Research Article
Strategic Significance of Talent Management for Virtual Organizations

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Abstract: The primary objective of this study was to expound the strategic significance of talent management with the help of a review of relevant literature. Virtual organization is one of the most flexible organizational forms that emerged as a direct result of advancements in information and communication technologies. In this form of organization, independent parties collaborate with each other to bring together the best possible human, physical and financial resources for exploiting the available market opportunities. Hence, alongside the procurement of superior physical and financial resources, activities that emphasize on the development of talent related to current and future business needs are imperative to the effective functioning of a virtual organization. In this direction, this research explores how talent management could act as a strategy to secure valuable human resource by advancing mechanisms to bring talent under the umbrella of a single virtual organization and its active utilization. With the help of a review of relevant literature, we have suggested propositions for research on talent management as a strategy to enhance the effectiveness of virtual organizations. We further explain various elements and activities of virtual organizations that could be improved by talent management practices. We have concluded our argument with a discussion on the implications of current research and prospects for future research in this area.

Keywords: Information and communication technologies, strategic significance, talent management, trust, virtual organizations

INTRODUCTION

Environmental dynamism in the contemporary globalized world has prompted radical changes in the structure and primary functions of organizations (Hagel and Singer, 1999). Structural changes comprise: the changes due to advancements in manufacturing as well as Information and Communication Technologies (ICTs); changes in the organizational structure including shifts in control, coordination and reporting relationships etc.; and changes in the functions of organization as a result of the structural changes.

The two most important changes which have been observed in the organizations as a result of environmental dynamism are the changes taking place in human resource strategies and organizational structure (Van-de-Ven and Poole, 1995). Changes in the human resource strategies have been recognized in 1997 by McKinsey consultancy firm as the need for talent management in contemporary organizations (Michaels *et al*., 2001); while changes in the organizational structure have resulted in the emergence of most flexible forms such as virtual organizations (Davidow and Malone, 1992). Both these concepts started developing in the last decade of 20th Century as the organizational solutions for achieving efficiency in an era of intense competition.

In this study we propose that talent management which focuses on the development of talent related to the current and future needs of organizations could act as an important strategy for the success of virtual organizations. Virtual organizational form, as explained in the literature, is a temporary arrangement of internally independent parties that collaborate with each other mainly with the help of ICTs to exploit the emerging market opportunities (Lipnack and Stamps, 1997). Therefore, our proposition is based on the fact that virtual organizations, due to their temporariness and market-based structure require effectiveness in their human resource strategies that could be ensured by successful talent management. In connection with the fundamental proposition of this research, we have developed three propositions that introduce the significance of talent management for virtual organizations. These propositions could be taken up to develop a model of talent management in virtual organizations.

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MATERIALS AND METHODS

This study is based on the exploratory investigation of the concepts of talent management, virtual organizations and the strategic significance of talent management for virtual organizations. A review of evidence from the existing literature has been performed to explain these concepts and their inter-relationship. It would serve as a methodology in this study to provide guidelines to develop and explain various propositions supporting the strategic significance of talent management for virtual organizations.

LITERATURE REVIEW

This section deals with the review of relevant literature on virtual organization and talent management. It further explains the relationship of these concepts on the basis of which propositions have been developed to identify the strategic significance of talent management in virtual organizations.

Virtual organizations: A good deal of research has been conducted upon virtual organizations with respect to their design, typology and influencing factors (Davidow and Malone, 1992; Camarinha-Matos and Afsarmanesh, 2005; Gressgard, 2011). Davidow and Malone (1992), the pioneering researchers on virtual organization, define it as a temporary co-operation of independent firms to exploit an emerging market opportunity that individual firms cannot exploit on their own. Other researchers such as Lipnack and Stamps (1997) and Wang (2000) also expressed similar views about the nature of this contemporary organizational form.

Camarinha-Matos and Afsarmanesh (2005) argue that virtual organizations have emerged in response to the global environmental challenges which, according to Sitek *et al*. (2010), are too strong to be dealt with by an individual organization. Therefore, independent parties group together virtually to establish or maintain their competitive positions in the market (Mukherjee *et al*., 2012). These virtual relationships are mainly supported by ICTs-enabled communication (Lipnack and Stamps, 1997; Powell *et al*., 2004). The use of ICTs is mandatory because independent parties mostly separated by space and time in virtual organizations cannot hold effective communication and information sharing without a support medium. Besides maintaining communication among parties, ICTs are also considered as strategic tools to provide control and value in virtual organizations (DeSanctis and Jackson, 1994; Markides and Anderson, 2006). Effective use of ICTs could bring a significant improvement in performance, especially for a structure where formal control mechanisms are absent or ineffective.

However, it is not only the use of technology which might be sufficient enough to maintain efficiency. Behavioral factors like coordination, trust and social pressures etc., are considered as more important for efficiency and effective functioning of a virtual organization. Explaining the role of coordination, Malone and Crow stone (1994) argue that coordination processes manage the dependencies such as shared resources among members of a virtual organization. Moreover, coordination also strengthens the bond between parties by making their activities more collaborative and reinforcing (Kim, 2000; Montoya-Weiss *et al*., 2001). It could eventually help them in securing sustainable development and competitive advantage for each of the parties (Yasir *et al*., 2011).

Although, establishing coordination among parties is necessary, it cannot be ensured without formal or informal control mechanisms. In the absence of formal control mechanisms in virtual organization, it is trust that serves as a substitute for control and binds the parties together at an optimal level of coordination (Crossman and Le-Kelley, 2004; Harrington and Ruppel, 1999; Mukherjee *et al*., 2012). Handy (1995), who for the first time identified the role of trust in virtual organizations, argues that it is the most important element for virtual organizations but further explains that it should be strengthened by face-to-face meetings of parties alongside ICTs-enabled communication. Face-to-face meetings not only help in maintaining healthier communication but also establish better coordination by enabling the use of social forces (Cai and Kock, 2009; McCain, 2008). The social forces keep the parties together at an optimal level of performance.

Henceforth, it could be argued that ICTs and the behavioral factors like coordination, trust and social forces etc. are necessary conditions for the formation and functioning of a virtual organization. Nevertheless, the nature and extent of these factors could change with the location of parties and the levels of virtuality.

Talent management: Talent management is considered as one of the most significant disciplines that have gained the attention of contemporary strategic and human resource managers (Michaels *et al*., 2001). As explained by Michaels *et al*. (2001), the discussion on talent management started with introduction of the term 'war for talent' by Mckinsey consultancy firm in 1997. But the expression of talent management has actually emerged with the emerging problems of ageing talent workers, increasingly high employee turnover rates and growing need of organizations for talent workers to provide a nimble response to emerging market opportunities (Rowan, 2007). Along these lines, Nilsson and Ellstrom (2012) express that talent includes not only the ability to handle a task but also to

understand the technical requirements and social norms associated with that task.

Talent management is defined by the Chartered Institute of Personnel and Development (2013) as, "the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organization, either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles". This well-known definition of talent management explains the need to ensure the availability of talent for fulfilling the current and future needs of organizations. Several other definitions have been offered by different researchers, highlighting various aspects and significance of managing talent in the organization, see for example Rothwell and Kazanas (2003), Joubert (2007), Collings and Mellahi (2009), Van Dijk (2009) and Siikaniemi (2012).

Rothwell and Kazanas (2003) explain talent management as, "process of changing an organization, stakeholders outside it, groups inside it and people employed by it through planned and unplanned learning so that they possess the competencies needed to help the organization achieve and sustain competitive advantage at present and in the future". This view of talent management presents it as a part of change process linked to the internal as well external stakeholders of the organization. Both Joubert (2007) and Van Dijk (2009) explain talent management as a comprehensive process that includes the important activities of creating, developing, measuring and maintaining talent etc., while; Collings and Mellahi (2009) and Siikaniemi (2012) advocate the value of these activities with an emphasis on their significance for strategic management of talent in the organization.

Notwithstanding the variety of its definitions, the history and character of talent management indicate that it emerged as a strategy to collect talented personnel in the wake of globalization and changing workforce structure. Therefore, almost all the researchers agree on the creation/attraction, development, measuring, maintaining and retaining of talent as significant factors for an effective talent management strategy in the organization.

Talent management in virtual organizations: Talent in the human resource signifies exceptional ability, knowledge and genius to perform or to transform the organizational activities according to the demands of market. Although, the management of talent is extremely important for effective functioning of an organization, talent management has only recently been recognized as a separate discipline for research and practice (Michaels *et al.*, 2001). However, the Human Resource Management literature is still in need of a pragmatic explanation apt to the contemporary structures such as virtual organizations. Therefore, in

this research, we have not only attempted to explain the link between talent management and virtual organization with the help of relevant literature but also suggested propositions for further research based on our fundamental proposition that talent management is significant for the effectiveness of virtual organizations. The relationship of talent management with virtual organizations and the suggested propositions to frame the future research are discussed as the following:

Firstly, the researchers such as Rowan (2007) explain that need for talent management emerged due to globalization and the resultant market challenges which made existing employee capabilities outdated or lesser effective to meet competition. This argument is an extension of McKinsey's notion of the 'War for Talent' that presents talent as a determinant of performance and competitiveness in the 21st Century organizations (Michaels *et al.*, 2001). Virtual organization is one such organizational type believed to have emerged as a result of globalization and the need for improved efficiency to survive in highly competitive environment (Davidow and Malone, 1992). It produces efficiency and effectiveness in its operations by bringing together the best possible human and non-human resources of independent organizations which individually are not strong enough to face the global competition (Sitek *et al.*, 2010; Mukherjee *et al.*, 2012). For these organizations, talent management could be an important strategy leading to improved efficiency of each of the individual parties and their virtual combination. A proposition explaining this relationship could be presented as the following:

Proposition 1: Talent management would help in increasing the efficiency, innovativeness and market competitiveness of virtual organization.

The first proposition developed as a result of our research is related to the general impact of talent management on the overall effectiveness of an organization. This proposition is grounded in the facts that both virtual organization and talent management emerged as a result of external environmental influences upon organizations which called for greater efficiency of human, physical and financial resources etc.; and that talent management is the most efficient strategy available for providing a market competitive workforce for any organization.

Secondly, talent management deals with the acquisition of best available employees and then developing them to meet the current and future needs of organization (Chartered Institute of Personnel and Development, 2013). This characteristic of talent management ensures that the employees are well-equipped with the skills required to perform a certain job. It also includes the skills related with the use of Information and Communication Technologies (ICTs) which according to Lipnack and Stamps (1997) are mainly associated with the existence of virtual

organizations. Moreover, talent management can also help in the development of skills related to media usage and those associated with maintaining social relationships in a virtual setting. A talent-managed virtual organization having its workforce trained in the use of ICTs for establishing professional and social relationship could also enjoy the benefits of better coordination among parties. Coordination continues to increase with an effective use of inter-personal skills and communication (Duarte and Snyder, 2001). Hence, our second proposition put forward to frame the future research states:

Proposition 2: Talent management would make it possible to gain maximum advantage of ICTs and would also ensure better coordination among parties in a virtual organization.

Thirdly, management of talent within the individual organizations as well as in their virtual alliance would help in building trust among all the parties. Trust in a talent managed virtual organization would be based on two major grounds. Firstly, swift trust would develop among all the parties, originating with the commencement of virtual relationship (Meyerson *et al*., 1996; Jarvenpaa *et al*., 1998); due to the satisfaction that the other parties would employ talented workforce for effectively completing their part of the joint activity. Secondly, trust among parties would further develop due to the effective communication and coordination of talented workforce. Therefore, our third proposition for studying the relationship between talent management and virtual organizations may be expressed as follows:

Proposition 3: Talent management would help in establishing trust among parties in a virtual organization.

Once established, trust among parties itself would drive efficient communication and coordination among parties (McCain, 2008); that would further increase the effectiveness of talent management.

RESULTS AND DISCUSSION

In the above sections the definitive features of virtual organization and talent management have been presented with the help of relevant literature. We have also put forward three propositions for future research on strategic significance of talent management in virtual organizations.

An insight into the relevant literature explains that in temporary collaborations of firms such as virtual organizations, talent management could help the parties in gaining competence to achieve their desired results. For these collaborations it is insignificant and sometimes damaging to gather an army of semi-skilled or unskilled workers. The highly competitive environment of present times demand that virtual organizations employ a more carefully selected, efficient and skilled workforce for achieving superior performance in cost effective ways. Therefore, in order to save cost, gain optimal performance and achieve competitive advantage, organizations should discover the best talent available in the market and ensure its availability for their virtual groupings.

Furthermore, it is only with a skillful talent collection that ICTs would replace face-to-face communication and formal organizational controls. Mainly because workers in a talent managed virtual organization are competent enough to manage their activities hence, would need minimal administrative controls and supervision. Coordination among parties in a talent managed virtual organization would also improve because of the skills of employees to effectively manage the dependencies among inter and intra organizational activities. Moreover, talent management would lead to the development of trust among parties in the competencies the others possess which would further improve their collaboration for the accomplishment of joint objectives. Finally, the flexibility, dynamism and market-oriented structure of virtual organization demands new skills, knowledge and behavior that could only be delivered by effective talent management.

CONCLUSION

A review of literature suggests that the concept of talent management, although the focus of contemporary researchers, has not been studied in association with virtual organizations. This research is unique in its character because it provides theoretical foundations for the significance of talent management strategy in the effective functioning of virtual organizations. The discussion puts forward three propositions concerning the role of talent management in enhancing the effectiveness of virtual organizations. Firstly, we propose that talent management could improve the efficiency, innovativeness and market competitiveness of virtual organization. Secondly, this research proposes that talent management could enhance the performance of ICTs and improve coordination in virtual organization. Our third research proposition maintains that talent management could strengthen the relationship of trust among parties in a virtual organization.

Based on the propositions proclaimed in this research, future investigations into the role of talent management in virtual organizations could be framed. Empirical studies on the nature and impact of talent management in virtual organizations as well as other contemporary organizational structures are also recommended for future research.

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