



## Talent management and its outcomes in Saudi Arabia private corporations

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## **Title**

# **The Impact of Talent Management to Achieve Sustainable Competitive Advantage in Saudi Arabia private organisations**

## **Summary**

This paper describes proposed research into understanding of the terms “talent” and “talent management” and their application to human capital management in Saudi Arabian oil and gas corporations, which faces two different, opposing challenges. One is the need for talent to manage firms in the competitive world oil and gas market, where new discoveries and evolution of extraction technology have increased supply, while environmental pressures are leading to reduced oil and gas demand. The other is the Saudi government’s Saudization policy - replacing foreign nationals by Saudi nationals, particularly in managerial positions. These pressures create the need for improved talent attraction, development and retention, but efforts to improve these are affected by employee attitudes (commitment, satisfaction, engagement and motivation) and performance (high quality and sustainable competitive advantage). The research model is based on human capital management theories of competitive performance – the resource-based, knowledge-based and dynamic-capabilities views. The research will start with qualitative research (HR manager interviews), followed by quantitative data collection from employees by questionnaire. The results will include analysis of talent management practices, identification of challenges, and assessment of talent management impact on staff and on firm performance. Implications for improved talent management will be suggested.

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### **Problem statement**

Human capital is a key organisational resource, especially in the Saudi Arabia oil industry, where a very competitive world oil market requires companies to improve effectiveness and efficiency. This demands improved performance from employees, which would be supported by identification and optimisation of employee talent and potential. Another factor contributing to the demand for improved talent management (TM) is the Saudi Arabia government's policy of Saudization, requiring replacement of foreign by Saudi nationals. This demands effective management of talent attraction, development and retention, the subject of this research. However, TM efforts may affect and be affected by employee attitudes (commitment and satisfaction, engagement and motivation) and performance (high quality, sustainable competitive advantage), in ways that are not well understood. This research aims to explore the impact of talent management and its outcome on attitudes aspects and organisational performance. It also investigates the relationship between employees' attitudes and the organisational performance.

### **Rationale for the study**

The Saudi government has given high priority to developing skilled Saudi employees, to raise productivity and cut dependence on foreign expertise, but the concept and practices of TM are poorly understood and applied in Saudi Arabia corporations, so a study on TM in Saudi Arabia is timely. Empirical studies on this topic in Saudi Arabia are scarce, with little research into how the concept of 'talent' is applied in Saudi corporations that face a shortage of skilled manpower. Previous studies on TM, for example Baum (2008), Hughes and Rog (2008), Nzonzo and Chipfuva (2013) Mathew(2015) and Latukha (2018), focused on the hotel and banking industry, not the oil and gas industry, and the studies were not in Saudi Arabia. This study will fill this gap, focusing on whether the TM concept is relevant and exists at all in the research context, if so how it is defined and implemented and how the concept might need to be adapted to the Saudi context.

### **Objectives**

The overall objective of the study is to investigate the understanding and application of TM in the Saudi oil and gas industry, exploring its outputs for employees (commitment, satisfaction, engagement and motivation) and organisational performance (high quality and sustainable competitive advantage). The specific objectives of the study are as follows:

1. To critically investigate how the concept of talent applies in the Saudi oil and gas industry
2. To evaluate critically how Saudi oil and gas corporations identify criteria to manage talent

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3. To devise and apply a conceptual framework relating to the definition of talent and TM and the practice of TM in Saudi oil and gas corporations.
4. To identify TM challenges of Saudi oil and gas corporations
5. To examine the impact of TM on TM outputs in terms of attitudinal aspects
6. To examine the impact of TM on organisational aspects

The research questions are as follows:

1. How is TM defined in oil and gas corporations?
2. What criteria are applied in oil and gas corporations to identify talent among employees?
3. How are the concepts of talent and TM conceptualised and applied in Saudi oil and gas corporations?
4. What TM challenges are faced by Saudi oil and gas corporations?
5. What is the impact of TM on TM outputs in terms of attitudinal aspects?
6. What is the impact of TM on Saudi oil and gas organisations?

### **Defining and managing talent**

There are many definitions of talent. Michaels et al. (2001) define talent as ‘... *the sum of an individual's abilities, their intrinsic gifts, skills, knowledge, experience, intelligence judgment, attitude, character and drive*’. Talent has been defined also as a person’s ability to learn and grow. Michaels et al. (2001) state that talent refers to the best and the brightest 10-20% of a corporation’s employees. Dries (2013) in her discussion of the ‘*war for talent*’, suggested that in the knowledge economy, the traditional sources of competitive advantage are less important than as human talent,, which cannot be easily imitated by competitors, while due to demographic trends, such as the ageing of populations, it is harder to attract and retain talented people. Talent is one of the most important resources for organisations - “*without better talent, most of the other actions (performed by organisations) would not have been successful*” (Lewis and Heckman, 2006, p. 142). However, many organisations face a shortage of talent (Collings and Mellahi, 2009). Tarique and Schuler (2010) suggest that competitive advantage can be attained through the recruitment and management of talent.

A special aspect of the definition of TM in this research will be the distinction between approaches that are inclusive - applying to all employees and positions e.g. Ashton and Morton (2005) - and exclusive (applying only to those employees and positions most likely to affect organisational performance e.g. Tansley et al. (2007).

The table in Appendix 1 summarises definitions of talent management.

### **Underpinning theories**

This study is supported by three theories namely, the resource-based view (RBV) (Barney, 2001), the knowledge based view (KBV) (Grant, 1996) and the dynamic capability view (Teece, *et al* 1997). The RBV suggests that internal organisational resources (both tangible and intangible) are assets that lead to competitive advantage and achievement of organisational performance goals. Talented human capital resource is valuable, imperfectly imitable and non-

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substitutable (Barney, 1991). In the strategic management literature, the RBV framework explains how internal resources (in this study, talented human capital) can create competitive advantage and improve firm performance (Newbert, 2007). Samad (2013) suggested that firms with specific talent human capital talent, such as valuable skills, knowledge and competencies, can improve business performance relative to their competitors.

The RBV provides a foundation for the KBV, which views organisations as knowledge-bearing entities which integrate and apply knowledge (to gain competitive advantage and superior performance (Grant, 1996). This contrasts with the RBV, where any resources, whether intangible or tangible, can create competitive advantage. The KBV emphasises the role of management in facilitating, integrating and coordinating knowledge capabilities within the firm to create competitive advantage (Grant, 1996).

The main sources of competitive advantage and superior performance are heterogeneous knowledge bases and capabilities (Eisenhardt and Santos, 2000). Grant (1996) suggested that the main agents of knowledge creation and knowledge repositories are individuals, but as their learning capacity is limited, knowledge creation demands specialization, while knowledge depth usually narrows breadth. Typically, application of many types of knowledge is needed in business (Eisenhardt & Santos, 2000), suggesting that variety of knowledge may be an important aspect of talent, making knowledge acquisition and maintenance an important aspect of TM. Hung et al.,( 2009) suggest that knowledge supports the ability to interact, reflect, innovate, and engage in a particular activities.Organisations are places or institutions where individuals can integrate their specialised knowledge, skills and talent to produce goods and services and achieve performance (Samad, 2013). Knowledge, skills and competencies are the human capital elements seen as the most strategic resources in KBV theory, in which a firm's success depends on how well it enhances its own knowledge through creating or obtaining new knowledge, integrating its different knowledge areas and applying this knowledge to produce ideas to achieve competitive advantage and superior performance (Kessler, 2003). Since KBV theory emphasises the important of knowledge and the characteristics of knowledge that need to be acquired by individuals in organisations, TM should prioritise managing human capital.

Eisenhardt & Martin, (2000) argue that RBV and KBV theories do not adequately explain how and why certain organisations gain competitive advantage through their resources (in this context human capital talent) in a dynamic, fast-moving environment. This is because competitive advantage and disadvantage may change, so the evolution over time of resources and capabilities must be considered, but this is not adequately explained in RBV and KBV theory (Helfat, 2003). This suggests that to gain competitive advantage in dynamic markets, organisations must change and reinvent their capabilities, e.g. to invent new products and processes or ideas in the organisation. Teece, (2007) proposed the dynamic capability view (DCV) theory to address the role of the capability (in this context human capital) to build, integrate and reconfigure resources (such as human capital and talent), in order to succeed in a highly unpredictable environment and achieve high performance.

The DCV theory defines dynamic capabilities as “the company’s ability to integrate, build, and reconfigure internal and external competencies (from human capital talent) to address rapidly changing environments” (Teece *et al.*, 1997). Dynamic capabilities have been referred to as

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*“the firm’s processes that use resources – specifically the processes to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die”* (Eisenhardt & Martin, 2000, p. 1107).

This study suggests that in managing talent, the importance of organisational resources as explained in RBV theory should be considered. However, the RBV does not specify which resources are important to gain competitive advantage (in other words, it is up to individual organisations to identify them). This research focuses on the talent of an organisation’s people, using the KBV theory to explain how talent based partly upon knowledge leads to competitive advantage and high performance. The DCV theory suggests that the degree of knowledge and the talent of people in organisations is an important determinant of dynamic capability, corresponding with the idea from DCV theory that for a capability to be dynamic, it must transform the organisation’s knowledge resources (human capital talent) and routines (Cepeda and Vera, 2007). This research therefore focuses on the extent to which TM in Saudi Arabia businesses is consistent with these ideas, closing a research gap.

### **Research methodology**

The researcher is at the time of writing proposing an inductive research approach, using a mixed-method approach, starting with qualitative research involving interviews of HR managers in Saudi Arabia, followed by a quantitative questionnaire to collect data from employees. This approach will be further developed prior to the conference, in particular investigating how the different research objectives might be best achieved by these two data collection approaches. At the time of writing, it is thought that Objectives 1-4 are best achieved through the qualitative approach and 5 and 6 by the quantitative approach.

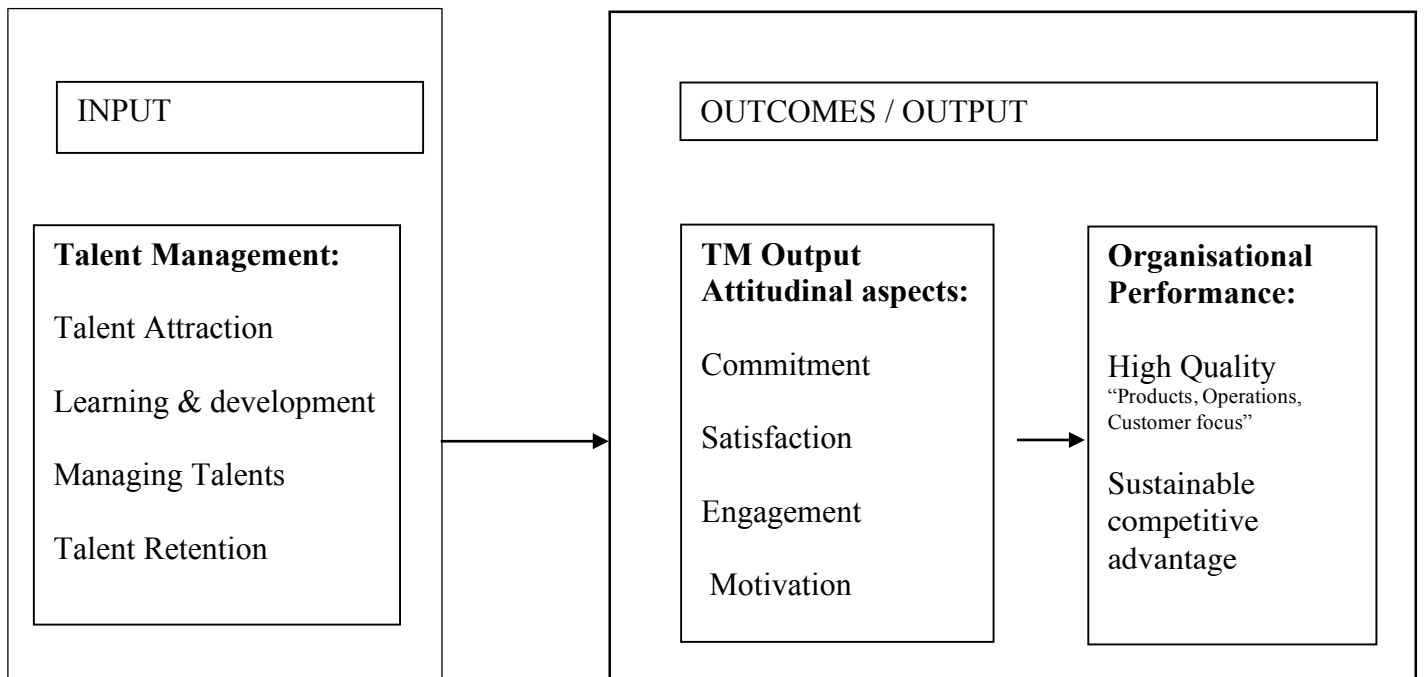
### **Further possible theoretical investigations**

Certain other theories might be considered relevant to this research. Two seem to offer particular scope for delivering insights for the topic under investigation - human capital theory and institutional theory - but were excluded from the present investigation. Including human capital theory might divert the research towards whether individuals develop their intellectual capital before their current employment, whether this is recognised by their current employer and whether the latter gives them help in developing it further. Where institutional theory is concerned, one potentially fruitful angle might be to focus on how far the environment in different organisations supports the idea of TM, and perhaps which approach is favoured (e.g. exclusive or inclusive), but covering this approach would involve extensive effort in characterising the institutional environment of different organisations. However, the researcher considered that while investigation of these aspects might be very fruitful, it would enlarge the scope of this research to beyond what is feasible for doctoral research. However, the research findings are likely to suggest the need to explore the application of the above two theories.

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### Conceptual model

Below is a possible conceptual model. Before the conference, this will be developed and variants considered.



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**Appendix 1: Table of definitions of TM**

Year	Author/Source	Definition	Key Attributes	Benefits/Outcome
1990	Jackson & Schuler	Having the right person in the right job at the right time	Typical HR practices, activities & functions	Competency & effective performance
1994	Rothwell	Organisation's systematic efforts to ensure continuity of personnel & encourage individual advancement	Systematic processes aligned towards career progression	Suitable flow of resources within the organisation
2001	Michaels et al	Sum of a person's abilities	Gifts, skills, intelligence, knowledge	Learning & growth
2004	Pascal	Managing the supply, demand & flow of talent through the human capital engine	Managing talent without restricting oneself to organisational resources	Customised management of talent among top performers
2006	Ulrich	Combination of competence, commitment & contribution	Wholesome development of talent & ability	Competency
2006	CIPD	Systematic attraction of potential & people with value to an organisation	Development, engagement, retention & deployment	Bridging gap in knowledge & developing competency
2007	Stockley	Unconscious & deliberate approach used to attract, develop & retain people to meet the current & future organisational needs.	Recruitment, selection, retention & development of personnel	Development of capacity & talents for high performance of individuals & organisations
2008	Cappelli	Process used by employers to anticipate & meet the needs of human capital	Skills, knowledge, resources	Identification of highly qualified & talented individuals
2009	Collings & Mellahi	Use of activities & processes to identify key positions that give an organisation a competitive advantage	Human resources, capacity development & competitive individuals	Development of a pool of highly talented performers
2011	Tansley	Innate giftedness	Natural ability & aptitudes	Development of innate potential to excel
2012	Wikstrom et al.	Greater mastery of developed abilities & knowledge systematically in the field of human endeavour	TM is a learning process—its dynamic & not static as widely perceived	Gradual & systematic growth of talent
2015	Hughes & Rog	A philosophy & a practice, both an espoused & enacted commitment – shared at highest levels & throughout the organisation by all in managerial & supervisory positions – to implementing an integrated, strategic & technology-enabled approach to HRM, with particular focus on human resource planning	to elevate the practice of HRM, to implementing an integrated, strategic & technology enabled approach to HRM, with a particular focus on human resource planning	Source of competitive advantage & an opportunity to elevate the role of HR practitioners
2016	Acar & Yener	about all activities of human resource management, such as recruitment, selection, hiring, developing, rewarding, etc	TM applications are not just for discovering & educating abilities, they are also for promoting the position to the potential or talented employee.	Create a high-performance, sustainable organisation that meets its strategic & operational goals & objectives

Source: Researcher



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