



## Talent Management Strategy and Absorptive Capacity as Antecedences of Innovation Capability: A Conceptual Framework

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### Abstract

The purpose of this paper is to examine how the strategy of talent management (TM) and absorptive capacity can affect innovation capability. This paper reviewed related literature with these concepts and then submits a proposed theoretical framework to manifest the relationship between these variable. Innovation has so far constantly considered from a Knowledge management (KM) perspective; this paper examines the innovation and innovation capability from absorptive capacity and TM strategy perspective as a critical success factors and concluded how organizations can benefit from the integration of TM strategy and absorptive capacity principles to develop innovation capability and achieve a high level of performance.

**Key words:** *Talent Management, Talent Management Strategy, Absorptive Capacity, Innovation Capability*

### Introduction

In the midst of the severe global competition the investments in intellectual assets has the best chance among the other assets, such assets have caused a significant change in managerial and organizational orientation and methods of dealing with competitors. Therefore many of organizational concepts like TM strategy and absorptive capacity have proved its effectiveness in the success of modern management trends. TM is a managerial approach to obtain and maintain talented individuals. Indeed, adopting such approach leads in turn to accelerate individual's capability to absorb external generated knowledge and fostering innovation capabilities. The aim of this paper is to discuss the relationships between TM strategy and absorptive capacity and their compound effect on innovation capability. For this intent, first the literatures of these concepts have been discussed, and then based on a review of these literatures a conceptual framework has been presented to reflect the relations among these concepts. Finally, discussion and conclusion have been presented followed by suggestions for future study.

### Literature review

This paper tries to build a conceptual framework of TM strategy and Absorptive capacity and their implications on Innovation capability. To get a comprehensive image about these variables it has been engaged in discussion of relevant literature in the following section of this paper.

### Talent and Talent Management

Since the successful launch of the "war for talent" by McKinsey & Company in 1998, scholars and practitioners have focused their attention on talent and TM (Zhang & Bright, 2012). After the enormous economic developments between 2002 and 2007, leaders even managers are more concern in winning talent people and obtaining appropriate individuals in places (Beechler & Woodward, 2009). Despite the fact that talent represents a competitive advantage for organizations (Santhoshkumar & Rajasekar, 2012) review of the literature relating to talent and TM disclosed a lack of general agreement about talent definition; the same manner also highlighted by Iles *et al.* (2010) he emphasized the lack of globally consensus of talent description. Thus, different researchers provided diverse definitions of the term "talent" in different views. In this regard Piansoongnern & Anurit (2010) defined talent as some



characteristics inherent in people, recurring manners of thought, feelings and acting that are innate in those people, in the same context, Santhoshkumar & Rajasekar (2012) state that talent refers to bundle of skills and knowledge robustly developed and affects people performance within the organization. Zhang & Bright (2012) refer to talent as the employees who can make a considerable development in organizational performance due to their crucial jobs.

Thus we can define talent as inherent and acquired knowledge, skills, qualifications, competences and abilities owned by individuals makes them perform their work in a different way or unknown previously from others.

In general, talent definition can be classified into inclusive and exclusive approaches (Garavan *et al.*, 2012). Inclusive view represents every employee as talented due to the specific role played by everyone and the participation in business developments. While exclusive viewpoint has a completely different attitude; because talented individuals are distinct in their competence (Zhang & Bright, 2012).

However, characteristics of talented individuals have been debated by many scholars and researchers and (Table1) illustrates these characteristics.

<b>Table 1: Characteristics of Talented Individuals</b>	
<b>Authors</b>	<b>Talented Individuals characteristics</b>
Harrisr & Foster, 2010	High levels of expertise Leadership behaviors
Tansley, 2011	High levels of expertise; Leadership behaviors; Creativity; and Initiative stemming based on self belief.
Garavan <i>et al.</i> , 2012	They consistently deliver strong results credibly; They master new types of expertise quickly; and They recognize that behavior counts
Zhang & Bright, 2012	They have good competence They have high potential in those positions
Resources: authors gleaned from relevant literatures.	

Discussion of talent and characteristics of talented individuals brings with it the need to highlight the TM process. Given the numerous interpretations that may be included by TM it is difficult to determine a precise and clear definition for this concept. Generally, scholar's background and environment have the obvious effect in determining the definition contexts and its differences from other definitions. However, wide streams of scholars have defined TM. Woollard (2010) stated that TM is a process of enabling recruiting, selecting and retaining of the right talented individuals for entire the organization, while Piansoongnern & Anurit (2010) considered three points of views to define TM traditional Human Resources (HR) functions; modern expression of succession planning and management of individual's natural capability.

In fact, there is no unique approach that is followed by organizations to manage talent and one of the most important approaches to study TM is a collection of standard human resource activities, such as recruitment, selection, development and HR planning management (Zhang & Bright, 2012). Within this approach, a study for Woollard (2010) indicates that the TM represents the biggest obstacles for HR functions in future despite the fact that hiring of right individuals at the right time in right places is one



of the main functions of HR. Due to this overlap between HR functions and TM, some may use these terms interchangeably (Piansoongnern & Anurit, 2010). But this approach does not give clear indications of TM.

While Zhang & Bright (2012) debate the second approach which focuses on the notion of talent pools which aims to ensure a continuous flow of competent individuals to the organization.

The third approach focuses on determining of those main positions that have the potential to achieve significant impact on competitive advantages within the organization and this may represents a fundamental difference from other HR activities (Whelan & Carcary, 2011).

The fourth approach depends on generic view which does not restricted by position specifications and it calls organizations to focus their efforts effectively toward individuals who have a promising potential in organization's leadership regardless of race or gender (Harris & Foster, 2010) therefore, investing in talent activities mainly based on the identification and development of individuals who have the possibility of successful performance and make strategic changes within the organization (Yapp, 2009). It is noteworthy, there is a growing confirm that high potential talent individual must be proficient and skillful in different areas of work, therefore an increasing emphasis on workplaces to direct their efforts on generic competencies to go beyond technical competencies and involve all types of required skills (Garavan *et al.*, 2012).

Despite the growing interest in TM there are still a lot of challenges that may prevent TM in effective way; particularly those relating to the growing of global markets and stronger competition in attracting talent from abroad and that in turn create a greater rivals for organizations in their local markets (Green, 2008) but few studies have focused their attention on this subject, barring some new contributions on India and China (Vaiman *et al.*, 2012).

Therefore, there was an urgent need to sequential steps to be followed by organizations in order to manage their talent. In this context, Uren (2007) determined five steps to TM they are: Attract, Identify, Develop, Deploy and Engage talented individuals in right positions, while Glen (2006) presented a model of four stages to TM include analysis of future skills requirements, gap analysis and competency assessment, training and development, motivation and retention.

This paper recognizes that TM has emerged as new strategic direction within human resource management in different types of organizations and has cast its shadow on the nature of the competition and how to ensure the required talented individuals to some positions within the organizations in the future.

### **Talent Management Strategy**

The main purpose of adopting TM processes is to gain strategic advantages and raise the growth and development of both organizations and individuals (Anand, 2011). Now TM strategy is considered as a main determinant of the organization's competitive position, which directly affects its competitive advantage sustainability (Zhang & Bright, 2012), organizations need to ensure the flow of competent individuals so they need to strategically manage these talent flows and aligned them with the right positions based on the entire organizational objectives (Whelan & Carcary, 2011). However, Sweem model in (2009) depict five components to evaluate TM strategy and this paper has adopted these components to build up its conceptual model, these components are:

### **Performance Management**

Managing Performance is one of the most important activities assigned to HRM; due to the strong and deep association between managers' talent development and perceived organizational performance (Garavan *et al.*, 2012). Performance management enables in determining of those talented individuals



who are performing best in comparison with others, and provides a perception of feedback on their current role and future standard of their performance (Whelan & Carcary, 2011).

### **Employee Development**

Organizations must have a blueprint that clearly outlines how they will retain and develop their employees' talent at different levels (Garcea *et al.*, 2012). It is a personal responsibility of CEOs and the top team managers to develop the next generation of leaders (Thomas *et al.*, 2012) and that required a deep understanding of business strategy, organizational culture and objectives, and the opportunities that may be available to the organization (Haskins, & Shaffer, 2010).

### **Open climate / culture**

Organizational climate / culture can be seen as a medium by which talent development done (Garavan *et al.*, 2012). Within this context, Uren (2007) argued that effective TM is a key feature of a high performance and successful organizational culture. Therefore, culture of excellence is an important predictor to identify the future leadership (Santhoshkumar & Rajasekar, 2012). Sweem (2009) has reported that open organizational climate / culture have a significant impact on fostering and developing talents within the organization.

### **Reward and Recognition**

Reward represents any valuable remuneration in the point of view of individuals and the management is willing to offer as compensation for the individuals' achievement (Chianga & Birtchb, 2008) and it can foster new product performance, new knowledge acquisition and innovation capabilities (Wei & Gima, 2009; Moreno & Meléndez, 2011). Woollard (2010) argued that management does not face challenges in identifying talented individuals only, but also in how to reward these people.

### **Communication**

Communication purpose represented in interchanging knowledge among individuals within the organization (Meredith, 2012) and good communication skills represent one of the basic pillars to attract other talented individuals (Garavan *et al.*, 2012) and a critical component to manage individuals to high performance which requires cooperation at all levels within the organization (Sweem, 2009). In light of the earlier literature, TM strategy can be defined as a new strategic approach to manage HR, knowledge, and learning process to achieve the highest level of knowledge sharing and innovation and ensuring the competitive advantage for future periods.

### **Absorptive Capacity**

Cohen and Levinthal (1990) define absorptive capacity (ACAP) as the “*ability to identify, assimilate, and exploit knowledge from the environment*”. ACAP is one of the most important factors affecting knowledge integration capability; due to its fundamental role in supporting and utilizing the existing organizational knowledge to create new knowledge so as to achieve a high level of competitive advantage (Xiao-di *et al.*, 2008). and upgrades innovation performance (Wang & Chen, 2012). Within the context of ACAP, Zahra & George (2002) offered more details in their definition, they are separating the ACAP structure into two folds: potential ACAP refers to (the capability to acquire and assimilate knowledge) and realized ACAP includes (the transformation and exploitation of knowledge). In fact, they suggested that the shifting from assimilation step to transformation step represent the transformation from potential ACAP to realize ACAP.

Organizations have different abilities to exploit the external acquired knowledge since ACAP can be seen as a dynamic capability which is build with the passage of time based on organizational activities. This capability is not static, but improves over time. On the other hand, it may become obsolete due to the emergence of new technology or due to the entry of a new competitor into the market forcing the focal organization to adapt their work methods (Chen *et al.*, 2008).



However, many factors may affect ACAP level and organizational prior knowledge is one of the most important of them, furthermore, organizational culture and structure have a vocal role in growing ACAP (Xiao-di *et al.*, 2008; Zahra & George, 2002). On the other hand, organizational learning can be viewed as a process of acquisition, dissemination, interpretation, sharing, and storing of new knowledge, thus, it can be said that organizational learning is the grounds of knowledge integration (Xiao-di *et al.*, 2008) but learning capability commonly has a specific direction and focuses on certain specific objectives; while ACAP is mostly forked and tends to be more stretched and separated in order to gain more new knowledge (Duan *et al.*, 2009).

### **Innovation Capability**

The organization's ability to innovate is the indispensable pillar to generate new innovations and improve the organization's competitive position (Laforet, 2011). Innovation capability defined as the application or creation of new technology and use it in creating new products, processes, or services (Lin *et al.*, 2012). Saunila & Ukko (2012) argue that innovation capability refers to the ability to the continuing transformation of new knowledge and ideas into new products and processes for the benefit of the organization and its stakeholders.

When discussing innovation within innovation capability two aspects should be addressed clearly the first one is the degree of innovation and the second representative in the scope of innovation. Innovation literature distinguished between two types of innovation according to its degree radical innovation and incremental innovation. Moosmayer & Koehn (2011) define radical innovation as is a dramatic emerges from fundamental new technologies to produce a new product, new market, or new technology. While, incremental innovation refers to the modification process of current products, services, or technology to produce the performance in somewhat better results (Ramadani & Gerguri, 2011)

On the other hand, the scope of innovation consists of technological innovation and administrative innovation. Technological innovation include producing new products, process or devices to the markets (Aljanabi & Kumar, 2012) whereas administrative innovation related to organizational structure, administrative and managerial activities and all improvement that related to these areas (Saunila & Ukko, 2012).

It is noteworthy that all types of innovation and innovation capability itself related heavily to accumulate prior knowledge and the ability to exploit it through combined this prior knowledge with new knowledge (Johannessen & Olsen, 2011). The coming section depicts these relations.

### **Conceptual framework**

Organizations today require more from their talented individuals and this explains why some organizations tend to redevelopment a whole range of their employees' practices (Davenport *et al.*, 2010). Certainly, the main objective of TM is to improve individuals' performance and such improvement has several implications on ensuring optimized workforce which leads in turn to increase collaboration, information sharing among individuals and fostering learning and innovation capacity (Bassi & McMurrer, 2007). Martin & Schmidt (2010) stressed that the future of our organization will be in talented hands; who will invent new ways of efficient performance and drive innovation.

In the light of all above debates and analyzing its content, the authors propose a conceptual framework (refer to figure 1) of innovation capability antecedences, namely, TM strategy and ACAP. The framework demonstrates the direct effects of TM strategy on innovation capability, and that was confirmed by Bertoneclj *et al.* (2009) work which underlining the role of managing talented who only can provide more innovations and considered as the most substantial competitive advantage of any organization. Through our awareness of the fact that both TM strategy and innovation capability are trying to ensure new futuristic innovations; the direct relationship between these two axes can be explicitly noted (Saunila & Ukko, 2012).

The framework also displays the compound impact of TM strategy and ACAP on innovation capability. Within this context, Whelan & Carcary (2011) argue that the effective assimilation and exploitation of



knowledge relay on effective management of talented who own the key knowledge, in different terms of talent recruitment, performance management, employees training and development, and communication. While Kamal & Flanagan (2012) reported that the organization's ability to absorb and exploit external knowledge considered as an important factor towards developing of innovation capability.

Finally, it is not reasonable that there will be new futuristic innovations without relying on new knowledge generated and/or exploited by the talented individuals, and thus we can create a comprehensive vision about our conceptual framework.

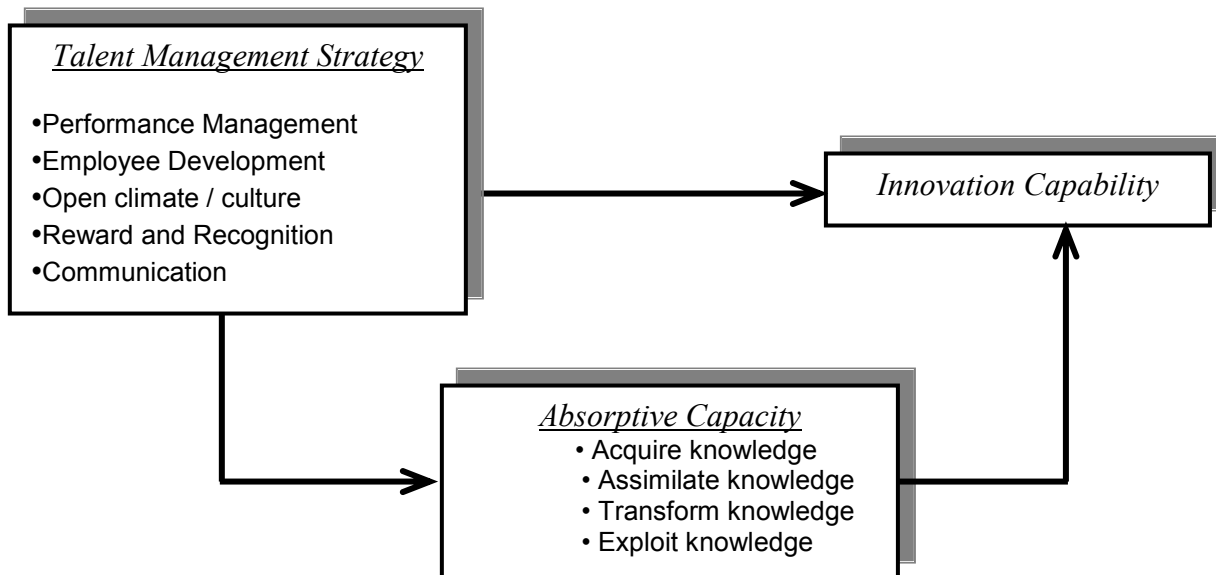


Figure1. Conceptual Framework

### Discussion

TM has been viewed as a synonymous term of HR which led to the existence of different perspectives on its definition or even its implications. Indeed, the emerging theme of TM is but the new strategic direction to HR activities to ensure talented individuals for some strategic and sensitive positions in the organization. Thus, the need arose to follow specific strategies to retain current talented and identify future needs of them at all levels within the organization, all because talented individuals considered the donor of innovation, new knowledge and competitive advantage in today's organizations. This paper contributes to the advancement of the innovation capability field by proposing a framework focuses on those factors that may affect innovation capability, namely TM strategy and ACAP. Scholars are well established the necessity of organizational understanding to the needs of talented that suit its organizational culture and structure; because individuals' performance and their ability to generate new ideas related heavily to their continuous learning and proved adaptability to new career requirements which still huge challenges in front of HR. Due to innate differences between individuals some employees are more innovative than others, so the accumulated tacit knowledge they got through experience needs to be embedded into organizational activities. In other words, the strategic and competitive value of prior tacit knowledge embedded in individuals' brain need to be activated through effective management of the organizational talent and how to be concerned with those individuals who have the top levels of this prior knowledge and potential performance, as well as focusing on ACAP dimensions as a platform of continuous organizational learning to produce new innovation and knowledge, this knowledge can be considered a key asset of a bundle of other organizational assets and has a direct effect on high organizational performance. The only thing that we can be certain of is the life of organizations will remain dependent on talented which will represent the biggest challenge in the same time.

### Future research agenda



The entire paper conceptualizes the components of TM strategy and its influence on the innovation capability through the mediation of ACAP. The literature explored many probabilities that may pave beliefs HRM.

Still, empirical research is required to study the various challenges that may face organizations in managing their talented individuals or in their endeavor to ensure those individuals in future. In addition, exploring the factors that may contribute in retaining and harnessing talented individuals. Prospective studies should pay more attention to the factors that may affect TM like organizational structure and culture. Furthermore, future research should examine empirically the links between TM strategy and ACAP and their combined effects on innovation and innovation capability within different sectors.

### Conclusion

Today, more than ever, organizations need the right individuals to perform certain strategic roles in future. Leaders urgently needed to understand TM strategy dimensions and their effects on innovation. Within the proposed conceptual framework in this paper; senior human resources executives could accommodate the dimensions of TM strategy and their effects on innovation capability; add to understand the mediator role of ACAP in this relation.

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