain circumstances rather than suffer in them.

As organizations face an increasingly uncertain business climate and globally challenging circumstances not only politically but also environmentally, they must be able to adapt quickly and be in not only their talent strategies but in all areas of business alike. The key driver of this is succeeding in core parts of the talent lifecycle, namely attracting, acquiring and retaining. Without those key areas an organization simply cannot thrive in an uncertain environment and succeed as the requirements of successful knowledge work increase and roles get increasingly more complex. Attracting, acquiring and retaining a steady stream of top talent is a necessity, as people are the ultimate drivers and foundational necessities behind the success of any business. In all its simplicity, without the right people businesses

are not competitive. However, with the right people in the right positions, organizations globally have the opportunity to succeed and execute on their strategies. This requires much upfront work, for example defining necessary key capabilities and roles that have the most impact. If the acquired talent cannot do the job that is required, the efforts are quickly proven futile. Failures in recruitment are also extremely costly from both a time and cost perspective.

Significantly, examining human capital and the talent lifecycle through a talent management lens from a holistic perspective allows for examining the whole through a very practical perspective, integrating theories behind human capital, attracting, acquiring, retention, pivotal positions and talent pools in to practical recommendations and comparing the theories and applications to previous recommendations and research. This allows for a broader perspective rather than simply focusing on a single facet of the talent lifecycle, allowing for versatility and examining the links, dependencies and significance of the different elements of the talent lifecycle.

### **3.2 Talent management strategies and talent optimization**

Bethke-Langenegger et al. (2011) propose four different talent management strategies and evaluate their effectiveness in a study of 138 Swiss organizations. These talent management strategies contain a multitude of more tactical practices within them, encompassed under one strategy. The four strategies focus on talent management to support corporate strategy, talent management to enable succession planning, talent management to attract and retain talent and talent management to develop talent.

Firstly, the strategy of utilizing talent management as support to the overall corporate strategy makes sense from the perspective of aligning goals and adopting a company-wide talent mindset. (Cohn et al., 2005) When observing talent management through the lens of being a tool for supporting corporate strategy, it can simply be defined as all the activities that explicitly support the corporate strategy. (Boxall & Purcell, 2011) This strategy is most beneficial from a financial

standpoint, as those organizations that show a connection between strategy and talent management strategy report better financial figures (Joyce, 2007). Overall, utilizing talent management as a tool to support corporate strategy aligns resources in an efficient way, ensuring that several different processes are aligned in order to achieve common goals.

Secondly, the strategy of using talent management primarily as a tool to enable succession planning is shown to save organizations money through filling internal roles faster due to proactive internal succession planning with the underlying assumption that roles should be filled with people at the right time, in the right place with the right competencies. (Cappelli, 2008) This strategy bares similarities and overlap with talent pools, attraction and strategic recruitment practices from an internal perspective. According to Vroom's (1964) expectancy theory this also enhances the satisfaction of internal talent when expectations for the future are communicated transparently. From a knowledge management perspective, this strategy allows for the transfer of knowledge more seamlessly, since succession is planned ahead of time and thus the swap in roles controlled. (Conway, 2007) This strategy is a key internal element of a talent management strategy; however, it seems narrow for the needs of an organization which has demands placed on a comprehensive talent management strategy that encompasses both external and internal perspectives.

Thirdly, the strategy of utilizing talent management in developing talent is a key part of any organizations HRD efforts. The increase in intellectual capital is translated into a part of an organization's capital in general, and even though intellectual capital is difficult to quantify it is still seen as a net positive. (Bethke-Langenegger et al., 2011). This strategy also places focus on career progression and progress. Gandossy & Kao (2004) propose that this has direct positive implications on the motivation of talent. Concluding, the development of talent has direct implications on company profit through more qualified workers while simultaneously advancing the commitment, skills and satisfaction of current talent through accurate development and effectively communicating career possibilities and options.

Finally, the last strategy proposed by Bethke-Langenegger et al. (2011) focuses on retaining and attracting top talent. This requires identifying what type of talent is needed and where it can be found. Secondly, it is crucial to market and communicate organizational values and unique positions to said talent once they are identified. This applies not only externally but also maybe even more importantly internally – when talents are given meaningful work and opportunities, they are more likely to stay committed to an organization. (Beechler & Woodward, 2009) This also leads to better job satisfaction. This strategy therefore increases employee commitment. Due to this, Reiccheld's (1993) argument that because employee commitment raises customer satisfaction indirectly and both affect profits, this specific talent management strategy directly affects profits.

The conclusion of the study by Bethke-Lankenegger et al. (2011) found the best results to come from two of the four strategies. The two strategies with the largest positive impacts were talent management as a direct support to the overall corporate strategy and the attraction and retaining of talent. The strategy focused on corporate strategy support showed the highest results on corporate profit, making it an obviously important element. The value of attracting and retaining talent was found in very strong human resource outcomes, emphasizing improvement in work quality and qualifications. Additionally, a strong positive effect on customer satisfaction was shown linking to attracting and retaining talent.

Due to the aforementioned factors this thesis will heavily focus on attracting, acquiring, and retaining parts of the talent lifecycle. These are deliberately chosen to be in scope and the underlying practices and disciplines behind those terms such as recruitment, employer branding, development, psychology and motivation will be examined.

Schiemann (2013) describes the process of talent optimization and it's benefits very concisely as follows and supports the findings of Bethke-Langenegger et al. (2011):

*“Talent optimization means that the organization has balanced talent acquisition, development, performance and retention strategies, processes and policies so that*

*it maximizes the outcomes of those talent investments—higher employee productivity, greater customer retention or purchasing, higher quality, higher retention of desired employees, reduced regulatory or environmental risks, and strong operational and financial performance”*

This definition of success and its key measures will serve as a north-star of sorts for the purposes of this thesis and its framework. The provided framework combines the selected talent lifecycle, human capital and the concept of pivotal positions in to one comprehensive framework – all with the common goal of increasing the value of talent investments and thus optimizing talent management practices. These are theorized to lead to higher employee productivity, better customer retention, better retention, higher quality, less risk and strong financial performance.

### **3.3 Attracting talent**

Attracting talent is a vital part of the talent lifecycle and arguably the one that sparks and begins the entire talent lifecycle. Attracting talent is not purely a human resource function, but also borrows from key literature such as marketing and supply chain management. Cappelli (2008) further iterates the importance of having a multi-disciplined approach throughout the talent lifecycle as the talent moves through the different phases. Significant benefits and largely better results can be derived when a multi-disciplined approach is taken towards attracting talent as compared to typical and outdated recruiting practices.

The idea of a multi-disciplined approach to attracting talent is not new and is modernly defined as employer branding. Employer branding was introduced in 1996 as a mixture of both human resources and marketing. (Backhaus, 2016). Employer branding consists of an organization’s acts to promote the ideas that that make the organization an attractive employer both internally and externally. (Backhaus & Tikoo, 2004). Alternatively, Sullivan (2004) defines employer branding as "a targeted, long-term strategy to manage the awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular firm". Quite similarly, Ambler and Barrow (1996) define the employer

brand in terms of benefits, calling it "the package of functional, economic and psychological benefits provided by employment, and identified with the employing company."

In human resource literature, an employer brand consists of three core modules. (Backhaus & Tikoo, 2004). These three parts are developing a value proposition, external marketing and internal marketing. Firstly, a value proposition should be created that accurately represents the organizations culture, ways of working, management styles and other relevant information from an employee perspective. (Sullivan, 2002) According to Eisenberg (2001) this is a true representation of what it is to work at the organization, offering the central message to intended groups. External marketing is simply conveying that defined value proposition towards audiences outside the organization, for example potential candidates. Internal marketing is key as it is where the value promise is completed and internalized by new recruits, thus becoming a part of the organizational culture. (Frook, 2001)

According to Drury (2016) those organizations that have a strong employer brand attract nearly twice the amount of job applications compared to those organizations that do not have a strong employer brand. Myrden & Kelloway (2015) found that among recent graduates, familiarity was not so much the driving factor when deciding where to apply, but rather the employer brand that the employer had managed to externally convey. Effectively communicating attractive truths about the company in an honest manner then allows the company to stand out to top talent. Ultimately, this means that organizations with a strong employer brand attract, retain and motivate top talent better than competitors that lack a strong employer brand.

From a theoretical point of view, employer branding can be described from a multitude of angles. According to the resource-based view of the firm, resources that are rare, inimitable, valuable and non-substitutable offer the organization a sustained competitive advantage. (Barney, 1991) Operating on the assumption that human capital is a key resource, employer branding can then be thought of as a method of attempting to obtain these resources in order to create a sustainable competitive advantage. Ployhart, Nyberg, Reilly, & Maltarich (2014) propose that

competitive advantage is derived from individual and unit level characteristics, which are leveraged for strategic execution.

Employer branding is interlinked with other modules from the talent lifecycle as internal marketing improves retention (Ambler & Barrow, 1996) due to reinforcing organizational culture and perception of employment quality. Additionally, employer branding links to several other parts of the talent lifecycle directly or indirectly, while simultaneously having implications on organizational culture as presented by Backhaus & Tikoo (2004) in their employer branding framework.

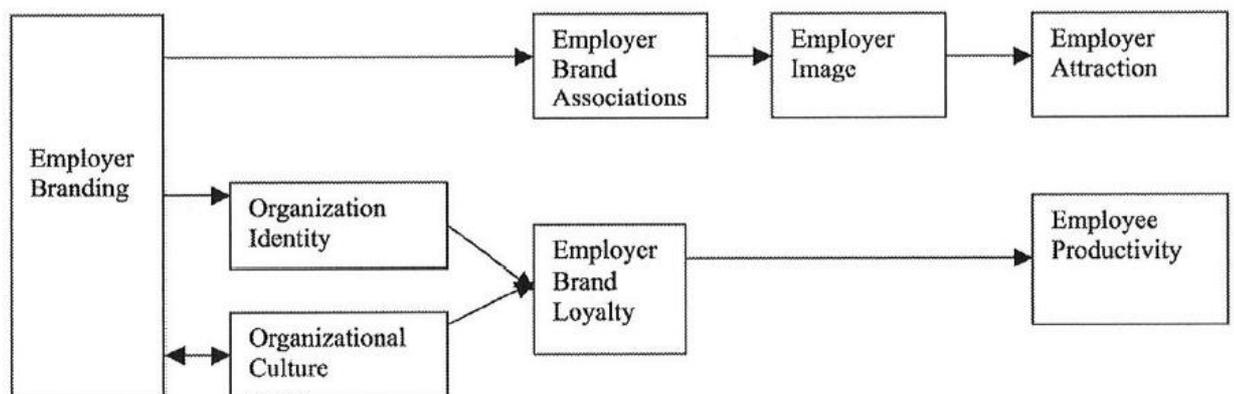


Figure 5. Employer Branding Framework (Backhaus & Tikoo, 2004)

Externally, employer branding most directly affects the attraction of talent by enhancing employee image. This, in turn, is done by employer branding that creates certain employer brand associations within the targeted population. Internally the implications of employer branding are also clear – through shaping organization identity and organizational culture, employer brand loyalty is created. This has a direct affect on employee productivity. It can be theorized that increased employee productivity also results in increased performance, development and ultimately retention and recovering.

Often employer branding is only seen as an external measure, yet the implications of employer branding throughout the talent lifecycle are vast and far-reaching, as the effects of employer branding are simultaneously internal as much as they are

external. As employer branding shapes organizational culture, as the organizational culture develops over time, it also has an affect on shaping employer branding. Therefore, the two affect each other in both directions.

Employer branding is the strategic backbone of attracting talent, but as seen it has large consequences on all parts of the talent lifecycle. Internal parts of the talent lifecycle such as on-boarding, maximizing performance, training, developing and succession and retaining are all affected by it. An employer brand affects not only how these things are done, but also how the employees perceive these activities. An internal employer brand can be seen as the lens that employees view the organization. External parts of the talent lifecycle are also affected. It could be argued that recovering, attracting and acquiring are some of the most influenced parts of the talent lifecycle when it comes to employer branding. A strong employer brand has direct implications on the success of these activities. On the other hand, a weak employer brand makes these activities notably more difficult to perform.

Backhaus & Tikoo (2004) argue that integrating several human resource processes such as recruitment and retention strategies under the umbrella of a coordinated human resource strategy within employer branding is much more beneficial than simply performing those processes separately.

### **3.4 Acquiring talent**

The process of acquiring and recruiting talent is seen as one of the most important human resource functions. According to Taylor & Collins (2000, p. 304) recruitment is possibly the “most critical human resource function for organizational success and survival”. Traditional recruitment differs from strategic recruitment; strategic recruitment directly connects recruitment practices to the organization’s strategy, goals, activities and outcomes. (Phillips & Gully, 2015).

At its core, strategic recruitment consists of four key disciplines. This supports the multi-disciplinary function that employer branding envelopes, therefore highlighting that none of these disciplines are as effective alone as they are when used

conjunction with other key disciplines. Phillips & Gully (2015) propose that the four key disciplines surrounding strategic recruitment are resource-based theory (Barney & Wright, 1998), levels of analysis (Mathieu & Chen, 2011), human capital (Ployhart et al., 2014) and strategic human resource management (Becker & Huselid, 2006).

Phillips & Gully (2015) propose that too little research has been done in the avenues of how strategic recruitment practices affect performance – the inputs and outcomes in the process at different levels (individual, unit, organizational). Therefore, they propose a model for strategic recruitment depicted below.

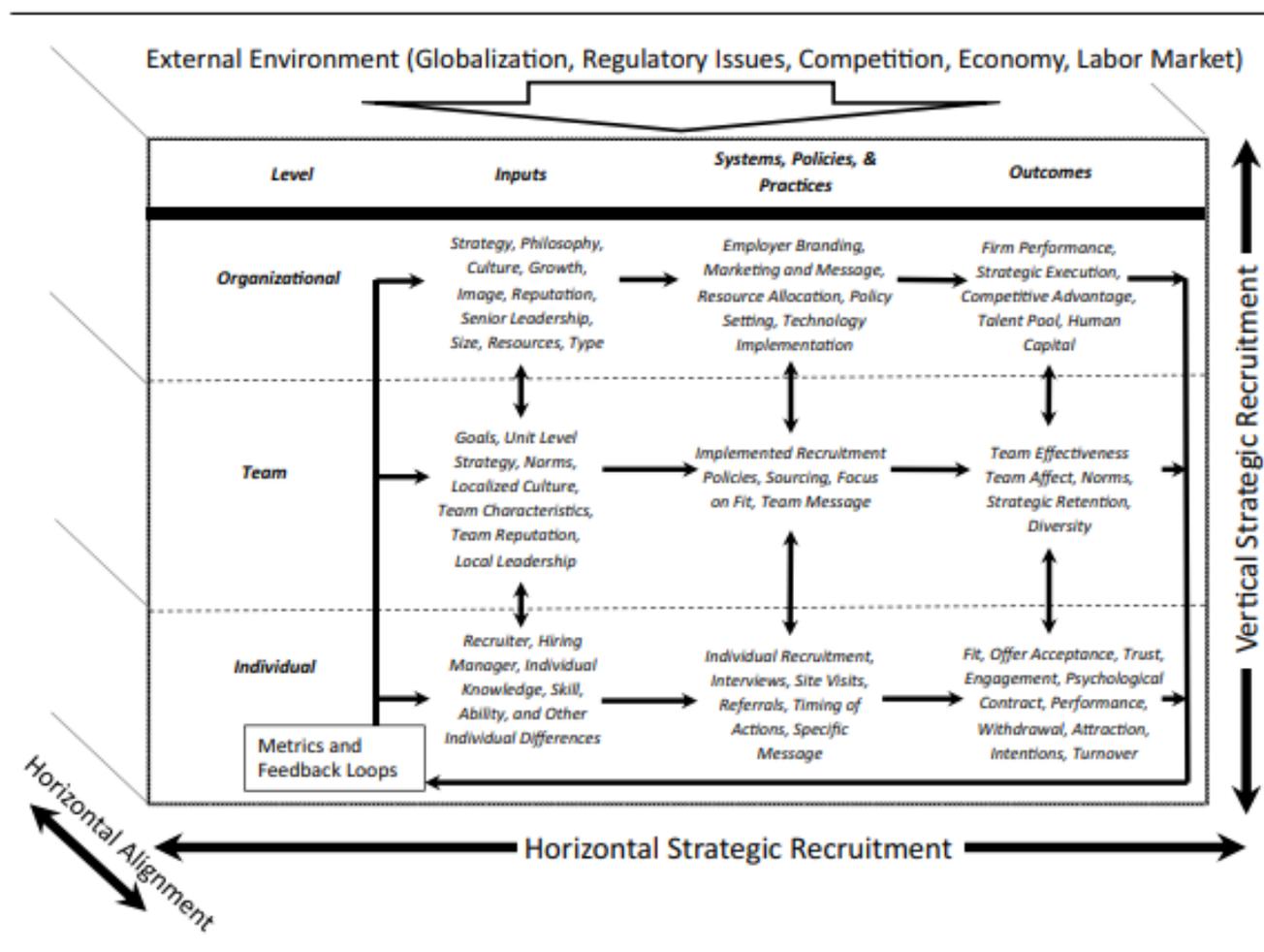


Figure 6. Strategic Recruitment Model (Phillips & Gully 2015)

The strategic recruitment model offers a comprehensive view of what required inputs, systems, policies and practices and outcomes mean at which level of

organization. These are then linked with each other and examined in a horizontal and vertical strategic recruitment perspective. This offers us both a high-level and strategic view but also a granular view even at the individual level, serving as a comprehensive resource on strategic recruitment and thus acquiring talent.

At a more tactical level, combining the attraction and acquiring efforts begin to closely resemble and share properties with marketing and customer relations. Trost (2014) proposes a model of talent relationship management, very close in nature to customer relationship management yet suitable for recruiting and geared towards candidates.

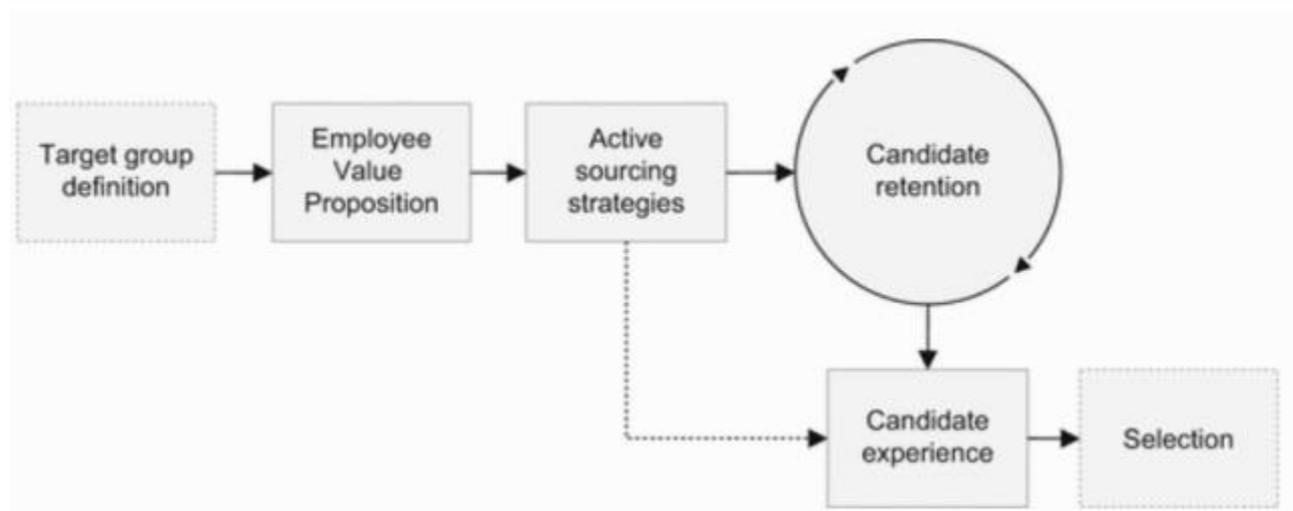


Figure 7. Overview of the TRM process (Trost, 2014)

The TRM process proposed by Trost (2014) is on the other end of the spectrum - more granular and significantly more tactical when compared to the Strategic Recruitment Model offered by Phillips & Gully (2015). It successfully implements elements from employer branding, employee value propositions, identifying talent and actively seeking it to include candidate retention, candidate experience and finally selection. This could be seen as a theoretical model off which practical tools and other uses are fairly simple to develop on in organizations.

### 3.5 Retaining talent

From business continuity, organizational success and change management perspectives the retention of critical key employees is essential. Employee retention is driven by employee motivation, and through the management of employee motivation, employee retention can be significantly improved. Ramlall (2004) proposes that that employee retention can be effectively controlled through utilizing validated motivational theories and re-creating those in organizational settings. In practice, employee retention strategies are rarely based on sound theory. However, basing concrete strategies on rational scientific interpretations creates the opportunity to significantly improve employee retention. In today's continuously changing global business environment continuous change is a necessity and the new norm, meaning that organizations require employees capable of dealing with and managing change. Dessler (1993) proposes that employees that are committed to rapid change within organizations are a sustainable source of competitive advantage.

It is essential to look at retention from a turnover perspective as well. According to Fitz-enz (1997), the cost of employee turnover ranges from one year of pay and benefits to up to two years of pay and benefits. This is with direct and indirect costs combined. Through this exceedingly large potential for loss, it is crucial to minimize turnover – especially in key roles. Employees in key roles often also carry a knowledge management component which further magnifies the effects of turnover. The knowledge lost through the departure of key employees is crucial and poses the possibility of even further losses.

It is then likely, that organizations which have weaker knowledge management practices are more vulnerable and prone to these types of knowledge leaks, while organizations that possess strong knowledge management capabilities are less vulnerable to such losses. This is because strong knowledge management practices are not solely reliant on employee knowledge, but often have a process of documenting that knowledge through the employee lifecycle, thus reducing the risk of knowledge loss due to turnover. Toracco (2000) supports this idea, as knowledge

is now recognized as the most valuable asset of an organization, yet few organizations have the capabilities to leverage and systems to support this knowledge fully.

Employee turnover is an incredibly costly endeavor and one that can be minimized through successful practices throughout the talent lifecycle. Simplified, the two pivotal points are the acquisition of the right people and then engaging them in a meaningful way. A key part in engagement is motivation, and engagement in turn drives retention and reduces turnover. As demonstrated below, employee motivation theories underpin the entire talent lifecycle and through different perspectives they can all be managed. Ramlall (2004) has summarized the various employee motivational theories, their causes, effects on turnover, motivation and practical implications into the figure below.

<b>Theory</b>	<b>Literature</b>	<b>Causes of Employee Turnover</b>		
Expectancy	• Job analysis	The appropriate skills and competencies are not included in the job description.	Incumbents do not have a realistic job preview of the position before starting.	The critical success factors of the position are not fully defined.
Expectancy and Equity	• Recruitment & selection	Candidates only possess the skills that are needed to perform effectively, but may lack the attitudes, personality traits, and behaviors that ensure organizational "fit" and promote commitment.	Some organizations are not using behavioral-based which are designed to ask that elicit examples form the candidates about their work history and how they behaved in previous job situations.	Advertising is limited to traditional sources such as newspapers, and not fully utilizing technology and sources more accessible to women and people of color.
Need, Expectancy, and Equity	• Compensation & benefits	Pay is not tied to performance.	Compensation philosophy does not support the mission and culture of the organization.	The benefits offered does not appeal to and meet the needs of the various categories of employees.
Need, Expectancy, and Equity	• Career planning & development	Employees do not understand what skills are required to grow professionally and to be rewarded based on performance.	Promotions are not based on performance.	Career planning and development efforts are not tied to the organization's business objectives.
Need and Job Design	• Training & Development	There is no systematic approach to T&D	T&D efforts are not assessed.	A demonstrated lack of commitment to the employee's long-term development results in a lack of commitment from the employees.
Expectancy and Equity	• Effective supervision & management	Command and control style of management is resisted by employees in today's workforce.	Managers not functioning as coaches and facilitators.	Manager perceived to be unfair.
Expectancy	• Diversity management & initiatives	Communication, decisions, strategic planning, and other forms of decision making that do not acknowledge differences such as age, color, religion, gender or sexual.	Little or no diversity training designed to change the myths of diversity, to educate participants about the realities of diversity, and to offer ways to respond to the challenges of valuing and managing diversity.	Workforce population does not reflect the demographics of the geographic area of the organization.
Job Design	• Flexible work arrangements	The organization does not allow and promote flexible work schedules.	A lack of respect for an employee trying to balance work, career, education, and community.	The organization not making short term investments to meet the needs of the employees as far as tele-commuting and job-sharing.
Job Design	• Exit interviews	No exit interviews are conducted.	Confidentiality is not assured.	No analysis is done or not utilizing the data collected in the interviews.

Figure 8. Causes of employee turnover and their underlying motivational theories (Ramlall, 2004)

The underlying theories are scientifically proven and will be gone over in a summarized manner. A scientific basis is a strong foundation for organizations to improve their retention and motivational practices on. As can be seen from the above figure, the theories overlap each other in ways that affect a multitude of the modules in talent management. Most prevalent are the need and expectancy theories.

“Expectancy theory holds that people are motivated to behave in ways that produce desired combinations of expected outcomes” (Kreitner & Kinicki, 1999, p.227). At its core, the expectancy theory is based on the fact that individuals expect a certain outcome from performing in a certain way or performing certain actions – and this then controls the direction of their actions and tendencies based on the attractiveness of the outcome to that individual. (Robbins, 1993) The expectancy theory is originally created by Vroom (1964) who draws upon other research on motivation and psychology.

Vroom (1964) indicates that according to the expectancy theory, an individual’s choices are governed consciously and rely on psychological principles such as perception and the formation of beliefs and attitudes. The three core tenets of the expectancy theories are valence, instrumentality and expectancy. Valence is defined by Vroom (1964) as the emotional orientations that people hold to the outcomes. If an outcome is positively valent to an individual, it is preferred to the individual. Expectancy relates to the individual’s expectations regarding the outcomes. Instrumentality describes the importance of an action as it pertains and affects a preferred outcome. The expectancy theory is present in several parts of the talent lifecycle, most notably in job analysis, recruitment and selection, compensation and benefits, career planning and development, effective supervision and management and diversity and management initiatives.

The reason that the expectancy theory is so prevalent in the talent lifecycle could be to the fact that people have expectations of everything, whether consciously or unconsciously. These serve as a strong motivator, but if expectations are not met during processes in the talent lifecycle, the result is often disappointment. This naturally affects employee turnover negatively. At a practical level from an organizations perspective it is key to build expectations according to reality and then communicate these towards employees and potential candidates in an effective way. The best results could be achieved by completely exceeding expectations that are set.

The equity theory is most notably demonstrated by Adams (1965). The theory constitutes that equity in this context means not only the absolute compensation that the employee earns but rather the relationship of this compensation to what others receive. The perceived imbalance of input to outcome relations in the mind of the employee creates a motivational tension and this serves as a catalyst for the employees to strive towards fairness and equity. (Robbins, 1993)

The equity theory is based upon three assumptions. Carrell (1978) proposes that these three assumptions are that firstly, people have a certain ideal of what constitutes a fair return of their work as compared to the contribution they have made. Secondly, people compare this return to the exchange and relationship they have with their employer. Lastly, people compare their own return to their peers and others in the organization who are also creating inputs. The underlying principle is that people tend to compare their contributions to those of others, while simultaneously analyzing their own compensation to that of others.

This is based on perception and can often be false. This can obviously influence employee motivation through various functions. The equity theory is present and as an underlying factor in recruitment and selection, compensation and benefits, career planning and development and effective supervision and management. The reason the equity theory is so strongly interlinked to several parts of the talent lifecycle could be due to the fact that is exceedingly personal and has strong ties to an individual's perceived self-worth through the strong analyzing and comparing nature of people in general.

### **3.6 Pivotal positions and talent pools**

Pivotal positions are key roles that significantly contribute to the competitive advantage of a company (Boudreau & Ramstad, 2005, 2007). Pivotal positions are not a part of the talent management process as such, but like talent pools they present a practical means to an end – a valuable toolset for placing correct people in the correct places. Therefore, they are closely related to the talent management process while not being directly a part of it. This is the reasoning behind placing

pivotal positions as a sub-chapter to acquiring In pivotal positions the focus is on strategic roles and more differentiation between roles (Becker & Huselid, 2006). This is done because it has been identified that not all roles within an organization are created equal, but rather some have more strategic significance and therefore more impact on the success of the organization's strategy.

Within the context of pivotal positions, the focus is essential to be on filling the pivotal positions and roles with A players for better returns. This differs from "topgrading" (Smart, 1999) where all roles are attempted to fill with A players. This distinction is made because it is likely to lead to an overinvestment in to filling roles that do not need to be filled with A-players. This results in financial losses and a waste of resources, which could be utilized better elsewhere. The key in pivotal positions is the fact that it offers a differentiated HRM architecture, where the priority is to identify strategic key roles, fill those with the best talent available and then ensure the commitment of those individuals to the organization.

Pivotal positions show some overlap with strategic HRM literature, but also some elements from marketing and supply-chain disciplines. An organizations goal should be the most effective way to source talent both from internal and external labor markets, while ensuring their continued development and advancement through strategic key roles within the organization. Clear focus on the retention and development of these A-players that are situated in key roles (or A-positions), since the efforts and resources spent here offer incredibly high returns in contrast to investments into human capital made elsewhere. (Axelrod et al, 2002)

Huselid et al. (2005) contextualize these A-positions as of "*disproportionate importance to a company's ability to execute some parts of its strategy and second...the wide variability in the quality of the work displayed among the employees in these positions*".

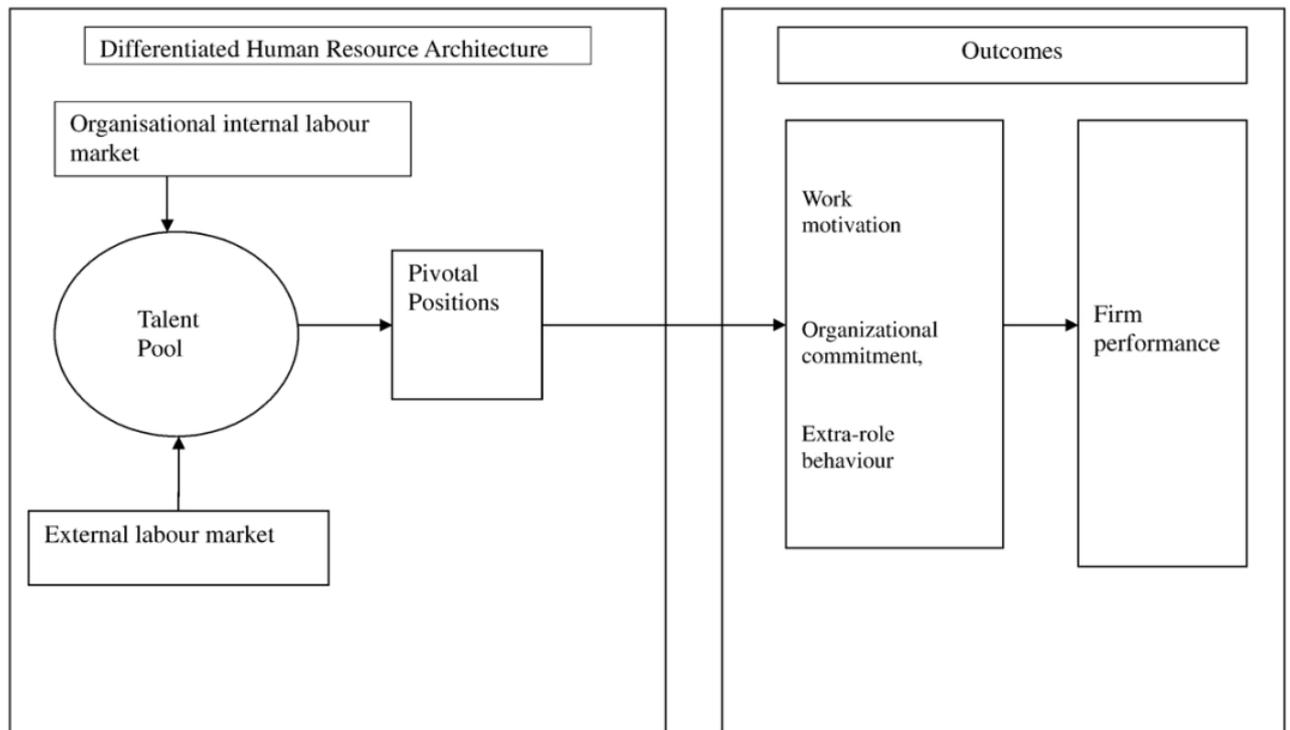


Figure 9. Strategic Talent Management (Collings & Mellahi, 2009)

According Collings & Mellahi (2009), it is necessary to approach supplying pivotal positions with talent from both external and internal labor markets, that then integrate into a talent pool which can be drawn upon. This has synergistic effects when combined with Trost’s (2014) model of talent relationship management. If the correct talent is placed in pivotal positions, this has been shown to results in outcomes such as increased firm performance through increased work motivation, organizational commitment and extra-role behavior – effectively “going the extra mile”.

Talent pools are a way of managing potential talent operatively, however they are not a part of the talent management process as such – rather a tool and a means to an end. We will utilize the definition used by Collings & Mellahi (2009): “the pool of high potential and high performing incumbents that the organization can draw upon to fill pivotal talent positions.” The key here is the contextualization of key talent from identified pivotal talent pools, that are used to fill identified positions that when filled with key talent offer a significant return on investment and improved performance.

Often organizations do not plan for how the talent moves through the organization in a successful manner, and Cappelli (2008) signifies the importance of borrowing from disciplines such as supply-chain management and remarks that the movement of supplies through the supply chain and the movement of talent between different roles is remarkably similar. Organizations could then stand to gain substantially from identifying key supply-chain management practices and implementing these into their talent management strategies.

The importance of utilizing both internal and external talent pools is signified by research that indicates that utilizing only internal development and sourcing is simply not enough. If external sourcing is not used, the chances of inter-firm mobility increases, as individuals no longer strongly identify with certain organizations or jobs. (DeFillippi & Arthur, 1994) This leads to the implication that in an era of increasing career mobility, lack of individuals characterizing themselves solely through their work and flatter organizations with less hierarchy, the importance of several channels and sources of talent increases significantly from an organizational talent management perspective.

The consequences of relying simply on internal talent sourcing and development quickly leads to sourcing problems simply due to turnover rates and therefore the lack of capabilities to fulfill identified key roles quickly enough. This has direct implications on an organization's resources, capabilities and its capabilities to execute their strategy. Not only this, adopting strong external recruitment methods has a demonstrated effect of keeping the organization "fresh" and lending new ideas towards product innovation through external recruits (Rao & Drazin, 2002).

The idea that talent management should also be agile is affected by the reduced length of careers at single organizations. Talent management becomes then an exercise of reducing risks associated with pivotal positions. These include the inability to fill key positions due to economic or individual reasons due to poor planning. (Collings & Mellahi, 2009) These risks are exacerbated by a global job market where careers and jobs are shorter in length and economic trends are cyclical and unpredictable. (Cappelli, 2008)

Cappelli (2008) introduces two recommendations in developing talent pools – the successful utilization of both internal and external talent pools from a risk mitigation perspective. More talent is better in an environment where a lack of talent in pivotal position is fatal to an organization's performance, and perhaps survival. Secondly, talent management should take in to account the development of talent in a broad way in order to avoid narrowing out the career prospects, skills and capabilities of top talent. This perspective argues the case that several skills are inter-disciplinary and can be utilized in a multitude of positions.

Boudreau & Ramstad (2007) identify the strong need for talent segmentation and argue that it is the lack of a decision-making process with choosing talent that leads organizations to over-invest into talent pools that are important, but not pivotal. The over-investment in to identifying pivotal talent pools and then investing resources into these is a core differentiator in performance.

## **4 METHODOLOGY**

The purpose of this chapter is to explain the methodology and decisions made regarding research methods and decisions regarding gathering data. Additionally, the decision-making regarding interviews and analyzing the material will be explained thoroughly.

Research methods can very broadly be divided in to two categories – quantitative and qualitative. Both quantitative and qualitative forms of research serve different purposes and different areas of research. The empirical portion of this thesis utilized a qualitative approach due to the complex and rather non-numerical nature of the gathered data. A qualitative approach was deemed more appropriate for the needs and purposes of this thesis, as the purpose of qualitative research is not so much to generalize, but rather to understand and contextualize phenomena. (Hirsjärvi, Remes & Sajavaara 2009, 139) Furthermore, qualitative research can be divided into further categories, such as theory-based or empirical-based.

The purpose of the interviews, and furthermore this thesis, was to understand how talent management practices are used in Finnish organizations and what their relationship and implication is towards the human capital of the organization. Additionally, the interlinked dimension of these concepts was explored based off the gathered data.

### **4.1 Gathering data**

Empirical data can be gathered in a multitude of different ways, for example through interviews, surveys, questionnaires, online questionnaires and analysing data second hand.

The methodology of this thesis was designed to gather consistent and reliable data regardless of organization. Therefore, for the purposes of gathering data accurately and efficiently semi-structured interviews was utilized. The reason semi-structured was chosen from the array of structured, semi-structured and unstructured was due

to the fact that structured interviews tend to produce more quantitative information. (DiCicco-Bloom & Crabtree, 2006) On the other hand, an entirely unstructured interview poses risks in terms of chances that not enough data will be gathered on the required topics. A semi-structured interview is a good option in order to gather both depth but also a sufficient amount of breadth regarding the topics discussed in the interviews while simultaneously allowing for potentially interesting side remarks and related topics. With a core structure for the interview, a certain direction is given to the interview and questions are typically open-ended or semi-open ended. (Tuomi & Sarajärvi 2002, 77-80). With a limited number of interviews for this thesis this approach of semi-structured interviews provided an opportunity to go more in-depth into the chosen topics, providing an opportunity to extract significantly more detail and information than with for example a survey-based approach to gathering the data.

The interviews were organized with key people in talent functions that were deemed to have sufficient knowledge on relevant topics regarding talent management and human capital. McCracken (1998) identifies that the interviewees should be close to each other in knowledge and role while maintaining capability in answering the questions. The interviews were conducted as one-on-one interviews. The interview questions were consistent throughout the interviews and revolved around the proposed framework while addressing directly the goal of answering the primary and secondary research questions.

The semi-structured interview was designed in a way that systematically considers all areas of the framework, while remaining practically applicable and completable in the interview setting and allocated time of approximately 1 hour. After the initial phase of interviewing all the representatives of the chosen organizations, the interviews were then transcribed in a way that allowed for strong documentation and the extraction of relevant details. It is important to note that the organizations wished to remain anonymous due to the anonymous nature of talent strategies and will be addressed as organization A, B, C and D throughout the rest of this thesis.

A notable limitation regarding the interviews is that due to the COVID-19 pandemic and restrictions placed by the government during the time of writing, all the interviews were conducted by Microsoft Teams and were mostly audio only. However, this did not interfere with the interview quality itself, as the tool was very familiar to all participants and connections worked as planned.

Table 1. Background of interviewees

Interviewee	Industry	Role	Date interviewed
A	Consulting	Leading industry consulting role	6.5.2020
B	Software	Chief Human Resource Officer	18.5.2020
C	Forest	VP Recruiting	19.5.2020
D	Oil & Gas	VP, Talent Dev & L&D	11.6.2020

The participants that were interviewed were chosen from a diversity perspective – each of the organizations varies in size and industry. This was a deliberate decision in order to get different perspectives and to compare the results with each other.

## 4.2 Data analysis

In terms of data analysis, qualitative research can also be divided into theory based or empirically based qualitative research. In empirically based research the focus is on the gathered data, and the theory is built from analysis of the gathered data. On the other hand, theory based qualitative research bases an assumption of having an underlying theory to model and analyse the gathered data around. (Tuomi & Sarajärvi 2002, 95-99) For the purposes of this thesis neither method is completely sufficient as no theory is being built specifically off the gathered data, nor is a validated scientific theory being tested per-se. Some assumptions are being made and a combined theoretic framework is underlying the questions, but the nature of the research is more exploratory.

For the purposes of this thesis theming will be chosen as the vehicle of analysis. In theming it is essential to simplify and essentialize the key concepts based on theory

and research questions. Theming allows for more freedom between theory and practice and is not as rigid as simply a theoretic or empirical approach, as it also requires connecting underlying theory and practice. (Tuomi & Sarajärvi, 2002, 97) An approach like this is essential for the research as it is necessary to explore which themes are most prevalent given the talent management and human capital frameworks. This is important as it is relevant to gather a perspective and understanding into the cross-section of how the studied organizations perform under the relevant themes. Of particular relevance are similarities and oddities, best practices and the reasoning and logic behind them.

The gathered data from the interviews was analysed by firstly transcribing all four interviews nearly verbatim. After transcribing the interviews, the next step was to familiarize myself with the material by reading through each transcript several times. The next step after familiarizing myself with the material was to seek out key themes and relevant citations by color-coding each of the transcription in accordance to the relevant theme. This allowed me to easily compare the transcripts from different organizations and accordingly focus on specific themes and their similarities and differences between organizations. Color-coding relevant excerpts from the transcripts significantly enhanced the analysis of results due to easy comparability between the interviews and ease of reference due to simple color-coding. This was a significant asset in the writing phase, as the color-coding was intuitive to examine.

Table 2. Interview themes

Context	Talent Lifecycle			
Theme	Human capital	Attracting	Acquiring	Retaining
Sub-themes	Skills Knowledge Abilities & other Measuring	Employer branding Talent pools (internal and external)	Recruitment Talent relationship management Pivotal positions	Motivation Turnover

The interview questions were designed under four key categories with an overarching context. The talent lifecycle was chosen as the lens and context through which all the themes were discussed. The four key themes chosen were human capital, attracting, acquiring and retaining. Under human capital sub-themes such as skills, knowledge, abilities & other and measuring were discussed. Under attracting, the sub-themes employer branding and talent pools were discussed. Acquiring enveloped sub-themes regarding recruitment, TRM and pivotal positions. Finally, retaining included sub-themes such as motivation and turnover.

The interviews were codified in terms of what the interviewees stress as most important elements of the talent lifecycle, how do they utilize these talent management practices in practice and what is the impact of those actions. The form of logic in interpretation was inductive. The basis for this were the codified interviews, where colors represented the different themes. These excerpts were then utilized to make assumptions and theories regarding the organization's talent management practices where applicable. Additionally, challenges were be discussed. Finally, these questions were analyzed based on the results derived from the interview transcripts, which are then examined through the framework of the talent lifecycle and human capital as a broader lens.

## **5 RESULTS**

This chapter is dedicated to the analysis of the four interviews that were conducted. The interviews are analysed and broken down under specific themes under the umbrella concept of the talent lifecycle. The four main themes under this umbrella concept are human capital, attracting, acquiring and retaining. Under these are several sub-themes. The sub-themes for human capital are skills, knowledge, abilities and measuring. The sub-themes for attracting are employer branding and talent pools (both internal and external). Sub-themes for acquiring are talent relationship management, recruitment and pivotal positions. Lastly, the sub-themes for retaining are motivation and turnover.

### **5.1 Measuring and utilizing human capital**

Interestingly, all four participants instantly identified human capital as a term, yet focused on rather different areas of human capital. This supports the proposition from Wright & McMahan (2011), where understanding of human capital and its measurements still varies across organizations and is not yet standardized. The questions surrounding human capital consisted of measuring, goals and how the organizations will retain and obtain necessary human capital in the future. The perspective all respondents took naturally mirrored their business needs and the landscape they operate in.

For example, organization A is strictly a project organization, which results in measuring human capital through lenses such as “utilization of personnel, average billables per person and cross-margins.” These are all very strict financial meters and reflect the commoditization of work and refinement of human capital processes into actionable measurements. Organization A also noted human capital measurements from a more talent-driven perspective, focusing on a couple of key areas. For example, each project ends with feedback being given both ways (top-down from managers and bottom-up from employees to management). This gives the organization continuous “snap-shots” of how any given employee or manager in the company is performing in their work. The format of this questionnaire is derived

from the motivation to ask as few questions about possible while still gaining maximal understanding of employees. In practice, this results in the manager being asked two questions – firstly, would you like to have this person on your team in all and any future projects and secondly, if you could decide, would you grant this employee maximum bonuses. These two questions are designed based from the latest work psychology research and testing. These two questions can then be used to estimate how well an employee has performed. These two questions form a two-dimensional space, and when spread over 7-10 projects an average is formed. This average is very accurate and provides a way to estimate employee performance at a highly accurate level.

The focus of organization A in terms of human capital is to evidently rely on strict measures and make decisions based on proof and a data-driven approach. These are on top of traditional HR measures such as sick days and other typical reporting. Therefore, the focus from a human capital perspective is a very efficiency-based and systematic one. Based on these meters the organization holds three talent reviews yearly, where employees are evaluated as independent operators and based off which promotion decisions are made.

Organization B offers a much more holistic and big-picture view on measuring human capital. The organization has decided on a strategy and identified certain skills and capabilities that the organization must possess in order to complete and execute on said strategy and vision. Each employee answers a questionnaire which then offers the employee a unique profile and recommendations for developing skills and abilities, which are aligned with the organizations vision and strategy. The focus is very holistic and organization driven. Interviewee B describes the organizations goals as “primarily develop human capital into a direction that supports our strategy and first and foremost to gather data on our knowledge and skills.” A data-driven and proof-driven approach is evident in both organizations A and B and the importance of human capital is well-recognized as a strategic tool and fundamental building block to operate successfully and execute on high-level strategy. The organization places a strong emphasis on internal development, even going as far

as to offering a “leadership-as-a-service” option, where people can get personalized recommendations on development paths.

Organization C focuses on measuring human capital through the framework of creating specific skill-matrices for specific key roles, approaching the ensuring capabilities and skills of the future are filled through this course of action. This is integrated with subjective self-reviews, where people estimate their own performance. This is then calibrated against manager reviews and mirrored against the identified necessary competences necessary for organizational success now and in the future. As compared to organizations A and B, organization C clearly identifies strong internal rotation as a key source of developing capabilities and skills within the organization. The importance of data and measurement is emphasized, and the effect of digitalization is recognized through the lens of the challenge of staying up to date with current skills and capabilities from an organizational perspective must be addressed.

Organization D is the only organization to approach measuring human capital through more traditional HR measures such as headcount, team size compared to EBITDA but also placing a strong emphasis on diversity as it relates to gender, progression, internationality, internal rotation and training days. This is coupled with gathering lots of data from the perspective of different types of engagement surveys, exit surveys and other questionnaires. Both internal and external numbers are followed closely. The engagement index stands out from the rest of the organizations, as it is very robust and measuring engagement seems to be an extremely high priority and thus a tool for managing workplace happiness and well-being. Engagement measures utilized consist of three different areas – engagement index, leadership index and a well-being index. These are reported all the way up to top management. The practical method of doing this is one yearly larger survey and quarterly, smaller “pulse” surveys.

Organization B recognizes two clear tracks for ensuring that the organization has the necessary human capital it needs in the future. The tracks are internal and external, the latter focusing on recruitment and the first focusing on developing

internal talent. An emphasis is based on attracting and acquiring talent as a means to reach this target level of human capital. This is similar to organization A, which focuses very evidently on supplying constant talent through a pipeline in order to ensure that business continuity and necessary skills, capabilities and other knowledge is present in the future. Organization A has an extremely high turnover, and the reason for that was interestingly rather unclear. This is uncommon, because all the other operations and measurements were very data-driven and focused to support action.

Organization D focuses strongly on “integrating strategic work force planning into business performance planning processes.” At a practical level this means drilling down from strategy downwards. “What do we need in order to execute on our strategy? How does this reflect into performance planning? What is being done on a yearly level, what are the objectives and how does this link to your headcount planning? In other words, what does this mean from a resource perspective and this is integrated into organizational competence development.” Out of the interviewed organizations, organization D seems to have the most robust, extensive and perhaps most effective process. A concluding quote from organization D, that explains the logic behind their process: “...in organizational capability development, we always think what kind of organizational setup is necessary, what kind of roles and responsibilities have to exist in order to reach goals, are our processes and systems there to support the kind of competences that are necessary, and on the other hand what kind of leadership and ways of working does each of our strategic objectives require?”

In general, the way these organizations approach human capital both through measuring and taking a future-oriented stance regarding their capabilities is rather similar – only the tools and tactics of reaching the goals differ. The common objective seems to be more or less similar: how can we execute on this strategy and what is required from a human capital perspective to make that happen? The tactics differ, but all organizations place a very strong focus on integrating this process based on data and calculated decisions. Measuring and planning based on facts seems to be of utmost importance to everyone, but the areas of emphasis and more

detail-oriented objectives that can be categorized under human capital differ. For example organization D takes an extremely strategic, employee-centred view, focusing on internal rotation and maximizing employee well-being. This leads in to engaged employees and a market-leader position. On the other hand, project-organization A approaches the situation from an organization-first perspective, driven highly by efficiency, financial dashboards and perhaps due to this suffering from retaining key human capital.

The theory of human capital can be divided between individual, unit and organizational levels, each of which affect each other. However, the lens through which the interviewed organizations primarily viewed human capital and where they placed most of their focus on was from the perspective of an organizational level. A strong top-down approach could be deduced, as the focus was on aligning executing big picture strategy through identifying and organizing human capital first at the organizational level and then drilling down deeper, e.g. what is required at unit and individual levels in order to make the grander vision true.

## **5.2 The impact of the talent lifecycle on human capital**

When asked about the most influential part of the talent lifecycle on an organizations' human capital, the responses across organizations varied. However, the responses seemed to be in line with what they logically answered to other areas of the talent lifecycle, there were little to none discrepancies inside a single organization's answers. Organization A proceeded to emphasize maximizing performance and developing and succession, as learning on the job is an extremely important asset to the organization. Also acquiring talent was identified as a key area, partly due to the importance of acquiring young fresh talent but also due to high turnover rates. This could largely be due to being an extremely demanding and challenging project organization.

Organization B places a heavy focus on attracting talent and then developing and retaining said talent. The acquiring part is seen as a rather fine-tuned process, with both elements surrounding it being more important in the long run. The effect on

human capital is therefore focusing on finding and adding to the organizations human capital by bringing in great talent, and then developing and attempting to keep said talent happy and developing within the organization on a long timeframe.

Organization C identifies that the most important part of the talent lifecycle from a human capital perspective is to be an extremely interesting employer, focusing on attracting external talent. However, it's brought forth that: "developing, succession and retaining are things that tend to ooze outwards as well, when things are good internally and we offer opportunities, varying tasks, develop our organizations capabilities systematically and have a strong will to do along with good managerial work, these are at the end of the day the things with which we win this competition because they are communicated externally as well." This is extremely similar to the stance that organization B takes, with a strong focus on ensuring that things are working internally and making sure that the employee value promise is being lived true, so that the external message is believable and authentic.

Organization D mirrors B and C closely, as acquiring, developing and succession are brought up as key factors in the talent lifecycle which affect human capital. Organization D clarifies "acquiring is how have we succeeded in finding the right talent for us and how the recruitment succeeds, but surely we are strong in the developing and succession parts, as in when people are in the organization how can we develop them and their career paths." Interestingly again, a strong focus on internal development is the place of focus with an emphasis and acknowledgment of the importance of recruiting.

### **5.3 Attracting talent through employer branding**

Employer branding can be seen as the backbone of organizational attractiveness towards external candidates. Employer branding, when done successfully, has implications not only on both internal and external talent satisfaction, but also on areas such as organizational culture and employer attractiveness. Typically, in HRM literature, an employer brand consists of three core modules. (Backhaus & Tikoo, 2004). These three areas are a value proposition, external marketing and internal

marketing. The implications of a strong employer brand work through different mechanisms, with the main outputs being employer attraction and employee productivity, as pictured below.

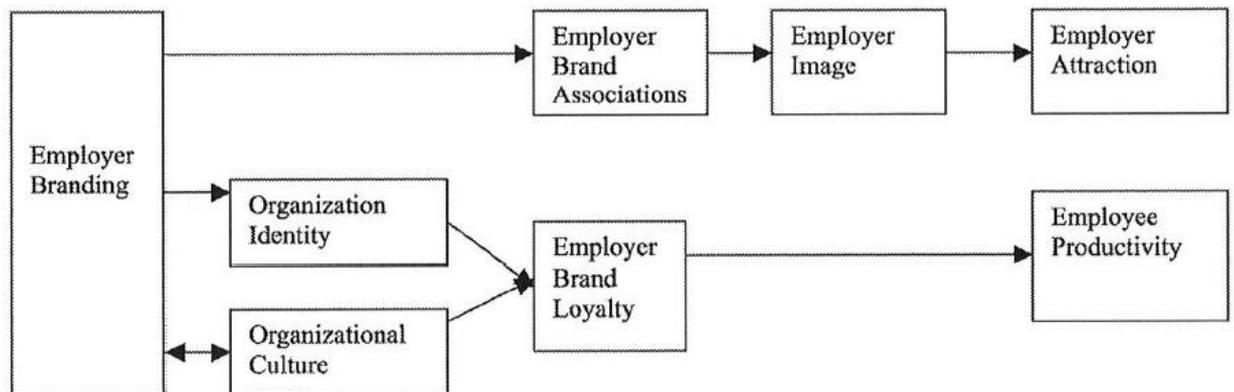


Figure 5. Employer branding framework (Backhaus & Tikoo, 2004)

Through this results chapter the answers of the respondents will be analyzed against the model proposed by Backhaus & Tikoo (2004), with the key assumption being that those organizations that have a strong employer brand will be ones that have increased employer attraction and employee productivity. This assumption ties in to our main research question about how key talent management practices affect human capital. Additionally, the perceived value of attracting, more specifically through employer branding, will be explored. Closely related to this, the internal effects of employer branding (if such effects are recognized in interviews) will be examined as well. The internal effects of employer branding are objectively essential, as they are internal marketing that can only be efficient, if the value promise is completed. If the employee value promise is not true internally, the external effect of employer branding is extremely ineffective and not believable.

Organization A approaches the obstacle of attracting talent very pragmatically, focusing on trainee programs and other graduate recruitment efforts. Interestingly, instead of approaching the question from a broader perspective, the first reaction of the interviewee is to narrow down into a specific niche, specifically graduate recruitment. Additionally, referral programs are mentioned as an important channel to obtain fresh talent. Also, both internal and external sourcing are recognized as

important channels to prospect talent. Regarding employer branding questions specifically, organization A focuses heavily on student and campus efforts, utilizing things such as coursework, project courses, thesis interviews, campus recruitment.

The lack of effort in marketing campaigns is intentional, as they do not feel the need to approach a large group of people when talent is scarce in their area of business. Additionally, the organization posts significant amounts of thought leadership content, with the idea of appealing to the core audience. This is an interesting approach, as employer branding is done mainly face-to-face with students and through pragmatic cases and working together to showcase the working culture in a way. However, extremely high turnover rates seem to reflect the organization's employees lack of commitment, meaning that the employer branding efforts are not necessarily internalized or believed internally at a level that could be expected.

The approach of organization A differs wildly from organization B, even though the two organizations are both in a business environment where talent is scarce. Organization B hardly places any emphasis on graduate recruitment, but rather exercises the extreme perceived importance of having a strong, recognizable and known employer brand. However, for organization B the approach is much more inside out – more specifically, emphasizing how to make the organization truly a great place to work first, and then communicating that externally second once that internal story is complete and true. This reflects Backhaus & Tikoo (2004) model at a very close level, as the story of the employer brand of organization B is perceived true both internally and externally.

This has numerous benefits, the most obvious identified ones being a unique organizational culture, committed employees, low turnover and a nationally recognized employer brand. Some challenges that are recognized in organization B are how to retain the unique organizational culture through periods of growth. Organization B cites “self-management and freedom” as two of their core values, which have been difficult to maintain through heavy growth. This is relevant because if an organization changes significantly internally alongside its culture, it has direct

implications on how the employer brand is communicated and if it is believable or not.

On a tactical level, organization B has undergone a transformation from sporadic and spontaneous employer branding on social media to a more data-driven and planned communications approach. The biggest challenge seems to be reaching the desired talent groups with these marketing efforts, in addition to being different and more attractive than the competition. This is both similar and different to organization A, as both face the challenge of focusing solely on the most important talent groups. However, organization B also does “publicity stunts” to gain media attention at a broader level.

Organization C follows a very similar approach to the first two organizations – a strategy of closely attempting to communicate to specified and recognized target talent groups in order to gain attractiveness and become a preferred employer. However, the efforts of organization C are much broader in the sense that the organization operates in an environment that has wildly different job descriptions and roles. Obviously, all positions need to be filled, but the focus is heavily on specified key roles that are vital for business continuity. The similar approach of data-driven marketing embedded in to employer branding continues with organization C – the data of where visitors come from, who and from where applications are left from and where marketing material is consumed are key data points, based off which the employer branding messages and mediums are continuously refined.

On a more tactical level, social media, career sites, student and school co-operation and specifically tailoring messages to specific talent groups are recognized as important. From the perspective of Backhaus & Tikoo’s (2004) model, this approach seems to take more of an external approach and focusing on how the organization is perceived, rather than approaching the matter firstly through an internal lens of “what is true” inside the organization. This has led to moderate employer branding success, but begs the question of digging deeper into the organization’s

organizational culture, commitment, employer brand loyalty and by proxy employee productivity.

Organization D is curiously different from the other organizations in terms of employer branding, as the organization cites a single quality (sustainability) as one of their very believable core messages, around which their entire internal and external identity is built around. It is recognized that as the organization is very large in size both nationally and globally, the amount of core messages, tailored communications and cultural challenges must be recognized. However, sustainability is seen as a foundational element regardless of where they are located. Due to the nature of the organization, sustainability is seen as a driver of purpose and meaningful work first internally, and then communicated externally. This seems to have been a very effective, comprehensive core message which has been successful for the organization. The organization is seen as very attractive to core talent groups and turnover is very low. Additionally, employees are very committed. This likely has something to do with the various practices regarding how employees are surveyed and encouraged to bring forth their opinions.

#### **5.4 Attracting talent and talent pools**

In general, functional talent pools both internally and externally are seen to be a desired state that most are currently working towards but have yet to achieve. It seems to be on everyone's radar, yet still in the very beginning stages from a functional standpoint. If talent pools are utilized, the response is not very systematic, proactive or strategic – rather more ad-hoc and opportunistic. All in all, talent pools as a sort of marketing discipline are still extremely under-utilized as a tool from a talent lifecycle and HR standpoint, yet still recognized as an important future area of implementation. More of a strict HRM focus can be seen, as organizations use tools such as talent scouting internally and externally along with LinkedIn Recruiter. The missing piece seems to be continuous and planned communications and contact with these target groups that are identified as potential candidates of the future. A strong limiting factor regarding actually executing this talent pool activity and moving from concepting to action is a limitation identified in the current ATS and

HR systems, where there are no sufficient options to manage talent pools and communicate with them.

Organization A embraces talent pools from a very pragmatic way with the focus of simply seeking out those people that are deemed potential quality candidates for future positions. This is strikingly in line with their approach to employer branding – key messages delivered directly to key target groups, with not much regard for other talent groups. The way organization A utilizes talent pools in practice is through scanning the market with the help of their HR and keeping contact with a certain very small pool of individuals who are deemed as potential candidates in the future. More continuous talent pool communication is directed towards graduates, again in line with their employer branding strategy. A strong action-bias is preferred over significant planning and overthinking.

The understanding of importance is not unanimous in all circumstances and business contexts, as for example organization B claims that “we do it, but in significantly small amounts. Our brand carries us quite far along with our internal operations and networks”. The understanding here being that it is seen as a positive, but not an integral part of their talent lifecycle process now or in the immediate future. The internal focus of organization B can be seen here, as they utilize an “Internal LinkedIn” or “people intra”, which they use to scan for internal talent and post available positions for the entire organization to see. This internal talent pool focus is emphasized also through focusing on internal rotations and respecting an individual’s personal interests and desired career paths. This internal focus may have its drawbacks, as focusing only on internal sourcing may cause inter-firm mobility to increase as individuals no longer relate to specific jobs or roles. (DeFillippi & Arthur, 1994)

Organization C emphasizes the role of both internal and external talent pools but recognizes the challenge of “significant amounts of applications and they are hard to manage from a systems perspective”. The active communication to talent pool participants is seen as a state to work towards, and this is framed as “...the cutting edge of the recruiting genre, to be proactive instead of reacting”. An internal focus

on talent pools is taken from the perspective of internal job bots, that alert a person if a position they might be interested in becomes available. This is used to promote internal mobility and job rotation. An area to note is that organization C also does LinkedIn sourcing at some level, which seems to be a common trend for all of the organizations.

Regarding talent pools, organization D claims that “this is an area we are discussing, but which we are not proficient at currently. Our SuccessFactors does not support this type of action at the moment...we talk about talent communities and how we could keep these communities warm and close.” Interestingly, the issue of managing talent pools from a marketing perspective is brought up from a systems-limitation perspective and the importance of relevant communication towards talent groups is emphasized. The term talent community is also used in conjunction to the discussion, basically borrowing the definition of a talent pool as this thesis uses it.

## **5.5 Acquiring talent and pivotal positions**

In theory, recruiting is often seen as one of the most important human resource functions, affecting business execution directly. As Taylor & Collins (2000, p. 304) describe, recruitment is possibly the “most critical human resource function for organizational success and survival”. As increasingly the quality of employees and level of human capital account for most of an organization’s total capital, it can be reasoned that acquiring the best and brightest especially to key roles is of absolute necessity. However, acquiring talent is not as simple as it seems and strategic recruitment should be the goal, as “strategic recruitment directly connects recruitment practices to the organization’s strategy, goals, activities and outcomes.” (Phillips & Gully, 2015). We will be utilizing a strategic recruitment model by Phillips & Gully (2015) to analyse the acquiring practices of the interviewed organizations at a surface-level.

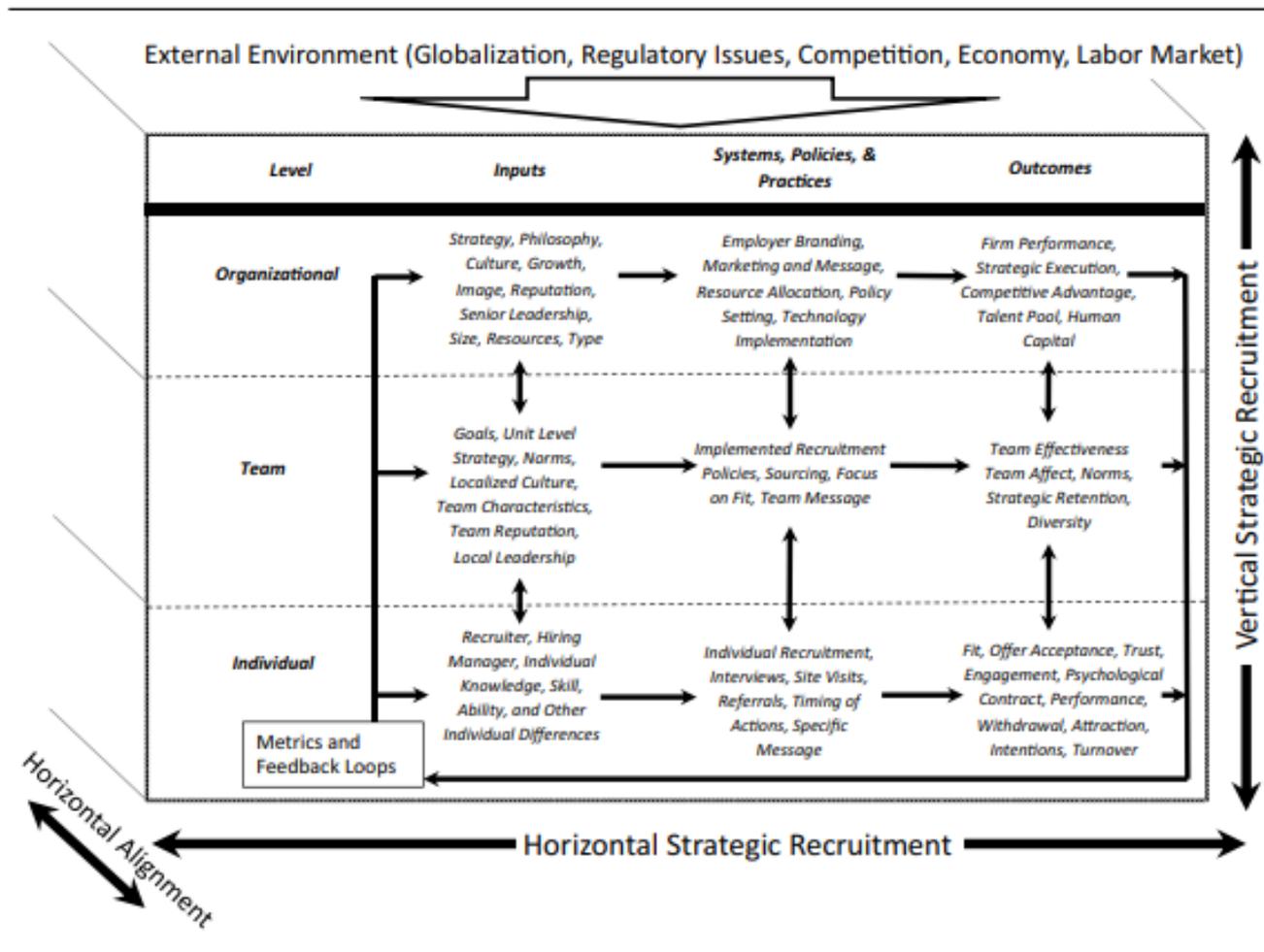


Figure 6. Strategic Recruitment Model (Phillips & Gully, 2015)

Organization A approaches acquiring talent through a highly refined process, which is designed to minimize errors in recruitment. However, it is acknowledged that the recruiting process is done “in the same way as everywhere else, managers look through lists, HR looks through lists, we make a long list and start contacting the most potential people.” Specifically, the face-to-face meetings are seen as very impactful, as there are 3-4 rounds of interviews. The first round is light, getting to know each other and clarifying how it truly is to work at organization A. The second meeting revolves around the candidate’s skills through a case example or another equivalent exercise. The third meeting is an assessment by the manager and a HR representative, whilst the final fourth meeting is with a partner or the CEO to ensure that the person is a good fit. The importance of having a strong and well-executed talent acquisition process is extremely important for the organization, as the

interviewee estimates that the number of people moving through their recruiting pipeline could match their entire headcount on a yearly level.

When it comes to talent relationship management, organization A emphasizes the importance of “boomerangs”, people who have once exited the company to return at a later point in time. Internally talent relations are managed through structured activities such as clubs and organizations. Externally, much of the talent relationship management relies on co-operation with schools and students. From the perspective of the strategic recruitment model, organization A focuses highly on operating at the individual and team levels, not placing a high emphasis on factors from the external environment. The process is very focused to be honed internally to a highly efficient level from the perspective of the individual candidate and everyone involved in the recruitments. The focus is mostly at the individual level.

Organization B is remarkably similar to organization A from the perspective that their recruitment process is highly developed and standardized. The reasons for this are: “so that the process is as simple as possible for both us and the candidate.” Emphasis is placed on strong communication, working towards building trust with the candidate and processing the recruitment efficiently internally. The process itself consists of three steps and depending on the role the main objective is to identify the capabilities and skills of the candidate along with ensuring that the candidate is a good fit from an organizational culture perspective.

Finally, the value-add component and customer facing attitude is recognized as an important factor. The process is “built in a very specific order, for a very specific reason, involving very specific people.” The order is first confirming culture fit, substance and skills and finally value-add phase. The importance of person-organization cultural fit is deemed as a key to a successful recruitment. All of these phases are qualifying, so if the candidate does not pass the first phase, they will not advance further. The specific advantages identified from an approach like this are “mutual time-savings, transparency, giving a realistic image.” The ultimate reason for having an efficient process from organization B’s perspective is that the industry is so competitive when it comes to top talent, that decisions must be made quickly.

They also focus on making the whole process very candidate-friendly, for example supplying some themes or questions to the candidate before the interview so that they can prepare and to reduce nervousness in the actual interview situation.

As it comes to talent relationship management, the model of keeping potential candidates or leads warm through communication is in its' beginning steps. The focus so far has been nurturing the candidate relationship through a great candidate experience and a unique brand. The reasoning behind this being "when we identify a new need and the person is still interested, we can pick up naturally from where we left off." Organization B has been awarded several times for providing an excellent candidate experience, but the interviewee emphasizes that it is not due to any single team or employee, but rather the level of respect and attention that is given to the entire talent acquisition process at an organizational level.

From a theoretical standpoint this seems much more in line with the strategic recruiting model by Phillips & Gully (2015), as the strategic relevance of recruiting from a business standpoint is recognized both at the organizational level between inputs, systems, policies, practices and outcome levels. In addition to this, elements from team and individual levels are also utilized in order to create a holistic candidate experience and truly implement recruitment as a strategic function that supports business within the organization, namely at individual, team and organizational levels. This differs from organization A, where whilst recruiting is surely important at a strategic level, the emphasis is placed on the tactical and individual/team level work.

Organization C identifies that characteristic of their recruitment process is high volumes and a traditional industry. Most of their recruitments are replacements for people who have left the organization. Yet characteristic and similar to organizations A and B is a very well-defined recruitment process and approaching ensuring recruitment quality through this forum. An additional challenge that is identified is one of potential automation of positions, where over half of the positions are extremely mechanical ones, that are potentially vulnerable to automatization in the future. This places unforeseen and hard to predict demands on the talent acquisition

and resourcing functions. Additionally, geographical scarcity and being spread out through Finland places demands on acquiring top talent in to remote locations. From a talent relationship management, the focus is more at a marketing level, not so much from a conversational level or focused messages to key groups. The reliance on brand and authenticity in social media are identified as important channels to interact and build relationships with talent. As it relates to the strategic recruitment model (Phillips & Gully, 2015), the focus seems to be mainly at an organizational level, where recruitment is recognized as an extremely relevant function for business continuity. This is also permeated into team and individual levels, where recruiters and managers work together in order to ensure the best possible outcome.

The recruitment of organization D is rather different from the other organizations, as they do not have a central recruiting team but rather place emphasis on managerial responsibility, HR Partners in business and HR Specialists in business HR teams. There is some discrepancy here, as the interviewee specifically mentions that “we will keep having the discussion regarding what is the best way to organize this”. However, as with other organizations, recruitment is seen as an extremely important and serious endeavour, where “each position is a unique investment”. A specific emphasis is placed on identifying cultural fit and “mindset fit” along with sufficient substance and skills. As the only organization, the emphasis of evaluation partners is highlighted as an essential area of recruitment.

Talent relationship management in organization D lends itself to similar practices as organization A – strong co-working with up and coming graduate talent in different forms, so far as to sponsor some subject matters regarding chemistry in some high-schools. As it pertains to internal talent management, the organization takes internal mobility and sourcing very seriously and treats it as a priority – an asset that has not come up in other organizations as strongly. This atmosphere is created “from the very beginning, establishing the idea that we are recruiting into the organization.”

Organization A has identified the need to invest more heavily into the recruitment of talent in to pivotal positions, or key roles as the interviewee puts it. These are roles

within business leadership, segment teams. This comes with the addition of key personnel planning, which is the term the interviewee uses for succession planning. These people are the focus of significant development and retention measures, and the list of these peoples is kept to a very small circle.

Organization B has identified clear pivotal positions that are significantly more strategically relevant for business growth than other positions – the priority being mid- and experienced level software developers. These positions are identified as being key due to their relevance to current business and business growth. The organization claims “this is where most of our bread comes to the table, this is also the group that is hard to find and therefore are prioritized over everything else”.

Organization C identifies that the concept of pivotal positions is classified under their knowledge and leadership management process. The approach they take is extremely similar to organization A in the sense that the entire process revolves around succession planning for said key roles, in order to be prepared in an exit-scenario. These positions also gain significant relevance in yearly resource planning and other long-term planning along with employer branding work. The process of pivotal positions is therefore relevant and entangled into a significant amount of other areas in the talent lifecycle, making it a crucial priority to succeed in from a business perspective.

Finally, organization D also discusses pivotal positions as key roles. Succession planning is done for all these key roles, even though the number of key roles is substantial at around 300 positions. Differing slightly from organization A, the organization recognizes the clear value of not only managerial roles but also specialist roles deeper in the organization, that contribute disproportionately to business success. The criteria used to define key roles are the large effect on business and the execution of strategy. Additionally, these are typically roles where an exit would be very costly and difficult to replace. Approximately 10% of the organization’s employees are subject to a yearly talent review where these positions are combined from an individual’s perspective along with succession planning. This includes young potentials – talent that has been recognized within the organization

early on to have high future potential. This talent review process is recognized, prioritized and appreciated at a top management level and is at an excellent level when benchmarked internationally with top organizations.

As Huselid et al. (2005) explain these A-positions as of “*disproportionate importance to a company's ability to execute some parts of its strategy and second...the wide variability in the quality of the work displayed among the employees in these positions*”. This type of thinking is identified in all responses between the different organizations, yet the broader frame in the talent lifecycle and other processes varies. It seems that those organizations that prioritize placing top talent into pivotal positions and retain a strong control and development over that process are the ones that benefit from the process the most. Alternatively, a minimum viable approach seems to work rather well too, where succession planning is done on a set of criteria for only the most crucial roles.

## **5.6 Retaining talent**

The entire basis of retaining talent relies on the assumption that employees make based off their surroundings, work environment and holistic situation to determine whether they are happy in their current position or looking to move elsewhere. This is ubiquitous throughout the talent lifecycle and permeates through all parts, as a company must succeed in all segments of the talent lifecycle sufficiently to retain employees. Failure to succeed in a certain area, for example succession and development, can end up in employees leaving the organization. On the other hand, failing to retain talent often ends up in increasing difficulty when recruiting “boomerangs”, people that have once been with the company previously. If they feel the talent experience is lacking, they have no motivation to return. Overall, reducing turnover is incredibly essential from a cost-savings perspective and in enabling strategic execution over longer periods of time.

Organization A takes a very different approach than the other organizations, claiming priority on ensuring that employees performing at a low level tend to leave by their own choice, increasing turnover. The reason cited is the industry in general

tends to promote such an environment. Pertaining to this, normal practices regarding low performance are in use, such as the manager bringing the issue up for discussion. Organization A openly admits that they feel they are not very good in the retaining process. They claim to not hedge their employees significantly if at all, not even recognized key employees. The interviewee openly admits that this is a fault and does not know why the process works as such: “it seems to be taken as a given, if a star employee leaves that’s just tough luck.”

Organization A identifies the key area in retaining employees boils down simply to good managerial work. They have identified two main reasons for their high turnover rates, the fact that managerial work is bad and if you have no friends in the working environment. There are systems in place to ensure feedback is given to managers as well, so that the performance of these managers can be established from a data-driven and factual perspective. To further improve managerial work, the organization is piloting a project where the employees can choose their own managers.

Managerial rotation across teams is also common already. This can be done due to substance work and managerial work being separated from each other: “I have been a coach for strategy consultants, even though I don’t understand the first thing about strategy consulting.” This is recognized to take an “egoless culture”. All in all, a significant focus for decreasing turnover in organization A is through focusing on excellence in managerial work, also recognizing the fact that: “the most important thing about enhancing managerial work is not training or coaching, but picking the right people to become managers.” However, organization A still faces turnover rates of 20-30% throughout the organization.

Organization B takes a completely opposite approach to organization A when it comes to retaining, focusing on “maximizing the well-being of people and focusing on their unique needs.” This is a much more individualistic rather than organizational approach. However, the objective is the same – to reduce turnover and retain employees. This is done through “individual leadership that addresses your individual needs, while also being acutely on the pulse about how our people are

doing, feeling and what they think about things.” Interestingly, the organization claims that their people operations team is “very close to our people in their day-to-day. Admin is a side-gig.” In order to retain the spirit of a small organization despite significant growth over the past years, the organization has re-organized itself as smaller “cells” within the company. This is done to retain the small company feel. This is identified as one of the most important factors in increasing retention.

Other key factors for increasing retention is individualizing career paths and attempting to address peoples’ various different life situations through genuinely being adaptive. The interviewee claims “we will go through all our circus tricks in order to fulfil an employee’s wishes. For example, if you want to work a shorter week this is most commonly just an issue of letting us know.” In practice, the organization also attempts to create individualized career- and learning paths for its employees to benefit both the organization, but also to increase the individuals “market value”. Additionally, the organization says it focuses on paying its people well and supporting them through a diverse set of benefits. Organization B names some concrete examples of other assets that help reduce turnover, such as a team building seminar abroad once yearly, along with a bonus-model along with matching stock options. Organization B seems to have an exceptionally strong culture of focusing on the individual and their well-being, with the assumption that this will create loyalty, excellent work and a strong employer brand driven by individuals that truly appreciate their own place of work.

Organization C approaches retaining from the very beginning, claiming it starts from the applicant experience and from there forward. From there on things such as proper on-boarding, good managerial work and an uplifting organizational culture along with an open working atmosphere are key elements. Organization C claims these are the factors that their own employees have named as significant and important, and these same issues have popped up in research as well. Additionally, in retaining employee’s internal mobility and job rotations are seen as key, while simultaneously designing career paths for individuals and systematically bettering employees. An aspect that is focused on is: “a very strong sense of equality and

justice for example in determining pay, we need to be transparent so that we can justify a position's worth." The importance of good managerial work in retaining employees is also emphasized and the fact that all employees can relate their own work into the meaningfulness and big picture of what the organization is attempting to do. On-boarding is recognized as something that still needs work and could be at a better level across the organization. To ensure minimal turnover, the organization claims to have under 5% turnover in Finland with an average career spanning over 16 years. However, globally cultural differences in pay and commitment are seen as potential issues that affect turnover.

Organization D emphasises that there are multiple reasons why people enjoy working within the organization, with the most important factors being meaningful and challenging work, broad challenges and a culture of giving people responsibility broadly. Also, managerial work is implicated as being important and subject to feedback and continuous improvement. A strong pride in the organization and identifying as being a part of the organization is identified as a factor that enhances retainment. Additionally, the fact that the organization is successful is determined to be a valuable asset. Good years have brought good bonuses, and all employees are under their short-term incentives- program. Also, an impulsive bonus system is in use – if a manager deems that an employee has earned a bonus through exceptional efforts, they can grant it with relative ease based off their own best judgement. Additionally, recognition outside of money is identified as a strong motivational factor. All in all, the perspective of focusing on the individual and the individuals wishes and well-being seems to be present here, if not as strongly as with organization B.

## 6 DISCUSSION

The organizations displayed significantly similar motivations and objectives across the discussed themes of attracting, acquiring, retaining and human capital. However, the utilized means and methods to get towards these objectives were, at times, strikingly different. The variance in answers begins at the root level – human capital as an entity was approached from very different perspectives varying on the interviewee and perhaps industry.

The summary below serves as a basis, and a tool for reference and comparison for the key themes and practices that were identified from the interviews with the respondents. It is not meant to be exhaustive, and the answers are often context dependent. Significant similarities between some of the organizations' answers can be seen, with some notable differences based on some identifying and differing factors such as industry. This discussion chapter aims to combine the key findings, along with the broader context of the interviews with the theories presented in the previous chapters. From this foundation, chapter seven is reserved for conclusions, use-cases and recommendations based on what the results and theory combined suggest.

Table 3. Key actions and practices summarized

Key actions and practices summarized					
Interviewee	Human capital	Attracting	Acquiring	Retaining	Most influential part of talent lifecycle
A	Focus on utilization metrics, organization first, data and financial metrics	Focus on entry-level roles, thought leadership	Acquiring process highly refined due to high volumes, TRM focus on student groups. Pivotal positions defined.	High turnover, key identified area in retention being managerial work	Maximizing performance, development & succession
B	Long-term strategic view of necessary future human capital, focus on data, focus on employee experience and individual	Strong focus on employer branding in general, internal talent pools in use, not yet external talent pools	Acquiring process highly refined, TRM focus on candidate comms during process and good candidate experience. Acquiring recognized as strategically important focus area. Pivotal positions defined.	Low turnover, significant focus on creating an excellent employee experience and maximizing individual well-being and career growth	Attracting talent, development & retention
C	Focus on specific skill matrices in key roles, focus on internal rotation, development and data	Employer branding, focus on communicating to key external talent pools and further developing	Acquiring process highly refined, TRM more marketing focused instead of building relationships currently. Pivotal positions defined.	Low turnover, good managerial work, internal rotation, equality and org. culture identified as important from retention perspective.	Attracting talent, development
D	Focus on traditional HR measure, engagement, employee experience and data-driven decision-making	Strong employer brand through a single quality in organizational identity	Emphasis on managers role in recruiting, no centralized recruiting team, TRM focus on student groups. Pivotal positions defined.	Low turnover, good managerial work, meaningfulness and success implied as key for retention.	Attracting, development, acquiring

On the other hand, human capital was viewed significantly from a pure organizational efficiency perspective with KPI's such as personnel effectiveness, level of personnel use and financial meters. On the other far end of the spectrum, human capital was viewed from a much more individual focused perspective rather than an organizational one. This viewpoint emphasized qualities such as personnel satisfaction, individual career planning and skills development; all aligned with the overarching direction and strategy of the organization.

Regardless of the strong variability in methods, the main objective for human capital was very clear and agreed upon – to support the organizations' long-term strategy through developing the required capabilities through increasing human capital. This strong focus on human capital and recognizing its' importance is also supported by the literature, as human capital has been demonstrated to have a general impact on business success through various different mechanisms. (Bosma et al. 2004; Van der Sluis et al., 2005; Cassar, 2006). This is reflected in the transformation of thinking about human capital at an organizational and unit level instead of specifically at an individual level is also supported in the interview results, as all organizations instinctively identified human capital as a strategic, organization-wide topic of discussion. While the objective for human capital remained similar across organizations, the ways of measuring and focus-areas differed ranging from traditional HR measurements and utilization metrics to maximizing employee well-being through creating an excellent employee experience.

The results of the conducted interviews also heavily support the conclusions of Bethke-Lankenegger et al. (2011), where the research on a large variety of Swiss companies showed that the best results from talent management come from two core strategies. These two strategies with the most positive impact were found to be when a talent management strategy is crafted to directly support an organizations overall corporate strategy and secondly the attraction and retention of top talent. These two strategies bare striking resemblance to the findings in the results of this thesis, as all organizations emphasized the importance and relevance of these two strategies in the bigger picture. The hypothesis in chapter 2.2. regarding that

focusing on attraction, acquiring and retention is chosen due to its practical implications holds true.

Additionally, the discussion around building capabilities as a core part of human capital is in line with the development of human capital research and its' common definitions, as demonstrated by Nafukho et al. (2004). From this it can be deduced that organizations do recognize the importance of human capital, but the methods to reach these specific human capital objectives differ and are not yet as clear. Perhaps best practices are not yet established from a more practical and functional point-of-view. Human capital is also seen as the background or foundation to which to examine the organizations talent lifecycle through. Human capital can be increased through strategic and accurate recruiting measures, however a strong focus on internal development through job rotations and training was identified as important drivers of human capital as well.

In terms of core employer branding actions, the focus across the board seemed to be on communicating true and believable messages towards the most important identified talent groups through most efficient channels, such as social media or face-to-face career fairs, for example. The notable exception being organization A, which does not focus as much on employer branding from a purely marketing perspective, but rather approaches the issue through thought leadership and a focus on deploying efforts towards graduate and student talent. In general across the organizations, employer branding is seen as a vital tool to utilize for attracting top talent, and the focus in general seems to be on how to differentiate the organization from its main competitors. What seems to be efficient here is authenticity. Take for example organization D, that structures much of its employer branding and marketing efforts behind a single, extremely believable message regarding sustainability that is cemented in the organizational identity.

There seems to be a strong link between turnover, motivation and organizational culture when focusing on employee experience factors instead of organizational ones. This can be condensed into a people-first attitude, where the employer branding efforts seem to take form through firstly making the organization an

amazing place to work, and secondly communicating that verified and true message to key talent groups through the correct channels. This is supported by the research, as Backhaus & Tikoo (2004) propose that employer branding and organizational culture actually have a two-way effect on each other. The example that can be used as a clear comparison here is organization A and organization B – the other has a much more efficiency and organization-based focus, while the other focuses on creating an excellent employee experience, doubly proving to be a successful tool in employer branding as well.

From the perspective of the acquiring theme of this thesis, the link between employer branding as a means for acquiring is seen as pivotal. This seems to stem from the belief that attracting top candidates through a strong employer brand is the primary recruiting method and channel. In general, recruiting is seen as a vitally important strategic measure, in line with the organization's goals and strategies through the perspective of obtaining the right human capital in order to obtain the capabilities to execute on the strategy. This is aligned with Phillips & Gully (2015), who propose that strategic recruitment directly connects recruitment practices to an organization's strategy. As a typical recruiting process, the process of recruitment itself is actually very refined and efficient across all organizations. However, specific measurements or key performance indicators are not discussed, leaving some uncertainty to the claim. Regardless, acting quickly with identified talent is seen as vitally important especially in industries of high competition and low availability of talent.

Reaching key groups is seen as important, and all organizations utilize social media and other face-to-face methods in reaching talent. Interestingly, most of the organizations recognize that a more proactive approach based on talent pools and talent relationship management is the future, however they have not yet practically identified ways to achieve this goal. This applies more externally than internally, as internally organizations have identified some simple methods of communicating with key talent groups within the organization. For example, organization B already utilizes internal talent pools and has access to these. However, this is still at a rather preliminary level and often part of talent review processes, used for example to

identify young top performers within the company and discussing potential future roles with them. Structured and continuous building of internal talent pools is either still in its' infancy or siloed across different functions and business units.

As it relates to acquiring, pivotal positions are seen as essential to success within the frame of human capital and successful strategy execution. These pivotal positions, also discussed as key positions, are seen to have a disproportionate impact on business success and more importantly business continuity and all organizations have identified pivotal positions within their respective organizations. This is completely aligned with Huselid et al. (2005) proposition of A-positions "disproportionate importance to a company's ability to execute some parts of its strategy..." Interestingly, it is also identified that these positions are not always necessarily management positions, but also potentially other roles, such as hard-to-replace specialist positions, that have been identified as vital for business continuity and firm performance.

This supports the findings of Collings & Mellahi (2009) where pivotal positions are filled with great talent, leading to work motivation, organizational commitment and thus increased organizational performance. This also seems to be a way for organizations to hedge risk through clear and efficient succession planning, leaving little down-time for key positions as sufficient preparations and planning is completed in advance to replace the roles with new talent. Cappelli (2008) supports this idea of mitigating risk through utilizing internal and external talent pools, and simultaneously highlights the importance of planning for how talent moves through the organizations and borrowing capabilities from disciplines such as supply-chain management. Strictly supply chain management strategies are not seen in the interviewed organizations' talent strategies, however implementing some could have a positive effect on internal talent pipelines. Interestingly, for example organization A seems to have no interest in hedging risk regarding turnover through internal and external talent pools.

Talent pools are seen as the future and a key element of proactive recruiting by most of the interviewed organizations, however the methods to achieve this are

unclear and seemingly limited by current HRM systems that do not sufficiently support the process of building external talent pools from a marketing perspective or alternatively simply on a lack of direction and skills to complete said relationship building with talent. This highlights the practical importance of talent management and re-creating the talent management function to include best-practices and ideas from HRM, marketing, supply chain management and the resource-based view. In fact, based on this, Sparrow et al. (2014) propose that talent management can be seen as a bridge field. Perhaps the reason that proactive recruiting through talent pools is still in its infancy in several organizations is precisely due to this – the requirements of practicing recruitment through a proactive lens requires a wide range of skills and proficiencies far above the requirements of a typical HR position. The emphasis here is marketing and sales skills, as building talent pools and keeping potential recruitment leads warm requires digital marketing skills and sales skills, when proactively seeking potential candidates.

Finally, retention is seen as extremely important by three of the four organizations, with the exception being organization A. This is unsurprising, as the financial effects of employee turnover are widely known and accepted. According to Fitz-enz (1997), the cost of employee turnover ranges from a single years' pay and benefits to up to two years of pay and benefits in total. Interestingly, the organizations that approached retention from an internal and individual employee experience perspective were more likely to have lower turnover and thus higher retention. This is logical, as satisfied employees are often more motivated and committed, leading to less turnover and better productivity. This is the desired state, and the organizations agree that retaining is in fact the result of many other elements of the talent lifecycle – starting all the way from acquiring. If the wrong person is recruited into an organization that is for some reason incompatible, the foundation for retention is weak. However, if the correct person is chosen, aligning with organizational values and organizational and personal goals, the chances of retention increase significantly. In general, the most important themes identified for increasing retention across the board were great managerial work, focus on a great employee experience and individual happiness and meaningfulness in work. Also,

organizational culture and success and equality were mentioned as meaningful areas affecting retention.

However, this is seen as only the first step and the entire talent lifecycle contributes to the retention of employees. This highlights the importance of the talent lifecycle as a holistic process, where no single element can be done alone while others are neglected without negative results. Many of the respondents identified the importance of the whole and touched upon topics that are beyond the scope of this thesis, such as internal development and rotation. This is in line with the expectancy theory, where “people are motivated to behave in ways that produce desired combinations of expected outcomes.” (Kreitner & Kinicki, 1999, p.227). This places the individual as the center of focus – an approach the interviewed organizations have proven to be very effective. In general, and simple terms, meeting and even exceeding the expectations of an employee at every level of the talent lifecycle is an excellent strategy in practice. However, this requires a deep understanding of what talent expects at each level of the talent lifecycle and where these expectations stem from.

In order of importance, the general consensus is that the most important part of the talent lifecycle is seen to be attraction. It is viewed as a foundational cornerstone, which enables the rest of the talent lifecycle to fall in to place once sufficient amounts of preferred talent are applying to the organization because of a strong employer brand. It is worth re-iterating here that those organizations that focus on improving the workplace and enhancing employee satisfaction seem to also have stronger employer brands. This is likely not a coincidence but rather a synergistic effect which in fact aligns with simple marketing knowledge – when a product is truly good, marketing almost takes care of itself. Obviously, methods and channels matter, but the actual quality of the organization is the foundational cornerstone of employer branding success.

Secondly, retaining is seen as the second most important discipline of the talent lifecycle. The reasoning behind this is simple – as talent is successfully attracted to an organization and the recruiting process has disqualified people that are not a

good fit, it only makes sense that talent with potential for improvement are kept in-house and developed to the best of the organizations ability. Many respondents keep this as a theme within answers across the themes, while not singularly naming retention as an important factor, but almost as a given when other areas are taken care of accordingly. Related to this, most of the organizations mention developing the employees as of utmost importance. Surprisingly, the one organization that named maximizing performance as one of the most important elements of the talent lifecycle also has the highest rates of turnover.

Thirdly, recruiting is seen as important, but ultimately a rather mechanistic and strategically familiar process. All organizations claim to be familiar with recruiting best practices and claim to have excellent recruiting processes once talent is at that stage of the talent lifecycle. Therefore, the importance is differing in perspective, as it is seen that the recruiting almost takes care of itself once talent is identified and attracted. This is seen as very low amounts of recruitment errors across all organizations. In general, all the organizations emphasize the importance of the talent lifecycle as a whole, emphasizing some parts in importance over others.

In general, some elements of the talent lifecycle seem to be perceived as strategically more important and relevant to executing the organizations' strategy – more specifically attracting the correct talent that possesses the human capital needed to reach the organizations goals, then placing these individuals in to pivotal positions for maximum impact and then retaining said employees and developing them to the best of the organizations' ability. There is significant weaknesses in all organizations in the proactive attracting perspective of recruitment from proactively developed external and internal talent pools. Improvement in this area could ultimately lead to a situation where an organization has a continuous supply of top talent in all its areas of interest, and it can interact with that talent quickly due to the talent relationship management practices it has used to create a strong relationship with potential candidates.

## 7 CONCLUSIONS, USE-CASES AND RESEARCH SUGGESTIONS

The purpose of this chapter is to answer the chosen research questions below and identify how the results reflect these questions. The first and main research question is:

***“How do organizations perform key talent management processes and how do these processes affect human capital?”***

A multi-faceted approach and some specification is required here. The chosen key talent management practices deemed most influential and in the scope of this thesis were attracting, acquiring, retaining and their subsequent sub-themes and crucial tools such as pivotal positions and talent pools. All the aforementioned talent management processes affect human capital in significant ways and through different mechanisms, also often affecting each other as well, linking an interdependent web within the talent lifecycle. As stated before, it is important to view the talent lifecycle as a holistic framework, even if for the purposes of this thesis the scope is slightly narrowed to focus on specific themes, allowing for a more in-depth analysis due to the constraints of this master’s thesis. While the organizations have differing practices for managing talent, the priorities are remarkably similar – to attract, develop and retain the best talent.

From the perspective of attracting the effect on an organizations’ human capital is profound – organizations label this as one of the most important parts of the talent lifecycle as it comes to human capital. Simply put, if the organization fails to attract talent of sufficient quality, it will have challenges in completing its strategy due to restraints and a lack of competencies required within the organization. Performance suffers, as it is not realistic to approach execution of strategy in a changing business landscape through internal development methods only – as an only method developing internal personnel or re-training them is simply too slow. The prevalent need for strategic talent management stems from ever-increasing global competition and a shortage of talent. In a study of 40 companies, nearly all reported a lack of sufficient talent, leading to constraints on their business efforts. (Ready &

Conger, 2008) These two, among other significant factors, have driven organizations to no longer settle for a reactive method of recruiting, but rather fluctuate towards seeking out better, more proactive options. This is done with a focus on talent front and center – as it is undoubtedly one of the most important, yet biggest challenges that organizations face today. This has also had a measurable impact on increased employer branding and the re-surfacing of recruitment marketing in the never-ending effort of seeking top talent. However, talent pools do not come without drawbacks. The elitist nature and management's reluctance to change direction once a pool of top performers have been selected is a risk which must be recognized and mitigated. (Walker & LaRocco, 2002)

The issue at hand is made no easier with a possible recession – and thus a significant change in recruiting circumstances – looming over our heads. In fact, successful talent management is likely to be more important in a recessionary climate than in a booming economy. (Collings & Mellahi, 2009) The macro view therefore demands for an approach where talent is no longer approached reactively, but in a way that is proactive and strategically aligned with business goals. This approach allows organizations to thrive regardless of uncertain macroeconomic circumstances.

Accounting for turnover must be noted as well, replacing leavers and other gaps in personnel planning with quality talent. Attracting talent can then be seen as the foundational element that the entire talent lifecycle relies on – it sparks the process and starts it. Without sufficient attraction talent simply does not reach the organization. Attraction can be thought of as a bottleneck within the talent lifecycle, where organizations should prioritize their efforts if that area is lacking.

Interestingly, attracting through employer branding is seen as the primary method to develop organizational attractiveness towards desired talent. A surprising result is that through taking a true individual well-being and development focus, an organization can create a strong employer brand through authentic means – marketing is seen as important but ultimately secondary to creating a true and authentic employee experience and a great place to work, where employees want

to be. This highlights the interlinked talent lifecycle and its cyclical nature. Later steps in the talent lifecycle – when done well – have an extremely positive effect on attracting talent in the future. Therefore, this is a positive and self-improving cycle of sorts. On the flipside, if the employee experience is poor the cycle can also be negative, placing the employer brand at significant risk. However, employer branding and attracting talent as a stand-alone function still has significant room for improvement and could benefit from marketing and customer experience expertise.

Acquiring is seen as a rather mechanistic – yet important to perform at a standardized level – part of the talent lifecycle. This talent management practice is rather familiar to all organizations and the process is well-defined and executed. However, a move towards more data-driven recruiting processes can be seen as recruitment is increasingly becoming a more strategic function, linked to many other processes and especially other talent management practices within the talent lifecycle. From a recruiting perspective it is seen as crucial that the key talent groups are reached and interacted with. That said, true talent pool and talent relationship management practices are still in their infancy across the board and require significant development work and effort to bring to fruition. A deep relationship between the talent acquisition and marketing functions is required here, along with a strong understanding of sales and subsequently funnel- and relationship management perspectives. To achieve this, digital marketing skills within an organizations talent acquisition functions are a must either included in the recruiter's skillset or as a specific role entirely. These types of skills have not been previously prevalent, or even required, within HR. I believe this has led to the situation currently seen across all organizations, where proactive recruitment, talent pools and talent relationship management is only at a planning level.

Much more familiar to all organizations is the concept of pivotal positions or key roles, where a higher priority is given to specific positions that are deemed business-critical from a success and continuity perspective. These are seen as a critical part of the acquiring practice within talent management. In other words, the concept of the right people in the right positions is seen as a universal truth. Perhaps unsurprisingly, the organizations placed a very strong emphasis on this specific

process, noting that the effect of pivotal positions-based thinking is profound and the actual carryover into business results is remarkable. From this perspective, acquiring can be seen as very impactful from a human capital perspective – it quite literally is the process of obtaining new human capital into the organization.

Finally, the effect of retention on human capital is substantial, mainly due to three reasons. Firstly, retention significantly affects turnover – when turnover figures are low, retention is high. Applies both ways. High retention has secondary implications towards employee satisfaction, motivation and commitment. The interviewed organizations with low retention had better employee satisfaction, motivation and commitment based on interview comments. Additionally, these can have direct implications towards business success and organizational culture – both factors that affect employer branding, attraction and a number of other talent management processes such as learning, development and various others.

Secondly, retention has second-order consequences on acquiring, internal development and mobility. When retention numbers are high, not as much resources have to necessarily be allocated towards acquisition and replacement efforts, but rather these resources can be funneled into other projects. This means that from an organizational efficiency perspective retention is very important. This brings us to our third point regarding retention; if retention figures are low, the need has to constantly be replaced with new talent. This is wildly inefficient and results in significant costs. A recruitment that does not work out costs anywhere from 1-2 years in salary and benefits. The effect is naturally compounded and higher once accounting for pivotal positions, where the effect of loss is significantly amplified.

Most of the interviewed organizations recognize the deep implications of retention on not only the entire talent lifecycle but the direct effects it has on business continuity and success. The implications on human capital are obviously vast, as retention is extremely important from the perspective of retaining the best of the organizations' human capital. Alternatively, a retention figure of 100% should not be a goal for any organization, as despite the very best efforts in attraction and acquisition, errors in recruitment are bound to happen at some point. It is in the

organizations best interest that unmotivated and employees that are not a good fit within the organization leave as soon as possible on their own account. For example, this is seen with organization A as a very natural process. The other side of the coin is that they lose significant amounts of great talent as well.

The second research concerns the biggest challenges and problems the interviewed organizations face from the perspective of the talent lifecycle and consequently human capital:

***“What are the biggest challenges organizations currently face regarding talent management from the perspective of the provided framework?”***

The results concerning this research question are in fact the most actionable and practically relevant findings of this entire thesis, as they present the biggest opportunity for development, along with some “low-hanging fruit”. The biggest challenges the interviewed organizations face are concerning attracting, building talent pools and managing talent relations proactively and ensuring retention is at a high level. At birds-eye view of challenges can be found in the table below.

Table 4. Key challenges

Interviewee	Biggest challenges		
	Attracting	Acquiring	Retaining
A	No significant challenges identified	No significant challenges identified	Retaining young talent, high turnover rates
B	Retaining strong EB through growth, differentiation	Significant competition for top industry talent	No significant challenges identified
C	Starting external and internal talent pools, difficulty in managing them	Potential automation of large amount of jobs in the future	No significant challenges identified
D	Talent pools a core area of interest, currently lacking proficiency, believable key EB messages globally	Geographical difficulties in acquiring talent to remote locations	No significant challenges identified

As it comes to attracting, the struggle is mainly with creating an employer brand that is truthful and differentiated enough from key competitors in such a way that attracts top talent to the organization. The methods for this vary depending on organization industry, size and maturity of employer branding practices and perceived importance of said function. That said, all organizations perceived employer branding and attracting talent as important.

Regarding acquiring more than attracting, the construction and systematic relationship management within external talent pools is still in its infancy in all organizations. It is at a preliminary planning stage but perceived by all interviewed organizations as very important from a future standpoint. This is seen as a core component of a more proactive recruitment function in general, with the end goal being identified pools of external top talent, that are readily available and warm leads

once relevant opportunities open up within the company. Acquiring also has some industry and organization-specific challenges, for example regarding geographical and automation issues.

Ensuring retention is seen as critically important, though it only presents significant problems in organization A. Interestingly, organization A is the only organization that takes a more efficiency, organization based KPI system towards human capital and management in general. The implication here being that the other organizations are much more concerned with individual employee well-being, creating purpose in daily work and giving the individual the best possible opportunity to succeed in their role. It seems like this approach is significantly more effective in driving low turnover rates and not coincidentally higher employee satisfaction.

The third research question explores the interlinked nature of the talent lifecycle and in a way borrows heavily from systems-thinking, where each part of a system has clear or unclear effects elsewhere in the system. The question is presented as follows:

***“How do the talent management processes of the talent lifecycle affect each other?”***

This question, along with the other research questions, is also relevant from a practical perspective. The mechanisms from which the entire talent lifecycle and its constituents – the different talent management practices – affect each other can be divided into different parts based on their importance. Firstly, it is of utmost importance that the organization is sufficiently attractive from the perspective of talent. If not, everything else in the talent lifecycle is affected negatively – from beginning to end. Acquiring becomes more difficult, and so does recovering employees that have previously exited the company. As we have explored in this thesis, the best way of creating an attractive employer brand is through building the organization inside-out – focusing on delivering and excellent employee experience first and foremost, and letting that act as the foundation for developing an effective employer branding strategy and thus great attraction practices. The tactical

marketing part is important as well, but not nearly as important as the foundation of a great employee experience. Therefore, the attraction part of the talent lifecycle is the bottleneck of the entire talent lifecycle whilst simultaneously having vast implications on the organization's human capital as well.

Acquiring can be seen as the natural continuum and end-process of the attraction part – in a way closing the deal. While important and relevant, it is more of a process step that at a highly standardized level acts as a standalone process. Of more significance is the strategic placement of the acquired talent into pivotal positions. This can be achieved with sufficient planning and business understanding.

Once talent has been attracted and acquired, the main objective is then to retain said talent. From a simplified standpoint, talent is retained when the image of the job delivered to the candidate has been truthful, and all steps between acquiring and retaining are completed at a high level. The steps in between are internal talent management practices, namely developing & succession, maximizing performance, training and on-boarding. It is up to the organization to deliver these to the employees. Subsequently, these add up to make a large part of the employee experience at large. As we know, this affects organizational attractiveness. Thus, the cycle continues, and it is very important to treat the talent lifecycle as a cycle where all its parts significantly affect each other, with some having a more important effect than others.

Regardless, the talent lifecycle lays the groundwork for an excellent employee experience and through its various, interlinked talent management practices supports business strategy completion. This has very important managerial implications, as often these talent management practices are broken in to specific departments within HR organizations, leading to specificity within talent management functions but a lack of teamwork. However, I believe it is extremely important to adopt a more holistic viewpoint where these different talent management functions act as a whole, placing employee experience and talent satisfaction front and center. The interviewed organizations have demonstrated that as individual employee satisfaction increases and the employee experience is great,

this has profound implications on building organizational attraction in key talent groups.

Said otherwise, the employee experience seems to be a foundational element for all talent management functions, which are separated by when in the talent lifecycle they interact with talent. These talent management steps build on each other and at their best act synergistically all the way from attraction to perhaps one day recovering previously lost employees. At their worst, the talent management steps are out of sync and vary wildly in quality, resulting in a confusing and lackluster employee experience. As we have demonstrated, all parts of the talent lifecycle influence each other heavily – making it extremely important to emphasize quality throughout the entire talent lifecycle.

At the end of the day, the goal should be to move from merely managing talent to optimizing talent. In short, going from talent management to talent optimization is getting the most out of the organization's talent – the key to success for any talent strategy. Talent management is the way the entire talent lifecycle is managed. On the other hand, Schiemann (2013) proposes that: "Talent optimization means that the organization has balanced talent acquisition, development, performance and retention strategies, processes and policies so that it maximizes the outcomes of those talent investments—higher employee productivity, greater customer retention or purchasing, higher quality, higher retention of desired employees, reduced regulatory or environmental risks, and strong operational and financial performance." In summary, talent optimization is talent management done in a balanced manner, which allows for getting the highest ROI on talent investments across the organization.

### **7.1 Limitations and research suggestions**

The main limitation of this study is its relatively small sample size of four organizations. Even if the organizations were carefully chosen to represent organizations of different sizes and varying industries, it is difficult to make generalizations based on four organizations. Rather, this thesis should be

examined as four miniature case studies, with the significant value add of being able to compare these results with each other. Despite the small sample size some trends can be noted, especially when they are prevalent across the different organizations. If there were to be continued research on deeper levels of this topic, it could be a good idea to gather data through deploying a survey form to a larger sample size of organizations. This would add significant credibility and trustworthiness to the thesis. However, what this thesis does offer in its' current form is important perspective and a synthesis of the talent lifecycle and its effects on human capital. The interviews conducted offer depth in a way a survey couldn't, ask interviewees are capable of expanding on topics they deem important.

This thesis has shown that the talent lifecycle is important to examine and act upon from a holistic perspective, and that especially attraction and retention are significant from the perspective of maximizing human capital. With this top of mind, further research suggestions could be diving deeper into the factors that affect retention – what is deemed most important from an employee's perspective and how does this vary across industries? On the other hand, surveying top talent about what makes an organization an attractive employer could be a worthwhile topic to explore deeper.

Furthermore, the internal talent management practices such as training and developing could be examined from an organizational learning perspective, with an emphasis on modern online learning methods in mind. Comparing different learning methods with each other and measuring their effectiveness could provide valuable insights to organizations and their L&D functions. As important as it is to recruit top talent externally, it is also extremely important to focus on the internal perspective of developing talent within the organization. Related to this, an interesting research topic could be internal rotation and using internal mobility between positions as a method to develop employees. This is interesting, because is commonly known that most of an employee's development happens on the job. Therefore, those organizations that can offer their employees internal rotation opportunities are bound to develop their employees more widely – a very desirable trait in the uncertain and global business environment of the future.

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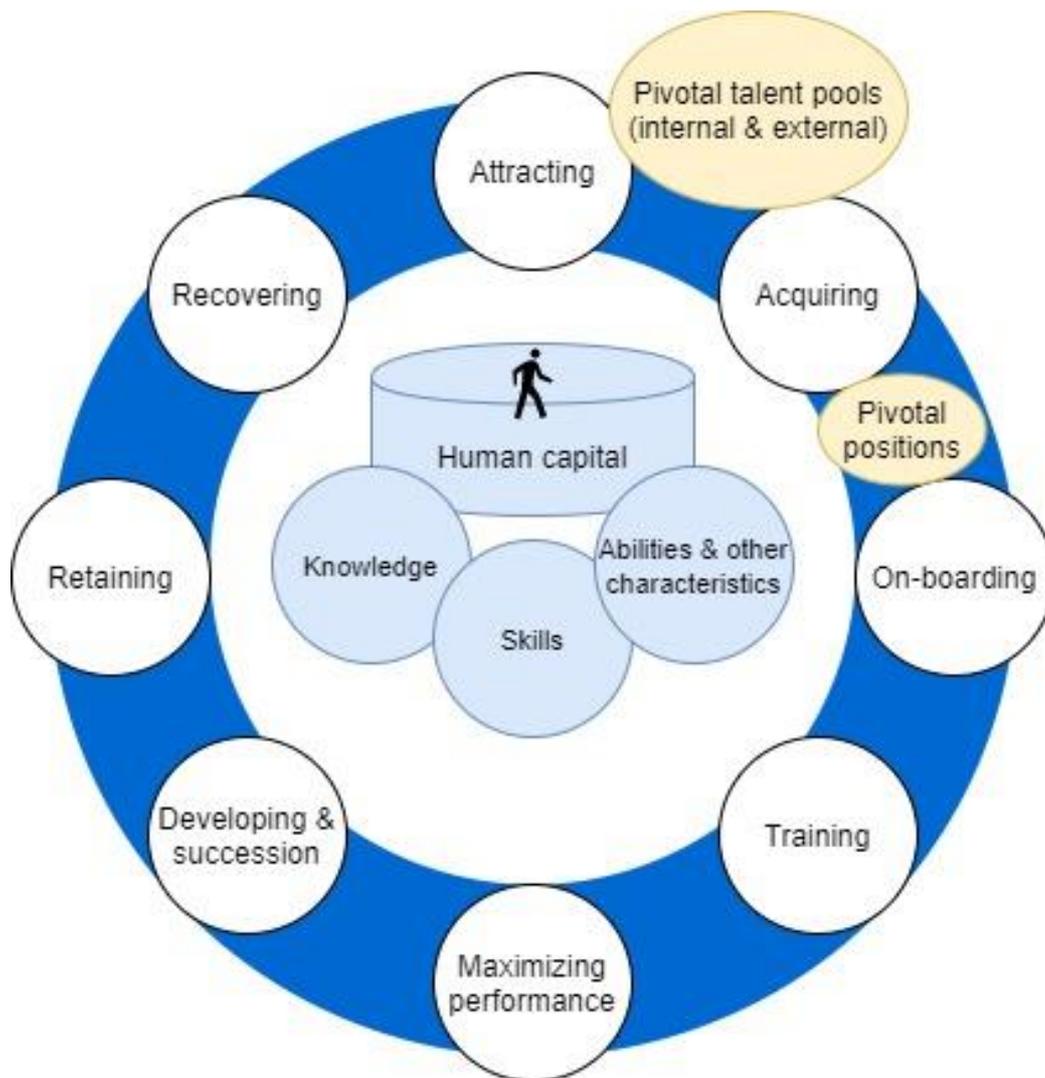
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**APPENDICES**

Appendix 1. Interview Questionnaire

Context	Talent Lifecycle			
Theme	Human capital	Attracting	Acquiring	Retaining
Sub-themes	Skills Knowledge Abilities & other Measuring	Employer branding & Talent pools (internal and external)	Recruitment Talent relationship management Pivotal positions	Motivation Turnover



### Segment 1: General

Interviewee	Role	Time with company	Date interviewed	Other notes
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### Segment 2: Human Capital

1. How is human capital measured in your organization?
2. What are your organizations goals for human capital?
3. How will you obtain the KSAO:s your organization requires now and in the future?
4. Which part of the talent lifecycle is most influential on your organizations human capital?

### Segment 3: Attracting

1. How do you attract talent? What are your biggest challenges, best practices, successes?
2. What kind of employer branding do you do? What are your biggest challenges, best practices, successes?
3. Do you utilize talent pools? If so, how? What are your biggest challenges, best practices, successes?

### Segment 4: Acquiring

1. What is your recruitment like? What are your biggest challenges, best practices, successes?
2. How do you do TRM – internally & externally? What are your biggest challenges, best practices, successes?
3. Have you identified pivotal positions that are strategically more relevant than others? How is this a part of your bigger people strategy? What are your biggest challenges, best practices, successes?

### Segment 5: Retaining

1. What steps do you take to ensure you retain employees? How do you ensure their motivation? What are your biggest challenges, best practices, successes?

2. How do you ensure minimal turnover? What steps concretely?
3. How do you maximize the performance of your employees? What are your biggest challenges, best practices, successes?

Segment 6: Other

1. What do you consider the most crucial part of the talent lifecycle? Where do you find the most difficulties? What do you do extremely well? How do you stand out from the competition?