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**Doctoral Thesis**

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**THE VALUE OF TALENT MANAGEMENT: RETHINKING PRACTICE, PROBLEMS AND POSSIBILITIES**

**PhD Series 34-2015**

**Sanne K. Hjordrup**

# **THE VALUE OF TALENT MANAGEMENT**

**RETHINKING PRACTICE, PROBLEMS AND POSSIBILITIES**

PhD School in Organisation and Management Studies

**PhD Series 34.2015**

**CBS**  **COPENHAGEN BUSINESS SCHOOL**  
HANDELSHØJSKOLEN

# **The Value of Talent Management**

*Rethinking practice, problems and possibilities*

**Sanne K. Hjordrup**

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## Acknowledgements

It is not uncommon to think about the PhD as a journey. A journey which is often described as a tough - yet very exiting one. For me it has been no different. Truth is however, while it definitely has been exiting, in reality my PhD process might be better described as a pilgrim's progress involving staged posts of hope, loss, fear, doubt and achievement.

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## **Summary**

This industrial PhD is about talent management. More specifically, it is about how the customer relationship becomes a source of value and value creation for the company through the practice of talent management, a key strategic HR initiative. Talent management is a costly activity in terms of both time and money. Nevertheless, talent management is an HR practice that is virtually taken for granted in any company of a certain size. This is the case because it is assumed to be a value-adding initiative and believed to be a key strategic HR initiative, in particular for large global organisations, to remain competitive. This dissertation suggests that talent management practices are not necessarily as value-adding as is the long-standing assumption, and thus challenges prevailing notions of what constitutes valuable talent management. It argues the need to rethink the practice of talent management to ensure that it adds a level of value that justifies the amount of attention and resources spent on it. The dissertation examines what the implications are for talent management when a company introduces a customer focus as a way of competing in the market. In order to examine this, the dissertation brings the concept of value into the discussion of talent management and thus invites new ways of connecting the various dots of talent management – both within the HR function and in the interaction between HR, the business and the customers. Value is a complex concept, and in the management literature (including the literature on talent management), the concept is often addressed in a narrow economic sense based on an industrial logic. The strategic management literature has increasingly focused on value in a relational sense, which alters ways of doing successful business. The dissertation argues that when a company perceives customer relations as a potential source of competitive advantages, this has implications for notions of value and value creation in the organisation, including the practice of talent management. This requires a relational perspective on value and value creation, which implies that value becomes both more difficult to control and more complex and embedded in a system of multiple, mutually dependent factors.

Much of the talent management literature reflects value concepts that emerged during the industrial revolution, where the focus mainly was on internal production rather than on delivery to the customer. This means that talent management has focused mainly on individuals as a resource to be optimised within the boundaries of the company, on process optimisation and on maximising productivity by means of control. The literature has only devoted limited attention to the company's

environment and on how to create value for the customers. The talent management literature has largely been customer-free, and anything related to the customers has been seen as the domain of sales, marketing and the business. The talent literature has undergone a development since the American consultancy firm McKinsey declared talent management as essential for companies and placed it high on the corporate agenda. The trend in the talent literature has gone from a view of talent management as exclusively related to ‘managing’ and controlling individuals and performing ‘pipeline management’ via specific HR practices to a much greater emphasis on talent management as a strategic enabler, which can create a competitive advantages via variables in both the internal and the external context. In extension of this perspective, the ‘outside-in’ perspective is introduced, which makes the customer a key consideration in HR efforts, including talent management. Talent management is influenced by its historical roots in the industrial revolution, and the needs and mindsets that existed at the time. Since then, society has undergone major changes, which have affected both the conditions that companies operate under and the types of companies dominate the global scene. Nevertheless, talent management is still widely shaped by the assumptions that prevailed in the past, where people considered resources similar to other resources, the focus is internal, and efficiency is pursued via control and optimisation. It is therefore necessary to rethink talent management reflecting contemporary needs and conditions in today’s dynamic, knowledge-intensive and interconnected world.

The dissertation explores talent management as an empirical and practical problem as it unfolds in the context of Damco, a professional service provider undergoing a series of organisational changes, with the shift to a customer focus as one of the key factors in this transformation. The research underlying the dissertation was carried out with research conditions similar to action research, where the researcher deliberately becomes part of the organisation. The talent initiatives that make up the cases in the empirical analysis represent a variety of focus areas in the talent efforts, each providing an opportunity to study implications of a customer focus. The study is based on the researcher’s experiences from the organisation, documents from the organisation and a number of interviews and observations. The empirical analysis addresses how a number of internal and external stakeholders perceive and experience talent management initiatives and processes and the organisational challenges facing the company at the time. The dissertation strives to include the customer perspective as much as possible in order to shed light on new aspects of



talent management and deliberately places less of an emphasis on the internal company perspective, since that has been more widely studied and described by others. In a critical and constructive approach, the dissertation examines how talent management creates value and subsequently proposes a new conceptual framework for understanding and working with talent.

The empirical analysis unfolds over four chapters. The first of the empirical chapters addresses the business context within which talent management is assumed to be a value-adding activity. This chapter demonstrates that both Damco and Damco's customers perceive a change in the environment and in ways of doing business. This change necessitates development and new methods, including a new perception of what constitutes value and how value is created. The three following empirical chapters address the impact of these changes in how talent management is a value-adding initiative. Each of these three chapters addresses one aspect of the understanding of the value of talent management: what talent management can drive; where it can create value; and how it can be practiced in a way that creates value. Overall, the empirical analysis paints an interesting picture, demonstrating that the company's internal understanding of what is valuable stands in contrast to the external notion of what is valuable. Thus, the customer perspective challenges the widespread view of talent management as a valuable initiative. Internally, for example, talent management is seen as valuable because it gives the leaders more control over and knowledge about the staff, which is also seen as useful in discussions with other leaders, and which potentially makes it possible to reduce leadtime to fill vacancies. Externally, from the customer perspective, talent management is perceived to be about something entirely different. The customers find it valuable in part because it serves as a mechanism that promotes mutual learning, builds relationships and helps generate an understanding of what matters most to the customer.

Overall, the dissertation exemplifies and conceptualises a new understanding of talent management as well as a new way of practicing talent management. The dissertation argues the need for HR to take a more proactive approach to talent management. For talent management to create the value justifying the resources that are allocated to this practice, the field needs to move away from underlying assumptions of value and value creation similar to a production-oriented logic that

still prevail today. The dissertation offers a guiding framework for a more proactive approach and for a move away from outdated assumptions about value, management and market dynamics. This framework suggests three shifts within talent management: First, the focus needs to shift from individuals to organisations, rethinking what talent management is and what it can drive (i.e. rethinking the ‘what’). Second, the focus needs to shift from internal value creation to value creation in a broader sense, including value creation for the customer (i.e., rethinking the ‘where’). Third, the focus needs to shift from achieving control towards a greater emphasis on connecting relevant stakeholders, processes, problems etc. across organisations and professions (i.e., rethinking the ‘how’). With these recommendations, the project aims both to contribute new knowledge to the academic field of talent management by including the value perspective in the talent discussion and by inviting the customer into the project in the form of the empirical data. Hopefully the project give talent management practitioners occasion to reflect on their own practice and, hopefully, to inspire changes in talent management practices.

## **Resume (Danish Summary)**

Denne afhandling sætter fokus på talent management. Mere specifikt handler den om, hvordan talent management kan være et værdiskabende HR initiativ ved inddragelse af en kunderelation. Talent management er en bekostelig affære, både i form af tid og penge. På trods af dette er talent management en HR praksis, der nærmest er selvskrevet i enhver virksomhed af en vis størrelse. Nærværende afhandling argumenterer for, at talent management ikke nødvendigvis er så værdiskabende, som den gængse antagelse har været, og den udfordrer dermed de eksisterende forståelser omkring værdifuld talent management. Den argumenterer for, at det er nødvendigt at gentænke talent management som praksis, for at det skaber den værdi, der retfærdiggør den opmærksomhed og de ressourcer, der bliver investeret i den. Mere specifikt undersøger afhandlingen implikationerne for talent management af, at en virksomhed introducerer et kundefokus som en måde at konkurrere på. For at undersøge dette inddrager afhandlingen værdibegrebet i talent management-diskussionen og åbner dermed op for nye måder at koble de forskellige parametre indenfor talent management på – både i selve HR funktionen og i samspillet mellem HR, forretning og kunder. Værdi er et komplekst begreb, og i management-litteraturen (inklusive talent-litteraturen) forstås begrebet ofte i smal økonomisk betydning og er præget af en industriel logik. Den strategiske ledelseslitteratur har i stigende grad fokuseret på værdi i relationel forstand, hvilket har implikationer både internt og eksternt. Afhandlingen argumenterer for, at når en virksomhed betragter kunderelationer som en mulig kilde til en konkurrencemæssig fordel, har dette implikationer for, hvordan værdi og værdiskabelse afspejles internt i organisationen, også i talent management. Det betyder, at værdi i langt højere grad skal betragtes i en relationel forstand, der dels er sværere at kontrollere, dels mere kompleks og indlejret i et system af gensidigt afhængige faktorer.

Talent management-litteraturen er i stort omfang præget af de værdiforståelser, der gjorde sig gældende under den industrielle revolution, hvor fokus var på den interne produktion fremfor på kunden. Det betyder, at talent management i høj grad har været fokuseret på individet som en ressource, der skal optimeres indenfor virksomhedens definerede rammer, på procesoptimering og på øget produktivitet via kontrol. Litteraturen har kun i begrænset omfang forholdt sig til virksomhedens omgivelser og til, hvordan man kan skabe værdi for virksomhedens kunder. I talent management-litteraturen har kunderne stort set

været fraværende, og alt, hvad der har med kunder at gøre, har været overladt til forretningen, salg og marketing. Talent-litteraturen har gennemgået en udvikling, siden det amerikanske konsulenthus McKinsey erklærede talent management som essentielt for virksomheder og placerede talent management højt på virksomheders dagsorden. Bevægelsen indenfor talent litteraturen er gået fra, at talent management har været et spørgsmål om udelukkende at 'styre' individer og lave 'pipeline management' via enkeltstående HR-praksisser hen mod i højere grad at lægge vægt på, at talent management skal understøtte en virksomhedsstrategi via en række variable i både den interne og den eksterne kontekst og dermed være med til at give virksomheden en konkurrencemæssig fordel. I forlængelse af dette perspektiv introduceres et 'udefra ind'-perspektiv, som grundlæggende handler om, at kunden bliver essentiel i HR-arbejdet, som blandt andet talent management. Talent management er influeret af sin historie, hvor HR-praksis afspejlede den industrielle tid og de behov og logikker, der eksisterende dengang. Efterfølgende er der sket store forandringer i det omgivende samfund, både for de præmisser, virksomhederne opererer under, og for den type af virksomheder, der dominerer den globale scene. Dog er talent management i stort omfang stadig præget af de antagelser, der var gældende under industrialiseringen: mennesker som ressourcer, internt fokus, effektivitet via kontrol og optimering. Derfor er det nødvendigt at gentænke talent management, så det afspejler nutidens behov i en dynamisk, vidensintensiv og gensidigt forbundet verden.

Afhandlingen stiller skarpt på talent management som et empirisk og praktisk problem, der udfolder sig i konteksten af Damco, en servicevirksomhed, der gennemgår en række organisatoriske forandringer, og hvor et kundefokus er et af omdrejningspunkterne i denne forandring. Forskningen, der ligger til grund for denne afhandling, foregår som en afart af aktionsforskning, hvor forskeren som et bevidst valg indgår i organisationen. De talent-initiativer, der udgør afhandlingens cases i den empiriske analyse, repræsenterer forskellige fokusområder indenfor talent arbejdet og giver hver især mulighed for at belyse nogle implikationer af et kundefokus. Studiet indeholder både ophold i organisationen, dokumenter fra organisationen samt en række interviews og observationer. Afhandlingens empiriske analyse tager udgangspunkt i, hvordan en række interne og eksterne interessenter forholder sig til og oplever talent management-initiativer og -processer samt den organisatoriske udfordring, som virksomheden p.t. står overfor. Afhandlingen har i videst muligt omfang søgt at inkludere kunders perspektiv for at kunne belyse nye sider af talent management og har bevidst lagt

mindre vægt på at belyse det interne virksomhedsperspektiv, da det netop er dette, der ofte er undersøgt og beskrevet. Afhandlingen undersøger med et kritisk og konstruktivt blik, hvordan talent management skaber værdi for efterfølgende at foreslå en nyt konceptuel ramme at tænke og arbejde med talent indenfor.

Afhandlingens empiriske analyse udfolder sig over fire kapitler. Det første kapitel handler om den forretningsmæssige kontekst, hvor talent management antages at være en værdiskabende aktivitet. Dette kapitel viser, at både hos Damco og dennes kunder er der en oplevelse af forandringer i omgivelserne og i måden at gøre forretning på. En forandring som gør, at der er behov for udvikling og nye metoder og forståelser, hvilket også indebærer en ny forståelse af, hvad der værdifuldt, og hvordan værdi skabes. De efterfølgende tre empiriske kapitler handler om, hvordan denne forandring påvirker den måde, talent management skaber værdi på. Hvert af de tre kapitler behandler et aspekt i forhold til at forstå værdien af talent management. Kapitlerne fokuserer henholdsvis på, hvad talent management kan drive, hvorhenne det kan skabe værdi, og hvordan man kan praktisere det for at skabe værdi. Samlet set tegner den empiriske analyse et interessant billede, nemlig at virksomhedens interne opfattelse af, hvad der er værdifuldt, står i skarp kontrast til det eksterne billede af, hvad der er værdifuldt. Dermed udfordrer kundeperspektivet den gængse antagelse af talent management som et værdifuldt initiativ. Internt betragtes talent management for eksempel som værdifuldt, fordi man som chef har bedre kontrol med og mere viden om sine medarbejdere, også i diskussioner med andre chefer, og fordi man potentielt kan få besat ledige stillinger hurtigere. Eksternt, set fra kundernes perspektiv, handler talent management om noget helt andet. Kunderne oplever talent management som værdifuldt, idet det blandt andet fungerer som en mekanisme, der fremmer gensidig læring og bygger relationer, og som kan være med til at generere en forståelse af, hvad der er vigtigt for kunden.

Som helhed eksemplificerer og konceptualiserer afhandlingen en ny måde at forstå og praktisere talent management på. Afhandlingen argumenterer for, at der et behov for en langt mere proaktiv tilgang til talent management fra HR's side. For at talent management kan skabe den værdi, der retfærdiggør de ressourcer, der bruges på denne praksis, er der behov for, at feltet bevæger sig væk fra de grundlæggende antagelser omkring værdi og værdiskabelse, der har rødder i

industrialiseringen. Afhandlingen tilbyder en ramme, der kan guide i forhold til både at være mere proaktiv og bevæge sig væk fra forældede antagelser om værdi, ledelse og markedsdynamikker. Denne ramme fokuserer på, at tre bevægelser må finde sted. For det første må fokus flyttes fra individer til organisationer; det skal gentænkes, hvad talent management er og kan drive (dvs. at 'hvad' må gentænkes). For det andet må fokus flyttes fra intern værdiskabelse til værdiskabelse i bredere forstand, fx hos virksomhedens kunder (dvs. at 'hvorhenne' må gentænkes). For det tredje må fokus flyttes fra at opnå kontrol og objektivitet til i højere grad at forbinde relevante interessenter, processer, problemer, etc. på tværs af organisationer og fagområder (dvs. at 'hvordan' skal gentænkes). Med dette sigter projektet dels mod at tilføre det akademiske talent management-felt ny viden ved at inddrage værdiperspektivet i talentdiskussionen og ved at invitere kunden ind i projektet i form af afhandlingens empiriske data. Dels sigter det mod at give talent management-praktikere anledning til at reflektere over egen praksis. Forhåbentlig vil det også give anledning til ændringer i talent management-praksis

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# 1 Introduction

*'Commercial is too important to be left only to commercial'*  
(Appendix A, Intranet 8)

These were the words of Niels Smedegaard Andersen, the CEO of the A.P. Moller-Maersk (APMM) Group, spoken at the end of an executive Group seminar in mid 2012. Executives from five different business units in the APMM Group, including executives from the logistics company Damco, participated in the seminar and discussed the benefits of customer centricity, and how it needs to be anchored not only in the commercial function, but throughout the organisation (Appendix A, Intranet 8).

This industrial PhD is about talent management (see Chapter 1.2 for elaboration on the industrial PhD setup). More specifically, it is about how the customer relationship becomes a source of value and value creation for the company through the practice of talent management, a key strategic HR initiative. The project sets out to explore the value of talent management as an empirical and practical problem in the context of Damco, a global logistics provider that has introduced a customer focus as a way of competing in the market. Since late 2008, Damco has been on a journey of change, where the customer focus has been one of the key drivers in the company's efforts to remain competitive. Consequently, the HR function has gradually invited the customer into HR and talent management processes. Processes that were formerly purely internally focused and controlled. Including the customer into the work of HR impacts both process and outcome, and new problems as well as possibilities for creating business value emerge.

Like Damco, many other organisations across various industries have focused on remaining competitive and creating a competitive advantage by being more customer-focused in recent years (Gulatti, 2010). Corporations have evaluated, rethought, digitalised and downsized, often motivated by a changing business environment and with the goal of ensuring that the business remains competitive (Gulati, 2009; Pine & Gilmore, 2011). Being customer-centric potentially impacts the way of doing business moving from an inside out thinking to an outside in thinking (Gulati, 2009; Ulrich, 2013). Being customer-centric requires that the

company sees the world through the eyes of the customer and that it partners with customers when solving problems.(Gulati, 2009). The emphasis on being customer-focused is growing, expressed partly in conversations with customers moving from focusing on product specification and price (moving from inside out to outside in) and partly in the way that companies see themselves as solving problems *with* and *for* a customer instead of selling *to* a customer (Gulati, 2009). Theoretically, customer-centricity is a way of business and a way of working for the entire organisation (Gulati, 2009).

Few organisations are truly customer-centric, but in many businesses there is an increased awareness of the need to be customer-centric. CEOs and leadership teams around the globe discuss customer centricity, and the customer focus is articulated in a variety of ways, both internally and externally. Numerous discussions and initiatives have begun, with some companies being further along than others (Gulati, 2009; Pine & Gilmore, 2011). The transition towards becoming customer-focused implies that ideas, approaches and practices that determined success in the industrial economy have to be rethought and reframed in an interconnected, globalised economy, where human capital and expertise are as critical as other economic resources. This means that if a business aims at being customer-focused as a way of competing in the marketplace it influences the entire business and the way it operates. The work of every function are expectedly to be impacted, not just sales and marketing but also the daily operation and support functions of, e.g., IT, finance and, not least, the HR function. The full implications of the customer focus for an organisation are still undetermined, particularly outside the commercial function.

In the HR function, it is unclear how a customer focus impacts the work of HR (Appendix A, HR leader 2; field notes, 2012, informal discussions with HR professionals) but it has been suggested that linking HR activities to the outside of the company is the way forward for the HR profession (Ulrich, 2013). This is the focus of this project. The project zooms in on the practice of talent management because first, talent management is an HR practice, which is considered a key strategic HR initiative and of strategic importance to the company. Therefore, it will expectedly also be impacted by change in economic conditions and strategic priorities. Second, talent management acts as an umbrella term for a number of HR initiatives, and therefore it allows for a broad exploration, beyond a single HR practice, of how the customer impacts the work of HR. Third, talent management

as HR practice receives a significant amount of resources (time and money), which makes it even more relevant to explore if it actually creates the value that it is expected to create.

Talent management was placed high on the corporate agenda in the late 90s by McKinsey, who described a ‘war for talent’ (Michaels, Handfield-Jones, & Axelrod, 2001), referring to an increasingly competitive landscape for recruiting and retaining talented executives. Since then, it has been repeatedly concluded that talent management lacks clarity in definition, scope and overall purpose (Collings & Mellahi, 2009; Lewis & Heckman, 2006; Thunnissen, Boselie, & Fruytier, 2013a). Despite the lack of clarity, many companies have invested heavily in talent management initiatives during the last decade, but most have not reaped the expected benefits, and few talent gaps have been closed (Chambers et al., 1998; Warren, 2008; Smallwood & Ulrich, 2003). Critics (Capelli, 2008) claim that the current failure of talent management stems from an old-fashioned and exaggerated focus on ‘people inventory’ and a consequent neglect of the business conditions of organisational change and economic complexity.

Many corporations experience change under new economic conditions and seek to adjust to these conditions by different measures, including increased attention on being customer-focused. Damco, a global leader in forwarding and supply chain solutions, and part of the Danish based conglomerate A.P. Moller-Maersk, is an example of such a company.

### **1.1 The case of Damco – competing through a customer focus**

Damco has set out on a change journey in order to remain competitive and to realise an ambitious growth strategy in a very difficult market. On this journey, customer centricity is an important pillar. Customer centricity as a key differentiator was framed and promoted by the Damco Global Leadership team (GLT) together with a re-launch of the Damco brand in 2009. The GLT identified customer centricity as holding a growth potential by enabling a shift from the more traditional (in the logistics business) cost orientation to a focus on the customer by strengthening the relationship with strategically important customers and expanding the strategic customer base. Customer centricity was defined as an important part of the brand attribute ‘passion for customers’, and Damco is aiming to place the customer in the centre of every aspect of the organisation (Appendix A, Newsletter 10). A Damco business leader elaborates on the Damco context for

the Group CEO's statement '*Commercial is too important to be left to commercial*' (Appendix A, Intranet 8):

*'Focusing on the customer and solution selling are not new ideas in business. Neither is it the first time these ideas have been talked about in Damco. This seminar looked at how we can make the move from just selling products and services to an increased focus on the customer. And then how to involve the entire organisation in this change.'* (Appendix A, Newsletter 10).

Customer centricity – the relationship with the customer – serves, as a differentiator in a highly commoditised market, where cost leadership is the typical strategy. Creating strong relations with the customer confers a competitive advantage and is a way for the company to increase revenue. The customer focus impacts the entire organisation, also outside the commercial function.

As we saw above, the customer focus is not an isolated phenomenon in Damco as a business unit; the customer focus is also reflected in the APM Group. Damco is part of the APM Group, which is a Danish-based worldwide conglomerate with close to 100,000 employees and offices in more than 130 countries. The Group operates within a number of different business areas and is a conglomerate of business units engaged in a wide range of activities. These include energy, shipbuilding, retail and manufacturing industries and container shipping. Damco is one of the business units in the Group and one of the world's largest providers of freight forwarding and supply chain management. The parent company of the Group, A.P. Moller-Maersk A/S, is a company with both global reach and presence, and it is registered as a Fortune 200 company. The Group is headed by Mr. Nils S. Andersen who took over as CEO in 2007 (<http://www.maersk.com>). Since 2007, many changes have taken place across the Group. The changes have been further fuelled by the fact that the Group, like most other global companies, has struggled since 2008 due to the financial recession. The Group has initiated numerous changes to remain competitive in the market and provide return on investments to investors. The entire Group has been, and partly still is, going through a full-blown corporate turnaround – both in its ways of doing business and in its ways of 'working the people' to create valuable links between people development and improved business performance. The individual business units act as independent businesses, but they all have strong ties to the Group, and the

business units are impacted by Group priorities and investments. The same applies to Damco, which operates as an independent business but is impacted by the complexity of factors and mechanisms taking place in the APMM Group.

Damco is a professional service provider with very limited assets, except for a few warehouses, and therefore an example of a company with people as its main/only assets and thus a critical factor. As a service provider, Damco offers products within ocean freight, airfreight, value added services, supply chain solutions, warehousing and distribution as well as supply chain development. Damco has a global presence and a staff of around 10,000. The company has a strong presence in emerging markets, with approximately 40% of the company revenue generated in Asia, Africa, Latin America and South Asia, and it is unique among the big players in the logistics industry, as more than half Damco operations and people are located in emerging markets. The headquarters is in Copenhagen, Denmark, and the organisation is divided into eight regions. A regional CEO heads each region up. Damco is led by the Global Leadership Team (GLT), which consist of the eight regional heads, the global functional heads, and the Damco CEO (for more details, see the fact box below).

The company offers supply chain solutions primarily to large multinational customers as well as freight forwarding solutions primarily to smaller local producers. Damco customers include many of the world's biggest companies, and Damco serves a wide range of customer segments within retail (e.g. Walmart and Starbucks), technology (e.g. Samsung and IBM), perishables (e.g. San Miguel), chemicals (Shell and Chevron) and lifestyle products (e.g. Nike and H&M). Damco has one of the lowest churn rates in the industry, as many of the customers stay with Damco for many years.

## Fact Box 1 - Damco

### Damco

#### Ownership

- Part of the A.P. Moller – Maersk Group, and managed by the legal entity Damco International

#### Services

- Damco offers global logistics services, including:
- International freight forwarding services, which include ocean and air freight, trucking, documentation and project cargo
- Supply chain management solutions
- Reefer logistics
- Warehousing and distribution
- Supply chain consultancy services

#### Offices and employees

- 10.000+ employees globally
- Represented in 350+ locations
- You will find Damco offices in 90+ countries
- Corporate head office is located in Copenhagen, Denmark

#### The Damco customer

- More than 10.000 customers globally
- Ranging from large multinational companies to small independent importers/exporters and local growers
- Typical customer industries include: defence, reefer, retail, automobile, healthcare/pharmaceutical, food and beverages, home and personal care, consumer healthcare, fashion/textiles

#### Finances (2012)

- Net revenue (in 1000 USD): 3,300,000
- EBIT (in 1000 USD): 93,000

Source: [www.damco.com](http://www.damco.com); Appendix A, Strategy document 2

Damco operates in the logistics industry, which is a low margin industry with fierce competition as well as a highly commoditised industry. It is a network business, where countries and regions are dependent on each other to leverage

solutions for the often global and complex customers. Traditionally, logistics was considered a means to minimise shipping costs, but today, firms turn to logistic companies looking for innovative solutions, for example, to reduce their carbon footprint or to utilise Big Data to predict problems and unforeseen circumstances (Yonger et al., 2013). See fact box on the logistics industry below for further details.

## Fact box 2 – Logistics Industry

Logistics Industry
<p><b>Solution and services</b></p> <ul style="list-style-type: none"><li>• Freight forwarding, Supply Chain Management, and Supply Chain Development</li></ul>
<p><b>The market</b></p> <ul style="list-style-type: none"><li>• Small margins and fierce competition</li><li>• Few assets</li><li>• Competitors include both global and local players. Global full service providers count app. 8 of the worlds largest logistics companies, where as there are a gazillion small local players. Besides these two categories there are number of more specialised companies offering different services within logistics, such as SCM specialists, and integrators, like UPS.</li></ul>
<p><b>Potential trends in the market</b></p> <ul style="list-style-type: none"><li>• Need for flexible and responsive SCD chains</li><li>• Increased focus on sustainability and environmental issues</li><li>• Increased regulation</li><li>• Volatile trade lanes</li><li>• Security challenges</li><li>• Companies in general have increased cash constrains, needing to reduce cash tied up in the supply chain</li></ul>

*Source: Appendix A, Strategy document 2;*

Running a profitable business in an industry characterised by fierce competition and low margins requires constant adaptations to market needs and conditions. Therefore, Damco has been on an on-going change journey since 2008. At this point in time, the company was called Maersk Logistics/Damco and was part of the APM Group's shipping company, Maersk Line. Being part of Maersk Line involved one CEO, one P&L and shared support functions. A Group decision was



made to separate the two business units to allow them to perform independently and focus on their individual core business areas. For Maersk Line, the core business was shipping, and for Maersk Logistics/Damco, it was logistics solutions and supply chain management. Damco transitioned from a co-dependent business unit to an independent business unit. The split was followed by the onboarding of a new CEO, to some extent a new senior leadership team, a re-structuring of regions and functions, a re-branding of the Maersk Logistics/Damco name to Damco and the introduction of a new strategy. The new strategy focused on turning Damco into a 5-billion-dollar business delivering consistent top quartile performance in the industry.

In the years 2008-2012, Damco underwent a major turnaround and a re-organisation that involves changes in business priorities, changes in its ways of doing business and a number of cost-cutting initiatives. Damco has inherited an expensive cost structure from its past as a co-dependent organisation. A large part of the turnaround has been a focus on reducing cost to be able to compete in an industry with low margins. The cost focus in the organisation will continue once the turnaround has been completed, remaining a key priority. In parallel to the cost focus, the customer focus is discussed and attempted embedded it in the organisation.

When the organisation initially began talking about customer centricity, this occurred primarily at the GLT level, followed by a gradual spread of talks and initiatives to the commercial function. Initiatives in the commercial function included hosting a customer forum, reorganising the global sales team and structure and introducing different sales training approaches (Appendix A, PSS 2; field notes, 2012, daily interactions). Attempts to be customer centric were initiated by the commercial function, but gradually other functions have followed suit, attempting to define what it actually implies and for the specific functions. Today, it seems that few people in the organisation doubt that customer centricity is a key concept for Damco. However, what it actually implies for the different functions is less clear. A Damco leader expresses it this way: *'The next challenge is to refine the plan and begin to engage the rest of the organisation.'* (Appendix A, Newsletter 10). Gradually, the support functions of IT, finance and Human Resources have begun to incorporate a customer focus in their ways of working. IT is working on a large-scale project to introduce more customer-friendly platforms, while finance is working on the correctness and smoothness of invoices



to customers. Also, the HR function has begun to include customer centricity in HR discussions. The HR function and talent management would expectedly play a key role in shaping this differentiator, both in terms of working with the resources inside and outside the organisation and in terms of ensuring that the organisation contains the right capabilities to achieve an ambitions strategy in which the customer focus is key to success.

As business priorities and focus areas have changed in Damco, so have the HR strategy and focus areas. In 2009, the HR strategy had a strong tactical focus aimed primarily on intimacy between HR and the Damco business. At this time, the HR function was newly established, and the HR strategy was about creating operational excellence, mapping needs, suggesting relevant projects and defining the local and global role of HR (Appendix A, Strategy document 10). In 2012, now with a well-established HR function, the HR strategy had a strong focus on the need to support the business strategy and rise to challenges. The 2012 HR strategy is still about operational excellence, but it has a much stronger focus on strengthening commercial capabilities, talent development and leadership development (Appendix A, Strategy document 1).

In the midst of the change journey, in early 2011, the customer focus emerged in leadership discussions on talent. In a GLT discussion on talented Damco leaders, the Head of Strategy expressed it this way: *'They have to live, die and breath customer'* (Appendix A, PSS 2). Initial steps have been taken in HR towards becoming more customer centric. Customers were invited into the design of a new talent programme, and in early 2010, for the first time ever, a customer was invited to join a global talent workshop. The participation returned enthusiastic feedback from customers, business participants and HR leaders. But at the same time, this new way of including the customer created a great deal of uncertainty and raised many questions to be answered, both in the business and in HR. Why are we doing this? How do we control it? Where does this take us? And, not least, what are the implications? It is in this emerging tendency and uncertainty that this project takes off – to explore some of the yet to be answered questions and to understand how the HR function can create value by addressing some of the challenges faced by the business today by plunging into the practice of talent management in the empirical context of Damco.

Talent management in Damco is influenced by the fact that Damco is part of the APMM Group, which has a long and strong history for focusing on people development. The next section provides a short account of how talent management has evolved in the APMM Group, and how talent management has been considered valuable in the Group over the years. The chapter shows that it has evolved from being concerned with lack of leadership talents involving a very limited group of people into a global process where hundreds of talents are being identified in relation to strategic important positions. The chapter provides the empirical background and history for what talent management is in Damco today, which will be the focus of the empirical analysis. Second, when discussing how value has been dealt with in the talent management literature (Chapter 4), the following section further provides the empirical background, which shows that there are many similarities in how talent management has been dealt with and has evolved within practice and academia.

### **1.1.1 The history of talent management in A.P. Møller - Maersk**

The APMM Group has a long and impressive history of performance and potential, which are linked to what is labelled talent management today. It dates back to as early as the 1930s, where the Group introduced logical IQ tests and personality assessments to evaluate the potential of prospective employees. By the 1960s, the Group more or less rigorously began using a variety of performance measures, and in the late 1970s the Shipping School, was launched as one of the first programmes. Young employees came into the company and received training to become professionals. However, the first large-scale formal talent programmes, EXAP (Executive acceleration programme) and ELAP (Emerging Leaders acceleration programme) were not established until 2003. These programmes were established after a period of rapid growth in the company, which led to a need for additional executives. The programmes were intended to fast-track individual development to enable them to take up a leadership position sooner (Appendix A, HR leader 5). Before the introduction of these formal talent programmes in 2003, a number of initiatives had been established over the years that served as what we would now label as talent initiatives.

After the introduction of the shipping school, there was a period during which no formal programmes or structures were set up to handle employee development or facilitate the employee flow through the organisation. Instead, less formal procedures were used to track and place employees in the organisation. An

example of such a procedure is the 'Brick Memos'. The 'Brick Memos were basically the written outcome of a discussion between a very limited group of executives and HR concerning who should take up a given leadership position in case the current incumbent was 'hit by a brick' tomorrow (Appendix A, HR leader 5). A simplified version of today's often very extensive succession planning exercises.

Another examples is what is referred to as the 'Little Black Book', which came about in the late 1990s. The introduction of the Little Black Book was a result of a need for HR to demonstrate that the function added value. Therefore, HR initiated an analysis of the executive managers throughout the entire Group. The analysis was built on existing logical IQ tests and personality profiles that were used to assess prospective employees. The analyses of the personality profiles and logical IQ tests were then correlated with the executive team's perceptions of good management. It turned out that there was correlation between what was considered good management and certain personality profiles and logical IQ scores. Based on the outcome of this analysis, certain people were mapped out, discussed and preferred and consequently noted down in the Little Black Book as high potentials: individuals with the potential to take up a higher position in the Group. The content of the book was exclusively used by the executive team and HR to discuss succession planning. It was decided who was going to fill which role, and once the decision had been made, the selected individuals were informed that they had been selected for a big opportunity. The individuals in question were then expected to accept and embrace this opportunity. Only a very exclusive group with representatives from HR and the executives of the company participated in these discussions, and both the content of the book, the discussion and the outcome of the discussions were kept within this particular closed forum of people (Appendix A, HR leader 5).

Simultaneously, from the 1990s on, as the organisation reached a certain size, and people processes gradually became more formalised, the MISE (Maersk International Shipping Education) programme was introduced as an entry-level programme for high potentials. The program was extremely attractive to young people across the world, and whoever made it through the needle's eye (which it really was) had a world of opportunities. Joining the programme was a clear way of accelerating one's career in the company. The initiative worked as a way of sourcing employees, and for years, the APMM Group has to a large extent been

built on employees and leaders who set out as very young MISE graduates. The MISE programme was later followed by the introduction of MITAS (technical high performers) and MIHR (HR high performers). From early 2000 until 2009, talent programmes thus existed for different organisational levels and for certain functional (technical and HR) areas. Hence, the focus in talent management at APMM has primarily been on how to recruit and fill leadership pipelines internally – from the ‘brick’ memos to the EXAP and ELAP programmes (Appendix A, HR leader 5).

That changed in 2009. APMM closed all their – otherwise extremely popular – talent programmes, from the entry-level programme MISE to the very prestigious executive EXAP programme. Like most other big international companies, APMM had invested heavily in talent management initiatives, but the Group did not reap the expected benefits. Despite expensive programmes and extensive skill development, few talent gaps were actually closed (Groysberg & Abbot, 2012). Like many other companies, the Group failed to see an adequate return on their investments in this area. Therefore, the APMM Group introduced a new talent concept, which represents a radical shift in focus away from a largely individually driven talent programme that covers the ‘elite’ 1% of the employees, towards a broader talent process. The new talent process was called the ‘People Strategy Session’ (PSS). It is a one-day workshop where the leadership team sit down together to discuss strategy, positions, people and how best to match these concerns. They set out by briefly recapping the business strategy and main strategic priorities. This sets the scene for the rest of the day and the following discussions and should serve as the determining factor. The next step in the session is for the leadership team to force-rank a number of positions and identify the top 30% mission critical positions, based on what is seen as crucial for delivering on the business strategy. Next, they force-rank the people who currently hold the discussed positions and identify and agree on development (if any) for the top 30% highest-performing employees. The final step in the process is to see check the match in the ranking of positions and people and to discuss potential development and changes (Groysberg & Abbot, 2012, Appendix A PSS 1)

With the introduction of the PSS in 2009, the Group embarked on a journey that has changed the focus in talent management. The focus has been redirected to become more global, involving a bigger part of the organisation in the talent pool. Also, instead of focusing on personality profiles and logical IQ assessments, the

focus is now increasingly on performance. With the closing of the Group talent programmes and the introduction of PSS as mandatory for leadership positions at a certain level, it was decided that each business unit had to develop further talent initiatives for their part of the organisation, if such a need existed. It is in this context that the talent initiatives in Damco emerge and are explored in the empirical analysis later in the project.

## **1.2 My way into the project...**

The inspiration for this industrial PhD project<sup>1</sup> originated out of practice and out of a personal experience, and the project has a practitioner-oriented ambition. With a background as an HR consultant, I participated in many discussions on HR practices and processes, including discussions on talent management. Very often, these discussions focused on how to define and optimise a process or a programme. Similarly, throughout my PhD period, whenever I have presented parts of the thesis and related themes to HR professionals, their attention has been directed at how the project supported the optimisation of a talent process or clarified the definition of talent. Over the years, I have participated in many such discussions, and every time I left the discussion, meeting, workshop or the like, I have been extremely puzzled (and somewhat annoyed). I did not understand the strong emphasis on what I perceived to be ‘just’ a process. Not that processes are not important; far from it, in fact. There are no doubt that well-defined, smart and efficient processes are important in a global organisation as a way of handling businesses and business complexities. But I couldn’t help wonder ‘*Is this really it?*’, ‘*What do we actually want to achieve with the process optimisation?*’ and ‘*How is this actually adding value to the organisation?*’. I was missing the link between value to the organisation and practice, and I was not sure whether we had actually figured out what kind of problem we were trying to solve: Was the end goal the design of a perfect process or programme, or...?

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<sup>1</sup> An Industrial PhD is an industrially focused research project, conducted as cooperation between a PhD fellow, a university and a (private) company. The PhD candidate is employed by the company and at the same time enrolled at the university. The industrial PhD programme is intended to solve industrially relevant research problems by academic means – *with practice*. (*The industrial PhD programme*). Others have engaged in lengthy discussions on the benefits and challenges of this PhD programme (Nielsen, 2014); however, for this PhD, it is premise for doing the research project and the implications and research set-up are discussed in more detail in Chapter 2.

In practice, I experienced, first of all, that talent management definitely has something exclusive about it, both for individuals and for the organisation – for an individual, being labelled as a talent was very attractive, and for the organisation it was a given that any large organisation needed a talent management team/process. Second, talent management was important and relevant to all leaders and executives. Third, it was something that resources were spent on, both in terms of money and man-hours. Fourth, HR seemed to own the practice of talent management, and there was something prestigious about owning the process. This is what initially sparked my curiosity about talent management. I wanted to find out more about talent management; whether it could really be so simple to solve the problem, provided the process was right. Or was it possible to understand the whole issue differently and find alternative understandings of what talent management could be and do? This is how a personal experience on talent management evolved into a PhD on talent management.

The industrial PhD (see footnote 1 for elaboration on this set-up) was the perfect opportunity for studying talent management close up and through different lenses. Well into the project, I was even more puzzled with the process orientation and the taken-for-granted assumptions within the practice field of talent management but also, to a large extent, in the talent management literature (see Chapter 4 for further discussion). This made me even more determined to gain knowledge about the field. It was clear that corporate life embraced talent management as a necessity, but it had yet to ‘figure it out’: *‘Few HR professionals, senior executives and line managers appear to believe their organisation have fully solved the talent management puzzle.’* (Stahl & al., 2007, p.31). In the logistics industry, talent management is described as something with potential, even though people do not really know how to deal with it. A logistics industry expert declared at a forum on the HR challenges in the logistics business, *‘it is clear that we haven’t figured out the talent bit yet’* (Appendix A, Global HR forum 2).

Talent management is often described as a specific practice of attracting, developing and retaining high-performing individuals. The corporate ‘war for talent’ was initially argued by McKinsey (Michaels et al., 2001) as a value-adding strategic response to very low unemployment rates and a lack of people resources on the global market. This argument has since been the dominating argument pro-talent management (Cappelli, 2008; Tucker, Kao, & Verma, 2005). Nearly 25 years after McKinsey originally coined the term ‘talent management’, the topic



still receives a great deal of attention – and apparently, it is here to stay. Despite changing economic conditions and several years of recession, moving from blooming markets and high growth towards stagnation, reduced earnings and thus higher unemployment rates, talent management remains a top priority for executives (Tarique & Schuler, 2010; Thunnissen, Boselie, & Fruytier, 2013a) and is claimed to be more critical than ever to the strategic success of companies all over the world (Boudreau & Ramstad, 2005; Iles, Chuai, & Preece, 2010). As such, both within practice and academia, talent management has been characterised as a necessity and surrounded by a certain air of exclusivity; and yet, it remains a field filled with ambiguity, confusion and lack of clarity (Collings & Mellahi, 2009; Lewis & Heckman, 2006; Thunnissen et al., 2013a).

Minbaeva and Collings (2013) call for a critical reflection and evaluation of talent management that explores alternatives. They argue that one must seek understanding and test one's assumptions about one's own professional decisions and activities (Minbaeva & Collings, 2013). So I did. I decided to explore and understand talent management as a corporate practice not as the perfectly designed process or as a definition of ideal personal traits or competencies but, instead, to understand talent management as a value-adding corporate activity and to explore and understand the problems and potential alternatives. The thesis attempts to reframe talent management and suggest different ways of understanding and practicing talent management as a value-adding corporate activity; this is the focus of the empirical analysis of the dissertation. The next section introduces the research question that guides the focus in the dissertation.

### **1.3 Research questions**

The research project examines the relationship between a current trend in business – being customer-focused as a way of competing in the market – and talent management as a strategic HR initiative. It is based on an empirical study in a global network business, and uses Damco as a case. Damco is an interesting case for several reasons: It is a large global logistics company and thus a professional service provider operating in an industry with low margins, high competition and in an industry that is often considered commoditised. Damco has few or no assets, except for their people, and in such a company there would be expected to be a strong need for continuously being at the forefront of an innovative people agenda. The thesis explores and discusses the value of talent management as it emerges inside and outside the sphere of the formal organisation.

The research question that guides the dissertation is:

***What are the talent management implications in an organisation that introduces a customer focus as a way of competing in the market?***

The research question will be explored through the following sub-questions:

- What are the problems and possibilities for talent management?
- How does talent management create value?

The key concepts of the research question in this dissertation are defined in more detail below:

**Talent management:** Talent management is used as a broad term in this dissertation. It includes talent identification processes, talent development processes and other initiatives related to managing talents in and around the organisation. This initial clarification of the concept of talent management is heavily inspired by the definition proposed by Blass et al. (2006), who describe talent management as *'more than HRM, leadership development initiatives or succession planning. It is the collective and interlinked approach to recruiting, retention, deployment and development activities within an organisation for its future benefit, and include strategy, organisational culture and change management.'*

While there are multiple definitions and conceptualisations of talent management in the extant literature on talent management (e.g. Collings & Mellahi, 2009; Iles, Chuai, & Preece, 2010; Lewis & Heckman, 2006; Tansley, 2011; Thunnissen, Boselie, & Fruytier, 2013a), the above definition has been chosen for this particular project for a number of reasons. The broad definition allows for a discussion of talent management that goes beyond single practice or process optimisation. It emphasises the collective approach to talent management, which exceeds a single process or practice. It includes often-ignored aspects of talent management, such as culture and change management. The definition is relevant because the intention with the PhD is not to suggest how given processes can be optimised. Thus, the definition assigns priority to the organisational outcome (value) versus the individual outcome of talent management. Even more importantly, the definition is concerned with the very *raison d'être* or value of



talent management in that it refers to ‘future benefit’ and is thus concerned with talent management as a value-adding activity in corporate life, which is the focus of this PhD.

**Talent:** As is the case with the definition of talent management, there are multiple definitions of ‘talent’ (Tansley, 2011). This question will be discussed further in Chapter 4.2. However, given the focus of this dissertation, the dissertation is inspired by the talent definition provided in the body of literature that emphasises the *context* of talent, and the reality that defines the particular talent practice in the particular company (Tansley, 2011). Thus, in this dissertation talent is defined as *‘a selected group of people within an organisation which is considered particularly valuable to the organisation and is assumed through their job, skills, personality and performance to be critical for the organisational performance.’* This definition allows for a contextual understanding of talent, which implies that talent can be much more than leadership or a born ability.

**Value:** Chapter 3 elaborates on the concept of value. However, for the purpose of this introductory clarification of concepts, it is sufficient to state that Chapter 3 will conclude with the definition of value as framed by Harrison and Wicks (2013, p. 100), who *‘define value broadly as anything that has the potential to be of worth to a stakeholder.’* This definition is aligned with the contextual approach to talent management, which characterises this thesis. The definition and its relevance in the context of this PhD are discussed in further detail in Chapter 3.

**Customer focus:** The general understanding of a customer focus in practice inspires the definition of customer focus in this dissertation. Thus, the dissertation defines customer focus as follows: *‘When an organisation holds customers at the core – that is, an organisation that is committed to promoting its customers’ success, engaging with the customer, building a relationship with the customer’s organisation, and aligning processes and company activities to match the customer’s point of view, and which is supportive of what the customer seeks to accomplish, rather than being directed by internal drivers.’* The labels of customer focus and customer centricity will be used interchangeably throughout the dissertation, similar to the use of these terminologies in practice.

**The business:** ‘The business’ is a term that is used in the dissertation as a broad reference to *any other internal stakeholder (groups) in the company than the*

*functional area of HR, e.g. operations, commercial.* The use of the very broad term ‘the business’ originates from practice, where references to ‘the business’ are very common within the HR function.

## **1.4 Contribution**

Overall the dissertation contributes to the understanding of how talent management creates, or can create, value for organisations. In order for talent management to be a valueadding activity, the dissertation suggests there is need for HR professionals and academicians to be more proactive, and that there is a need to move the attention in people processes, like talent management, away from an underlying production-oriented logic. The dissertation suggests that this is enabled by three shifts within talent management, which assist in creating more value. The dissertation applies a different and broader understanding of value than what is often the case in order to reframe talent management and to suggest different ways of thinking and practising talent management. This has relevance to practitioner and academicians alike.

Talent management is a relatively new field, and practice has actively been engaged in shaping the talent management agenda (Al Ariss, Cascio, & Paauwe, 2014; Iles et al., 2010; Thunnissen et al., 2013a; Vaiman, Scullion, & Collings, 2012). At the same time, the talent management field is gaining increased attention in academia. However, interaction between academia and practice is limited in terms of exploring ways to move the field of talent management forward (Thunnissen et al., 2013a). It is exactly in the intersection of practice and academia that this project has its relevance and where it makes its contribution. The talent management field is strongly influenced by practice, and this particular project originates out of practice, is anchored in a practice context and has a practitioner-based ambition (see Chapter 2 for elaboration), which mirrors the field (see Chapter 4 for elaboration). Therefore the dissertation aims at simultaneously to contribute to practice and research.

Thunnissen et al. (2013a, p.1754) describe the state of contemporary talent management literature: *‘The academic literature can be characterized as conceptual, exploring the field in all its elements. There is still a limited amount of empirical research on talent management. The academic literature contains three central themes: the definition of talent, the intended outcomes or effects and talent management practices and activities. Talent management seems to be considered*

*as a transformation process; talents are used as inputs in order to achieve outputs strongly related to organizational objectives. Talent management practices and activities serves to manage (recruit, develop and retain) talent so that the goals of the organization are met' (Thunnissen et al., 2013a)*

Two points in particular stand out in this description of the current state of talent management. One, they use a metaphor related to a production logic to describe the field of talent management. Talent management is described as a machine into which talents are inserted and processed, and then certain outputs (value) emerge. This implies that, ideally, the value of talent management is high when the right input and process can be ensured, and to achieve this, an underlying assumption in talent management is that it is an internal process that can be optimised and controlled to serve a one-dimensional corporate goal. The value of talent management is still largely found in specific internal practices and processes, despite the growing recognition of the importance of contextual and systemic factors. This dissertation contributes to the theoretical field of talent management by suggesting there is a need to move away from the production-oriented logic towards a relational approach, while also offering a guiding framework, which rests on a relational understanding of value. The framework contains shift in three dimensions of talent management, which alters the focus in talent management research away from a production-oriented logic towards a relational understanding. The relational approach within the talent management field is only emerging and this dissertation adds knowledge to this approach by suggesting to drive a more proactive talent management approach and to shift fundamental assumptions within talent management towards modern business condition, allowing the field to actually add value.

Two, the description above emphasises that there is limited empirical research on talent management. A contribution to the theoretical field of talent management is that this dissertation presents a specific case and empirical data representing a different perspective in the discussion of the value of talent management, as opposed to some of the more theoretical discussions on talent management found in the existing literature (Thunnissen, Boselie, & Fruytier, 2013). Additionally, the dissertation contributes to the more recent debate on outside in HR (Ulrich, 2013) by exemplifying a case where the customer is introduced into an HR initiative, and where the customer perspective is introduced, not only as part of the actual talent management initiative but also by including empirical data from the

customer's point of view in the dissertation. It does so by going beyond the more traditional focus of the HR function of linking talent initiatives to people shortages in the business and claiming that recruiting and retaining the best people is a necessity. In this sense, the dissertation adds an empirical analysis to the outside in debate in HR (see Chapter 4.6.2 for further discussion) by starting at the outside of the organisation – with the customer – and then translating the customer perspective into implications for HR and talent management.

A large part of the contribution of this dissertation is to conceptualise and exemplify a different way of thinking, articulating *and* practising valuable talent management. Hopefully, the findings allow both academicians and practitioners to connect the talent management dots in new ways as well as connecting the dots between talent management and business direction in new ways. All with the ambition of supporting the talent management field in moving forward by actively and directly driving a company agenda instead of focusing on how talent management can be improved by focusing on the HR constituents only. Therefore, the project also contributes to the talent management literature by introducing the value discussion into the talent management discussion. This represents an opportunity to embrace a new understanding of what talent management has to offer, which allows for a different understanding of valuable talent management.

Finally, in this sense the project contributes by giving talent management practitioners an occasion to reflect, explore and understand their own practices (Minbaeva & Collings, 2013) by providing a better understanding of the value of talent management. This allows practitioners to expand the possibilities for designing practices and processes based on fundamentally different criteria and for articulating and measuring the success and outcome of talent management in new and hopefully more value-adding ways. A further contribution to practice is that the project provides qualified knowledge in a combination of practice and academic perspectives, which serves as input to the further conceptual development and innovation of talent processes in order for organisations to strengthen the outcome of the talent initiative and to optimise and improve talent processes in the future. In this way, the HR profession can actively engage in driving people innovation with the purpose of supporting the organisation's success.

## **1.5 Structure of the dissertation**

To guide the reader through the dissertation, this section briefly introduces the structure of the dissertation. Initially, Chapter 2 introduces and discusses the methodology and research design of the research project. The chapter provides the details of the philosophical underpinnings of the dissertation as well as the details of the research process and the special role the researcher had in a research project with a practitioner-oriented origin and ambition. The chapter further introduces the empirical cases and data, which subsequently form the basis for the empirical analysis.

In Chapter 3 and Chapter 4, the project then addresses, respectively, the concept of value and the concept of talent management within the literature. Initially, Chapter 3 examines the concept of value with the purpose of defining value, as it is to be understood in the dissertation and with the purpose of addressing the challenges associated with studying this ambiguous concept. Finally, Chapter 3 briefly discusses how value has been dealt with in the strategic management literature, as this literature serves as an important business strategic context for exploring the value of talent management. The literature context provides a framework for understanding how to achieve a competitive advantage, which is an often-mentioned underlying argument in favour of talent management.

Chapter 4 examines the theoretical view of talent management. The purpose of this chapter is, first, to examine and understand how the talent literature has dealt with value. Second, the chapter identifies three main value dimensions within the talent management literature that resemble talent management practice. The identified value dimensions subsequently form an important part of the analytical framework, which is used to unfold the empirical analysis when exploring talent management implications in an organisation that introduces a customer focus as a way of competing. Both the chapters on value and talent management are included in the thesis because they provide an important context for understanding how the value of talent management has been perceived through the times, and because the context influences how talent management is perceived as being valuable today. Thus, the context is important to understand, because it represents both the problems and the possibilities for valuable talent management in the future. On the basis of these chapters, theoretical concepts within value and talent management are identified, which then are used in the empirical analysis of the dissertation in

the Chapters 5, 6, 7 and 8.

Having clarified the methodological considerations and the research process as well as having explored and identified the key theoretical concepts, the remaining part of the dissertation consists of four empirical chapters. The first empirical chapter, Chapter 5, differs from the other three. It provides a perspective on value as perceived outside HR – that is, how value is perceived in a business context. The chapter explores the changing business context, which provides an important context for practicing valuable talent management. The chapter shows that as conditions and understandings in business change, so do the conditions for what is considered valuable, and how value is created and attributed, both within the company and in relation to customers. In this way, the perception of value in the business becomes relevant for the discussion of the value of talent management. It is within this framework of value that the HR initiative of talent management is to be understood. Following this clarification, the next three empirical chapters, Chapters 6, 7, and 8, explore the value of talent management by exploring three different dimensions of value in relation to talent management. Each chapter explores one dimension of value. In this dissertation the three dimensions are labelled, respectively, *value purpose*, *value creation* and *value practice*. Together, the three dimensions constitute a framework for exploring the implications, problems and possibilities of talent management, and they each suggest that a shift is needed for talent management to be a valuable exercise.

Each of the three chapters takes its point of departure in one particular dimension of value. Chapter 6 discusses the *value purpose* of talent management. More specifically, the chapter discusses whether talent management is intended to drive individual development or organisational development. It does so by exploring how talent management is organised around individuals in multiple ways. Second, the chapter explores and discusses the possibilities for talent management to go beyond individual development, more directly supporting the creation of a competitive edge for the organisation. Chapter 7 discusses the second value dimension in the framework: *value creation*. More specifically, it explores where the value of talent management is assumed created, whether it is within the boundaries of the formal organisation (intra-organisational) or in the intersection of the organisation, in this case Damco, and its customers (inter-organisational). The chapter first addresses this topic by exploring the relevance of the outside (the customers) and how the outside context (e.g. customers) translates into talent



management practices, what implications this has for who is identified as a talent, and how this accomplishment is rewarded. Second, it discusses problems and possibilities for talent management, when the understanding of value creation is expanded beyond the traditional shareholder understanding of value creation. Chapter 8, the last empirical chapter, discusses the third and last value dimension in the suggested framework, which regards *value practice*. The chapter discusses how value is achieved by attempting to control people and process rather than attempting to connect them. In closing, the chapter discusses the talent management implications of a customer focus, focusing on the problems and possibilities.

In the concluding chapter of the dissertation, findings across the empirical chapters are discussed, and the practical implications in terms of problems and possibilities for talent management are discussed. It is concluded that there is a need to be more proactive, and that fundamental changes in value assumptions lead to a different talent management ecosystem, which is to be understood in a relational perspective. This perspective has the potential to add value in new ways. Simultaneously, the new ecosystem is challenging, precisely because fundamental assumptions of value changes when a customer focus is introduced as a way of competing in the market, which requires a shift in talent management focus areas.

## **2 Methodology and research design**

This chapter describes the research methodology and research design applied in the dissertation. The chapter begins by discussing the philosophical underpinnings of this dissertation followed by an account of the choices made in the empirical research design. Both the underpinnings, as well as the research design are impacted by the fact that the researcher has been working in HR practice before the start-up of the PhD. Initially the chapter discuss how a social constructivist approach is applied in the dissertation. Following this, the chapter will discuss how this approach is reflected in the research design by elaborating on the special way of working in the field, where research conditions are similar to action research. Hereafter the chapter discusses how the research is designed as a case study and introduces the three talent initiatives that are used as cases in the research project. Three types of empirical data are used in the research project which is following introduced, and it is discussed how this data was identified and

gathered through interviews, observations and by collecting documents in the organisation. The chapter concludes with account of the analytical process in the research project, which shows that also this process is influenced by the interaction between practice and academia.

## **2.1 Methodology**

The research project takes a social constructivist approach, and rests on philosophical underpinnings with certain ontological, epistemological, and methodological considerations, which is the focus of this chapter. The social constructivist approach is similar to what Mary Jo Hatch (2006) labels the symbolic-interpretative perspective, which is an ‘umbrella perspective’ in organisation theory that is characterised by the idea that reality is socially constructed. As such it challenges the objective science of modernism and implies that organisational realities have a subjective origin, in which people co-create phenomena and realities by speaking of it and by using concepts that make the phenomena real (Hatch, 2006). Recognising that reality is socially constructed further entails that management is not an objective practice, and therefore must be studied under such premises. This implies that this project does not study talent management as an objective science, but as a subjective organisational reality, where talent emerge, as people (leaders, HR, talents, customers) talk about talent and thereby make the talent phenomena real, which will be further unfolded in this chapter. The following discussion of social constructivism is a pragmatic positioning of the research project within a frame that enables the reader to understand the assumptions on which this study rests.

The label of social constructivism has been widely used since the late 1960’ties, and today the label is used to describe a continuum of approaches, ranging from radical versions to more moderate versions of social constructivism - all characterised by the fundamental assumption of reality as being socially constructed (Greve, 2011; Wenneberg, 2000). Social constructivism breaks with more traditional ways of practicing science, as it represents an opposite to realism that rests on the assumption that an object exists independently from our experience (Rasborg, 2005; Wenneberg, 2002). ‘Social constructivism’ was coined in 1967, when Berger and Luckmann published their book *‘The Social Construction of Reality. A treaty in the Sociology of Knowledge ‘* (P. Berger & Luckmann, 1987). In this, they argued that order is a social process, which is negotiated through individuals, historical process and experiences. A key



characteristic within social constructivism is the perception of societal phenomena as continuously being built through historical and social processes, where choices are made and therefore the outcome could have been different (Greve, 2011). In the case of talent, this entails who ever is talent or who/what is particular valuable depends on which choices are made, and hence the outcome could have been different. For example as we will see in Chapter 7, when a leadership team decides on who are the talents of an organization, it is evident that the outcome could have been different as the decision depends on who sits in the room to make the decision as well as how strong arguments they have for this decision. Despite the different approaches within social constructivism, they all emphasise that knowledge is socially constructed and deconstructed, and when social institutions are constructed, they appear given and natural. Culture and context are considered important for understanding society, and equally important when constructing and creating knowledge based on this understanding (Wenneberg, 2000).

The different fractions within social constructivism also direct diverse perceptions of what it actually entails that a phenomenon is socially constructed. The perspective of radical social constructivism is an ontological position (Wenneberg, 2002). It is based on an assumption that the world consists entirely of constructed realities, and no such thing as a 'ready made world' exists out there (Wenneberg, 2002; Hatch, 2006). Within radical social constructivism, language is a central element in the construction of reality, and some radical social constructivists claim that social forces create even physical reality, being real as we speak of it. Within this perspective no objective truth is to be found, one answer is considered as good as another, as the world consists of interpretations only. Other and more moderate approaches to social constructivism exist (Collin & K ppe, 1995). The moderate version of social constructivism argues that social reality cannot be reduced to only consist of interpretations and constructions. Like the radical version, the moderate version is based on the assumption that each phenomenon is constructed, but it emphasises that behind each created construction, an objective world does exist based on causal mechanisms (Wenneberg, 2002; Hatch, 2006). Here it differs from the ontological position in the radical version. Within the more moderate versions of social constructivism, the world is considered both subjective and objective. Objective as objects represent the world, and subjective as individuals interpret the objective elements (Wenneberg, 2000; P. L. Berger & Luckmann, 1987).

Applying a social constructivist perspective (Wenneberg, 2000) within this research project implies that the aim of the project is not to find the objective truth on talent, talent management or value. Rather it is to understand one truth of these phenomena. In this dissertation, speaking of talent and customer centricity, construct the concepts as ‘real’ concepts with (at least to some extent) shared understanding of what it means. Taking the example of a talent, this perspective implies that talent is not an objective thing rather it is objectified. This means that talent is constructed in a way that make it seem objective e.g. by having a very well-defined process including predefined categories, performance scores and selection criteria in which, individuals are identified and selected as particular important and valuable to the organisation offered opportunities based on this evaluation. Once individuals are classified as talents based on defined organisational procedures and numbers, these individuals *are* the talents of the organisations, at least for a certain period of time. This is also reflected in their opportunities, bonus, etc., which differentiate from some of other employees *not* categorised as talents. Once the organisational phenomenon of ‘talent’ is negotiated and expressed, little difference exists between what is reality, and what is socially constructed.

The ontology of the talent management practice field is continuously being displaced back and forth between objective (factual and given) and subjective (dynamic and relative), which becomes a premise for studying talent management in a corporate context. As an HR practitioner I participated in various management and talent discussions, and in these I noted a clear preference for an objective logic and a strong desire for a prescriptive approach to how best to improve or solve a given organisational problem. I have experienced a preference for ‘one truth’. Throughout the PhD project when interviewing both HR and business leaders on talent management same pattern occurs. At the very early stage of the PhD project, when I was still exploring the field of talent management, I followed the rollout of (at that point in time) newly established talent process in the APMM Group. Following this rollout, observing the process, and interviewing key stakeholders within HR and the business, I was puzzled with how much objectivity in talent management was in demand, while simultaneously stakeholders continuously introduced subjective elements into the talent (management) discussions. I was left with the impression of a tendency to, and a clear preference for, a ‘machine-approach’ to talent management. Nevertheless, I was constantly faced with all sorts of different interpretations both in terms of what talent is, what talent

management was about or not about, as well as faced with different seemingly random, subjective factors such as team dynamics and power aspects influencing the talent management process and outcome, which will be further elaborated in Chapter 7 and 8.

The displacement back and forth between the objective and subjective can be explained through Mead's (Mead, 1934) concepts of 'I' and 'me' in the development of the self. As a social psychologist, Mead was interested in how we as individuals evolved from biological individuals into society individuals. Mead (Mead, 1934) described this identity creation as a conversation between the 'I' and the 'me'. Briefly summarised, Mead argues that the individual self is the products of social interaction, and not (bio)logical preconditions of social interaction. There are two phases of the self, the 'me' and the 'I'. Mead defines the 'me' as a conventional, habitual individual, which reflects an organised set of attitudes of others that an individual assumes. The 'I' is the response to the 'me'; it is the response of an individual to the attitudes of the others. The 'I' and the 'me' exist in a dynamic relation to one another. Thus, the self arises in a social situation, which structures the 'me', and the 'I' responds to its situation (Mead, 1934). In the practice field of talent management, it is clear that talent management is neither objective nor subjective. Objectivity is in high demand, however different subjective elements come to have a high impact on for example talent decisions. E.g. who comes out, as a talent of the talent process seems to be almost random, despite a very clear process and definitions:

*'ahh..to be frank it was a bit of a lottery the way we did it right. In terms of the timing. It was a tap on the shoulder, and if you knew someone and could get them in your team. I'm not talking about the PSS process itself but what immediately proceeded it and influenced it'* (Appendix A, Executive 6).

In this way the ontology becomes objective *and* subjective in the practice field of talent management. It is reflected in the way the process unfolds, in the way leaders manage talents on a day to day basis, in the way HR understands the challenge, and in the way leaders reflect upon talent in general.

HR and business leaders display a clear preference for talent as represented in the 'I', i.e. talent is objective, given, and identified on objective criteria (e.g. performance scores, the 'right' process, which refers to a factual, controllable

process and outcome). There is a search for factual data to decide who is a talent and how to handle it. However, the field continuously introduces the 'me', i.e. introducing subjective elements. For example when propping the leaders about talents, it turns out that they see talent management as more than the structure and objective facts. The 'more' is uncontrollable, subjective, and intangible. As we also will see in Chapter 7 and 8 the leaders highlight the randomness, team dynamics, and power aspects in the talent management process, and point out who came out as a talent, with the possibilities and obligations that entails, were a result of 'negotiations' and situational factors (Appendix A, PSS 1). In this way the ontology in the empirical data of the project are displaced back and forth between the 'I' and 'me' - from objective to subjective and reverse. The empirical data further illustrates how the concept of talent continuously is negotiated as objective and subjective, and how talent management becomes a social process. This synthesis of objectivity and subjectivity becomes a premise for studying the practice field of talent management.

With this premise, it implies that in the context of an organisation, it is continuously negotiated and decided upon who is talent, how this is handled and rewarded, as well as it is negotiated what is valuable and important to the organisation. Organisational concepts are continuously translated, adapted and edited between groups with different interests (Sahlin-Andersson, 1989), and the organisational concept of talent in an organisation is continuously negotiated and re-negotiated, so everyone can relate to the concept of talent. It might be mutually agreed that talent is essentially about being good or excellent at something, but what constitutes good and excellent, and in which context, is continuously negotiated and re-negotiated. Talent can be argued to be about being an excellent leader, about being excellent with customers, or about having not yet reached the full potential in the organisation (Appendix A, Executive 7-12). When the concept of talent remains vague, it becomes a concept, which all stakeholders can subscribe to. The vagueness of the concept builds legitimacy, as it allows for different interpretations and relevance in different context, and can be used strategically to create engagement and agreement on a concept (Sahlin-Andersson, 1989). Talent management in the APM Group and Damco is an example of this. As we saw in Chapter 1.1.1 talent management has evolved together with the organisations need, from initially being about names noted down in a little black book selected by a few individuals, which were assessed to potentially be the future CEO of the company – 'the brick memories'. To lately being about defining

strategy, positions and people through a rather extensive global process involving hundreds of people.

Many corporate talent management practices are build on advice from management consultants, who offer models, practices, and services aimed at improving, simplifying and objectifying talent management in practice. For example how to recruit the best leaders most effectively, design the most effective training, or measure the outcomes of these practices (L. Berger & Berger, 2003; Daniels & Daniels, 2007; Ram, Drotter, & Noel, 2011). These ideas are generalised and associated with influential origins and interests to make it attractive to organisations to adopt the ideas (Sahlin-Andersson, 2006). The ideas are presented as simple checklists, procedures and practices ready to implement with a certain label (Sahlin-Andersson, 2006), and are widely used in organisations, as we have seen with talent management in the APMM Group. However, the simplified checklists and best practice approach across industries might not capture the potential value of certain practices, as they zoom in on rather narrow predefined categories of value. Value is more complex and interdependent, which will be elaborated in Chapter 3. Therefore, understanding the value of talent management needs to include a broader understanding of value and an understanding of multiple perspectives at value creation. In this dissertation this is done by including multiple stakeholders' perspective, which is beyond the usual perspective of business leaders and talents.

The ontological position of social constructivism as applied in this dissertation is that talent, customer centricity and value are subjectively and inter-subjectively constructed and understood by the actors in the field. This implies that talent, and management of same, exist through the interpretations made by individuals and groups inside *and* outside the organisation. This ontological position implies a certain epistemological position and directly influences the view of what knowledge about talent management means and how such knowledge is produced. Knowledge of talent management is knowledge of how individuals and collectives perceive, define, produce and re-produce talent, value and customer centricity in action. This requires the researcher to interpret the meaning and content of individual realities (Hatch, 2006; Darmer & Freytag, 1996) based on an assumption of reality as relative. In this dissertation the researcher seeks to explore and understand the reality of the relevant actors by interviewing a range of key stakeholders in corporate talent management, which include talents, HR

professionals and HR leaders, business leaders, and customers of the company. The reality of these actors and the reality of the organisation are unfolded through qualitative and explorative interviews, participant observation, informal coffee chats during the stay in the organisation, and through documents from the organisation. Together they represent different and complex perspectives on valuable talent management, and together they take part in creating a holistic picture of talent management beyond what is defined as value in a perfect process design.

## **2.2 Research design**

The project takes a qualitative approach in gaining an in-depth understanding of the talent phenomenon in an organisation that introduces as customer focus as a way of competing in the market. This approach intends to open up for insight and understanding through systematic inquiry, a key strength in qualitative research (Merriam, 2009). The project is designed as a case study with research conditions similar to action research, which is discussed in the following sections.

### **2.2.1 Research conditions - taking an action oriented approach**

The PhD project has from the outset been problem and practitioner-oriented, and has an activist approach to it by wanting to make a difference for practice (Huang, 2010). The research conditions are similar to action research although it differs in its actual design, as we will see in this and the following section.

Action research is an umbrella term that describe a group of practices (Huang, 2010) that is characterised by a special way of working in the field, where multiple research techniques are applied with the purpose of producing tangible results and change in the field, while simultaneously generating scientific knowledge (DePoy & Haslett, 1999; Levin & Greenwood, 2007). Action research is about doing research *with* practice instead of research *about* practice (Huang, 2010). Broadly described, action research is an attempt to create understanding, interaction, knowledge, and change by a close cooperation between researcher and practice (Fuglsang, Hagedorn-Rasmussen, & Olsen, 2007). It focuses on solving practical problems, and inquiry is based on relevance to practice and participants. It is concerned with the specific context and is committed to the idea that the validity of any theory is its ability to solve real-life situations. In action research, research problems are chosen based on issues relevant in the local context. Local



participants play a key role in developing and generating new knowledge, negotiating meaning of the knowledge, and testing its validity in action (DePoy & Haslett, 1999; Levin & Greenwood, 2007).

Action research in its original form is often described as a research spiral of certain steps in which problems and solutions are continuously re-defined to intervene with practice. (Brannick & Coghlan, 2010; Whitehead & McNiff, 2009). Different authors have described the action research spiral in different ways, and no blueprint exists for how exactly to do 'real' action research (Brannick & Coghlan, 2010; French, 2009). There might be an ideal process outline, but as it is research concerned with real time process happening with real time people, a difference between ideal and reality exists. Plans seldom match the actual process as it evolves, and the project may take off in unexpected directions (Levin & Greenwood, 2007). The same has been the case in the PhD project, which more than once has taken off in unexpected directions. As a researcher, I have had to adjust research question, project, process, and stakeholders continuously to match organisational changes. For instance, during the project business priorities changed, the company supervisor left the company, an extensive amount of project data was lost on the company server, and new and more relevant talent issues emerged during the period the project lasted. Adjusting to these changes have been essential to keep the project practice-oriented, relevant, and context bound.

This PhD project has research conditions similar to action research, although differing in its design. It differs since there is no main goal of intervention, no formal workgroup of local stakeholders acting as full partners is established, and it is not planned as a rather well defined research spiral for joint learning. An essential part of an action research project is to construct arenas for joint learning. The joint learning rests on processes of collaborative knowledge generation, in which local stakeholders act as full partners (Levin & Greenwood, 2007). Nor does the researcher have a formal role as change agent, but does informally act as one. The following chapter argues that the similarities with action research are to be seen as a special way of working in the field.

### **2.2.2 Working in the field**

The talent management field is a rather new field, and it does not point in the direction of one defined method or theoretical framework to research it within.

This project researches the talent phenomenon in an organisation by being close to the field and working informally *with* practice. The fieldwork is carried out with an open and emergent approach. This implies that the research questions were framed only after having spent a large amount of time in the organisation talking to various stakeholders. More specifically, this was done by spending extensive time in the organisation the first year, talking to people, following different initiatives and discussions in the organisation, as well as collecting a large amount of data. The fieldwork started out being explorative to identify talent management issues as perceived by practice, while gradually narrowing in. While producing results for the involved parties, the research simultaneously aims at generating scientific knowledge (Levin & Greenwood, 2007) by supplementing existing perspectives on talent management as discussed.

As a way of working in the field and being concerned with practical problems and solutions, I have continuously engaged in interaction, and through this interaction influenced the organisation. Argyris et al (1985) describes this process as: '*..More precisely, he or she seeks to help members of client systems reflect on the world they create and learn to change it in ways more congruent with the values and theories they espouse*' (Putnam, Smith, & Argyris, 1985, p.98). Throughout the project there has been an on-going dialogue with the organisation, largely represented by members from the HR organisation. The dialogue has taken place as formal presentations, discussions, and through 'consultancy work' for the organisation, but to an even larger extent the dialogue has happened through informal relations and forums with employees that has shown an interest in the project. Based on the interest from individuals, countless discussions on challenges, relevance, and opportunities have taken place continuously during the project. This includes the entire process from specifying the research questions, the analysis of the data to the final conclusions. It has served as a mechanism for sense-checking relevance to practice. An example of this is that the final results were presented and tested to a group of current and former colleagues, all engaged in talent management one way or the other. Based on the discussion and their reflections and input, the conclusions were expanded and adjusted.

The approach has been not to predefine a theory to test in practice, but rather let the field – Damco – highlight areas of concern, confusion, frustration, and enthusiasm within the frame that I have labeled talent management. The project takes point of departure in problems experienced in the organisation, and



continuously invites practice into the project for input and reflection. The initial time spent in the organisation allowed me to get close to what the field insisted on being relevant. Together with my previous experience within the organisation as an HR consultant, it shaped a picture of talent management issues in the organisation. Based on this insight, the research questions were formulated – and later reformulated. Similarly, results and findings have continuously been discussed, both in more formal settings such as presentations, as well as in more informal settings such as one-to-one meetings. During this process, I have talked to a number of stakeholders in the organisation, and the conversations have been instrumental in identifying talent management issues. Following, the researcher formed the research questions, but its relevance and applicability to practice has been confirmed through presentations and discussions with both HR professionals and business representatives.

In the research project, there has been no formal structure and process designed for joint learning as described as essential for an action research project (Levin & Greenwood, 2007). The lack of formal structure has primarily been a result of differences in short-term focus and interest in the organisation, and the more long-term focus and interest in the research project. This dilemma has been discussed between the researcher and key stakeholders in the organisation on several occasions. The informal structure has served as a practical working solution for both parties, where local stakeholders have acted as partners (Levin & Greenwood, 2007). Lacking the formal structure has however not prevented a strong and rich mutual learning experience that has taken place in the more informal setup. The joint learning experience has been based on local stakeholders wanting to join a mutual learning process and has among other things taken the shape of meetings, coffee chats, and discussions on conceptual implications. All based on an ad-hoc basis and interest shown in the research. These discussions have simultaneously had an immense impact on the project in terms of identifying relevant problems, discussing validity of findings, as well as it has served as a way of continuously checking the project's relevance to practice.

Action research conditions requires the researcher to engage with the field by using own experience as part of the research process, and to be open to an evolving problem and research process based on the relevance to practice. As the next chapter illustrates, the researcher has a special obligation and connection to practice, which is even more distinctive when researching in one's own

organisation.

### **2.2.3 Doing research in one's own organisation**

An industrial PhD setup is very similar to a research setting in which the researcher is doing research in her own organisation (Brannick & Coghlan, 2010). As insider researcher you bring tacit knowledge of problems and the organisation into play as a deliberate choice in the research project (Levin & Greenwood, 2007). You have valuable knowledge in terms of cultural norms, informal structures, company jargon, critical events and most likely better access to the necessary data (Brannick & Coghlan, 2010). Due to the history of having worked for the organisation prior to the initiation of the research project, and due to the industrial PhD setup, I have had a role similar to an insider researcher. Being an insider has been a prerequisite for doing the current research project. Without the tacit knowledge, it would have been very difficult to identify the research questions initially, as they were only emerging in the organisation. Further, it would not have been possible to identify the critical cases that the analysis rests on, and it would have been extremely difficult to identify and reach contact with many of the interviewees. Partly due to many of them being senior leaders with very busy schedules, and partly due to others being more specialised and thus less well-known in the organisation, and maybe located in areas ranging from Peru to Hong Kong, far away from the Global HR team in Copenhagen. Similarly, it has been very beneficial knowing the company jargon when probing on issues, challenges, etc., and being able to understand company products and the logistic industry dynamics. An example that illustrate the benefit of knowing the company jargon is during an interview a senior customer representative:

*'(Interviewer)..and then you also mentioned that Ceva is not doing it, Schenker is not doing it, and I think you mentioned a third provider...' the conversation continues and the customer resumes his explanation: '..so I don't think it is really fair to compare Damco, do they do that, because Damco had been kept locked in a square box and business model. The test for Damco for me is to be able to answer this question in maybe a year from now, when the new contract the new SLAs has been worked with and new measures has been brought up and things like the EDC, the four PL, book to plan..' (Appendix A, Customer 2).*

Having the tacit knowledge and using the internal jargon when inquiring, opened up for a different type of conversation, not interrupted by the researcher trying to

understand what does for instance EDC or 4 PL mean, asking who Ceva and Schenker are, or what business model Damco had. This allowed the interviews to focus on content and the experience of the interviewees rather than clarification of terminology. In this way, the terminology of internal jargon becomes context and not content. The tacit knowledge provided the researcher with legitimacy in the field, which on many occasions opened up for a broader sharing of information. The conversation became more fluent not needing to spend time on clarification.

Similarly, being an insider with the trust that entails, turned out to be a prerequisite for doing this particular project, in the sense that it has been a prerequisite for gaining access to the cases and data used in the project. Researchers are often faced with two challenges when seeking access to data. One being primary access, which is concerned with access to the organisation. The other, being secondary access, which is concerned with access to certain types of essential data in the organisation (Brannick & Coghlan, 2010). Getting access to the organisation was a given due to the setup. Due to the history with the company, I have been able to participate freely in almost everything asked for. This includes sessions for the senior leadership team discussing sensitive information on the company's top leaders and business challenges. In these sessions, no one has been concerned with me being there or taking notes, despite the fact they knew I was there due to the research project. The vast majority has been very willing to participate in interviews and share their thoughts and experience with me when asked, and to a large extent they appear to be very honest in the interviews, for example sharing personal perception of the CEO (Appendix A, Executive 5). The same has been the case in the interviews with representatives from the GLT, who are very busy people and for an outside person very difficult to get an appointment with. They have been supportive and interested in the project. This kind of data access would not have been possible to get access to for an outsider. Thereby, the project in its current form would not have been possible to carry out if not taking a role as an insider and working under research conditions similar to action research.

It has been easy to get access to interviews internally in the company, whereas it has been more troublesome gaining access to interviews and participate in sessions that include the customers. Initially, the project idea was to include more perspectives from and interaction with the customers. It has however during the project development been necessary to adjust this idea and limit the interviews to

three key global customers as well as participating in five sessions with customers. To gain this access, I have had to be very persistent, and again I have benefitted from my role as an insider and previous relations in the organisation that have enabled the access to the customers.

Carrying out research as insider requires a high degree of authenticity and reflection from the researcher. The researcher will constantly have to balance between active involvement on one side, and critical reflection and integrity on the other side (Levin & Greenwood, 2007). As a researcher, you engage in a personal learning process using yourself as an instrument, when engaging in and inquiring into what is going on. As a result, you easily come to assume too much, move from insight to inclination, or feel uncomfortable asking the necessary questions and being critical (Brannick & Coghlan, 2010; Doherty, Ljung, & Stjernberg, 2006).

Being well aware of this challenge, I have set up structures to facilitate room for distance and reflection by spending a large amount of time in the organisation initially, while collecting data and developing the project. The initial period of involvement was followed by a period of retreat to the university allowing time for critical reflection, and to avoid being too emerged in the organisation, and to keep the integrity as a researcher. While primarily spending time at the university, the researcher has still spent approximately one day a week in the organisation not to become too distanced from relevance to practice. Further, I have on a weekly basis kept a log of discoveries and own thoughts throughout the project. In this, own emotions, thoughts, and potential implications, are noted, trying to be reflexive of own role, thoughts, and learning process. This has further been done to be reflexive about how change in the organisation unfolds, and the impact of my presence in the organisation. Early in the process, I experienced this was a necessity to mentally change into a role as a researcher rather than remain in the role as HR consultant (see Chapter 2.2.5.3 for examples). The log assisted me in that transition.

The following section describes how the research is designed as a case study, as well as it presents the empirical cases of the dissertation.

#### **2.2.4 A case study**

In this dissertation the empirical data is generated in a case-based framework to secure clear links and mutual benefits between different forms of data (Flyvbjerg, 1991; Ridenour & Newman, 2008) (interviews, observations, documents which is elaborated in Chapter 2.2.5.3 and 2.2.5.4 and 2.2.5.5). Choosing a case study is not a question of choosing a method, it is merely a question of how the research process is designed to answer the research questions (Yin, 2009). To answer the research question in this dissertation, which has a practitioner-oriented ambition, the case study has been chosen, as case-studies are problem and action-oriented, and create a practice-oriented foundation for theoretical reflection and problem-solving (Flyvbjerg, 1991). This is aligned with both the ambition of this project and the actual research design in the project. The case study allows the researcher to develop a holistic account of a phenomenon by using multiple methods to investigate one or more situations or social entities. (Stake, 2001; Yin, 2009). When exploring a contemporary phenomenon, such as talent management (see Chapter 4 for further details), a case study is particularly suitable, as it is an empirical inquiry into a contemporary phenomenon within its real-life context, and the phenomenon is difficult to distinguish from the context (Yin, 2009). In this dissertation it implies that talent management is studied in the organisation that it is unfolded, and in the organisation which influences talent management, and in the organisation that talent management influences. Thereby, it is studied in the context with the complexities that entails.

A case is a sample of one (Yin, 2009), and the decision to use the case study in this PhD is aligned with the ontological assumptions in this dissertation, by gaining an in-depth and extensive understanding of talent management and the value of it, as it unfolds in an organisation with a certain strategic direction - thereby doing a detailed examination of a single example (Flyvbjerg, 1991). The case study is used as an approach to explore selected cases through in-depth data collection using multiple sources and to report themes and findings (Creswell, 2013). The study is designed as a single case study within the context of the organisation and its customers. A significant step, when designing and carrying out a single case study, is to define the case itself and the units of analysis (Stake, 2001; Yin, 2009). In this dissertation, the research focuses on talent management within the context of Damco. Three selected talent initiatives constitute three single cases. Within the context of Damco, the three single cases that have been

chosen are three key talent initiatives. They each illustrate different aspects of the talent work in the organisation.

The first case is the **People Strategy Session**, which is a talent review of the global pool of Damco leaders. The second case is **IMPACT**, a 2-year development program for strong commercial talents. The third and final case, is the **Customer People Strategy Session**, which is a talent review of customer facing employees carried out by the leadership in Damco *in corporation with* a particular large and global customer. The three cases share the fact that the customer focus is represented in the talent work in one way or the other. Below the three cases are elaborated on:

**People Strategy Session (PSS)** was in 2009 a newly introduced talent process in the APMM Group, and it represented a radical shift in the focus of talent management away from a largely individually focused talent program, covering the ‘elite’ 1 % of the employees, towards implementing a ‘talent process’. Each business unit implemented the PSS in a slightly modified version, including Damco. The PSS is a talent review carried out by the GLT, in which they review and discuss people at the top level of the organisation. It is in reality a one-day meeting where the GLT members sit down and discuss and review the approximately 75 top leaders in the organisation. As part of this review, they consider the companies major needs and required capabilities, which is subsequently translated into key strategic positions. They look at this in the context of the business strategy of Damco.

The top 30% of the positions are labeled as mission critical, the middle 60% as impactful, and the last 10% as less impactful. Next, the individuals in these 75 positions are reviewed, and the GLT discuss who are the people, who have performed outstandingly? And how have the done it? And what is the future for these individuals? Then the individuals are categorised into the top 30% high performers, 60% successful performers, and 10% less successful performers. Finally, the two reviews are matched, and the GLT evaluate whether the best employees of the company are in the most critical positions, and reflect on actions for potential talent gaps (Groysberg & Abbot, 2012). Then the management team agrees on actions plans, be that development, new positions, etc. for the individuals and mapping if new employees are needed from the outside. With this initiative the organisation addresses ‘talent as leadership’, and evaluates internally



who the key players are (considered as leadership). As such the PSS represents the 'traditional' way of working with talent in Damco, which means that it is mostly a talent identification/deployment process, and less emphasis on talent development. Observing this talent initiative, provides the project with an internal perspective on what is important and why, what is appreciated, and what is really difficult in talent management as evaluated by the GLT. Lastly, as data collection takes place through subsequent years, it illustrates a variety in how the customer focus is staged and visible in the organisation.

**IMPACT** is the second talent initiative. It was launched end 2010. The aim of the program is to develop individuals, who act as enablers of the commercial journey the organisation has set out for, by driving commercial excellence and creating customer value. Impact was intended to further the company's brand aspirations of: passion for customers, dedication to service quality, energised people and differentiation (Yonger et al., 2013). These brand aspirations are consistent with customer expectations and reflect market trends (Gyorey, Jochim, & Norton, 2010). IMPACT is a 2-year global development program designed to develop the commercial capabilities of selected individuals with commercial potential. A total of three workshops are held during the first year of the program, with each workshop focusing on a specific theme. The first workshop focuses on 'A strategic perspective, insight and outstanding commercial leadership'. The second focuses on 'Building a culture of service excellence and innovation', and the third focuses on 'Developing high performing commercial professionals and teams in Damco'. Each of these weeklong workshops are structured with a blend of both internal forums hosted by various Damco regional leaders, external consultant training, and customer presentations. Observations and interviews were carried out at these weeklong workshops. IMPACT as a talent initiative addresses the midlevel of the organisation, and the aim for the organisation is to drive a new strategic priority of being commercial and customer focused through people development. In the people development DAMCO seeks to include the external perspective of the customer. In this way, IMPACT represents a changed way of working with talent development, as the customer is invited into the actual talent development. The data from IMPACT provides the project with an opportunity to study an external perspective on talent management-in-action, and this is also where it is possible to study the relationship between company, talent and customer.



**Customer People Strategy Session (CPSS)** is a similar process as the PSS, and in reality it is also a one-day session. It is a talent review of the Damco people working on a key customer - carried out in corporation between Damco and the key customer. The review is across level, geographical locations, and job tasks. The common nominator is that the reviewed people are working for the particular global customer that the review is carried out with. The aim for the organisation with this talent initiative is to focus development initiatives on the people and talents that the customer finds create the most value for them (Appendix A, HR professional 2). At the time Damco provided a large percentage of this clients supply chain needs, and approximately 75 Damco employees were working on this account (Groysberg & Abbot, 2012). This evaluation is to a large extent an external evaluation, where the customer ‘decides’ who the key player is and how to handle this according to customer priorities. As such this talent initiative represents ‘a new way’ of working with talent as something evaluated and prioritised externally. Data from this initiative provides the project with an external perspective of what is prioritised, what creates value and is on the agenda for the customer. The global talent manager tells:

*‘..end January 2011 DAMCO wants to do something to show the customer that we are doing something for the people that are working on their account, and Rolf (The CEO) promises them that we will do a PSS, and from there the PSS develops into a customer PSS’* (Appendix A, HR professional 2).

Like IMPACT, the customer PSS is a relatively new talent initiative in the business and was initiated in a period where from the Executive top was a strong drive to focus more on the customer.

The PSS is an internal perspective on talent management seen in relation to the external environment (the customer), the customer PSS is largely an external perspective on talent management seen in relation to the internal company (Damco), whereas IMPACT represents the intersection of the internal (Damco) and the external (the customer). The three selected initiatives build on each other and shed light on the talent management implications for an organisation introducing a strong customer focus from both an internal and an external perspective.

The three single cases described above (PSS, IMPACT, CPSS) are rare and worth documenting and analysing. The single case study is relevant to use when the case represents a unique case, one that is rare and worth documenting and analysing (Yin, 2009). The cases encompass the ongoing work on talent in Damco, but also address the change of focus on talent as being purely leadership to also include a strong focus on talent in relation to the customer. In this sense, the three single cases in Damco are chosen as strategic critical cases (Flyvbjerg, 1991). Traditionally, the quality of research is evaluated based on generalisability. Generalisability is about, how the results can be replicated to other areas or situations. For case studies this differ, as the aim is not to provide statistical representatives. However, an intentionally chosen strategic critical case will increase the generalisability of a case study (Flyvbjerg, 1991).

As such these cases are chosen carefully for the reasons described above. Cases chosen randomly may be typical or average cases, and they do not necessarily provide the kind or amount of information looking for. Atypical or extreme cases often turn out to provide more useful information, as they activate more actors and more fundamental mechanisms in the studied situation (Flyvbjerg, 1991). The three single cases selected for this study have been strategically chosen, as they each address and encompass two important factors in relation to the research question of the PhD, *talent management* and *the customer*. The three single cases, studied in this dissertation, are what Flyvbjerg (1991) labels as extreme cases. An extreme case is very similar to what Yin (2009) labels a unique case. An extreme case serves the purpose of providing information on uncommon cases that either is particularly problem-oriented, or particularly successful (Flyvbjerg, 1991). The two out of the three cases selected for this dissertation are selected due to the fact they include the customer in the actual talent management work, which is unique for talent work, and it has not been possible to identify similar initiatives in other companies, while working on the PhD, and while planning for the research design. Simultaneously, they reflect an emerging tendency of taking an outside in perspective in the work of the HR. The PSS itself is included as well, as it first of all is the most established talent initiative in the organisation, and second it provides an opportunity to study how the customer focus unfolds within the organization and over a period of time. Thus, for this study the cases are unique within the field of talent management, and they further seem to be very successful as evaluated by all stakeholders involved (Appendix A, Strategy document 8; PSS 2).

Instead the strength of the single example, the case, should be measured by the richness of information and problematic, including complexity of actors and mechanisms, rather than be measured on generalisability (Flyvbjerg, 1991). The Damco talent cases are rich both in terms of information and problematic. The context for this study is rich both in terms of information and complexity. First, Damco is a business unit that is part of a Group with a global reach, and which is a fortune 200 company. The Group further has, not only a solid societal position and culture, but also has strong traditions and future ambitions for investing in individual development and leadership. To add to the complexity and richness, since 2009 talent management both in the APMM Group and in Damco has been turned up side down (Groysberg & Abbot, 2012). The change of talent management within the APMM group is further elaborated in section 1.1.1. Each aspect adding to the complexity of actors and mechanisms in the context of Damco.

Second, Damco is a global company, with locations in more than 100 countries and it is a network business, in which interdependencies are strong. Third, Damco has been fighting an organisational turnaround and has set out for a change journey based on new economic conditions. Some of the key elements in this change journey are a stronger cost focus, stronger focus on internal ways of working, and a stronger focus on customers. The new and changed way of doing business, challenges and impacts every level and function of the organisation. The HR function experiences the impact on many processes and practices, also on the key strategic HR initiative such as talent management, new discussions and priorities are emerging. All elements taken into consideration, the selected case are thus rare and worth documenting. In the following section it will be elaborated on how the empirical data has been collected through the three cases.

### **2.2.5 The Fieldwork and empirical data**

There is a continues and rapid development in Damco, and therefore a cut-off date for data collection has been set as of September 2012. The main fieldwork was carried out during two periods. The first period was from April 2009 to September 2009 taking a very explorative approach with an overall focus on trying to understand the members of the leadership team reflections on ‘talent’, as well as their thoughts on the, at that time recently, implemented ‘talent management process’. This resulted in a total of 22 interviews and many pages of field notes.

Unfortunately, all the interviews and the many of the field notes from the participating observations were subsequently lost at the company server due to technical problems, and never retrieved. Following, parts of the data has been reconstructed based on fragmented notes, old print outs, and a WIP-paper. Loosing the data led to (needless to say) a very high degree of frustration, but also to further data collection. The second period of fieldwork took place from April 2011 to September 2012, this time the fieldwork was more focused and primarily zoomed in on talent in relation to the customer.

#### ***2.2.5.1 The process of identifying and collecting data***

As a result the three selected talent initiatives were identified relatively late in the process. The project set off in 2009 with a very open and explorative approach, and I collected the first data during spring and summer 2009. The initial phase was characterised by what Spradley (1980) labels ‘descriptive observations’ in his terminology on ‘changes in the scope of observations as the project evolves’. I was part of and observing the field where talent management comes into play. This meant that I had a desk in the organisation, I followed the same work hours as the rest of the organisation, I participated in almost every team and department meeting I could join, Town Halls, HR forums, listened in on presentations and discussion on various subjects ranging from performance to talent, engagement, definition of processes, implementation strategies, etc. both in Damco and in the A.P. Moller – Maersk Group. Further, I participated in the rollout of a new leadership talent process in Damco in 2009.

Simultaneously, on a more structured basis, I interviewed HR professionals and business leaders on their perceptions of talent. As my knowledge and understanding of the phenomenon increased, and the project moved forward, my observations gradually became more focused. The observations turned into what Spradley labels ‘focused observations’ (Spradley, 1980), in which I chose to follow one business unit (Damco) and use this as a the context, and not the entire A.P.Moller-Group, as I originally set out to do. Similarly, a certain perspective of talent management was chosen to focus on, not the process or the individual talent. After approximately a year, these initial observations and interviews led to a more focused and semi-structured observation process. This is where the three talent management cases were identified. The themes and discussions to observe through my daily interaction in the organisation were identified, and focused on

certain meetings and presentations, discussions on customer and talent, and what was considered as a value-add and how in the organisation.

#### ***2.2.5.2 The data***

The main fieldwork activities that have been carried out are participating observations, interviews, informal conversations and collecting documents in the organisation. These have largely been collected through the three different talent initiatives that respectively represent a more traditional way of working with talent as leadership in an identification approach, secondly a more emerging way of working with talent as ‘commercial development’, and finally talent as seen from the customers point of view.

The aim of the study was to gain an in-depth understanding of the talent phenomenon embedded in an organisation introducing a customer focus. As we see in Chapter 4, talent management is often both within academia and in practice focused on the individual and how to attract, retain and develop the individual. This results in a focus on understanding the motivation of individuals, or more consultancy-oriented approaches, in which process optimisations are suggested. This project sets off with a different approach and assumes that talent is contextual and a social construct. To cover this, the fieldwork activities represent a combination of participant observation, qualitative interviews with actors engaged in the talent initiatives, as well as informal conversations and documents from within the organisation. A majority of the actors are internal, but also customers are included. The data collected is summarised in the below table:

**Table 1 - Collected data**

<b>Data</b>					
<b>Type of observation</b>	<b>No</b>	<b>Interviews</b>	<b>No</b>	<b>Type of document</b>	<b>No</b>
<i>Global talent workshops and global talent sessions</i>	6	<i>HR professionals and HR leaders</i>	21	<i>Intranet messages/uploads</i>	8
<i>Global HR forum</i>	3	<i>Executives and commercial leaders</i>	15	<i>E-mail correspondence</i>	5
<i>Centre HR meetings meetings</i>	20	<i>Talents</i>	10	<i>Newsletter</i>	11
<i>Global leadership forum</i>	1	<i>Global Customers</i>	3	<i>Internal/Strategy documents</i>	10
<i>Commercial leaders presentation</i>	3				
<i>Customer presentations</i>	5				
<i>Phone meetings</i>	2				

The above table presents an overview of the data collected and the types of data collected. In Appendix A, the context for the collected data is elaborated in further details. This appendix further contains an overview of how the data is referred to, when used in the dissertation, explicating the reference to the actual interview, observation, etc. Despite the critical information gained from the three cases and the data summarised in the above table, it is essential to point to the fact that my fieldwork experience is based on more than the three primary sources of information listed above. It is based on being part of the field over the entire duration of the project, and last not least an unknown number of informal talks over walks, coffee, and lunches. These observations and interactions were not all recorded, noted down, transcribed and coded. They do however constitute an essential contribution to the project, as they form a significant part of my experience. In the dissertation when reference is made to some of the more informal chats that were not recorded, it is stated with ‘field notes, year and topic of the talk’. The above table also contains some data, which is not specifically referred to in the analysis, however as was the case with the informal talks, this data also form a significant part of the experience and thus is contained in the table.



Table 1 - Collected data above contains three types of data collected through two techniques (observations and interviews), as well as one type of data, which is documents collected in the organisation. All three types of data are subsequently used in the empirical analysis of the dissertation. The following three sections elaborate on how the types of data have been collected.

### **2.2.5.3 Observations**

Participating observation is a particular suitable method for case and field studies, in which a holistic understanding of the phenomenon under study is sought after (Andersen, 1999). The method rests on an assumption of context understanding as essential when creating knowledge (Greve, 2011). To gain the in-depth understanding of the social praxis of talent management as well as the contextualised rules and motivational structures for this praxis, I have chosen to participate actively - and at times less actively - in the field. The qualitative observations are a mean to describe and understand the implications on talent management in an organisation introducing a customer focus.

Participating observation is a method with roots in several research traditions (Bernard, 2011), and an exact definition or one agreed on standard does not exist (Kristiansen & Krogstrup, 1999). Warming (2007, p. 317) describes participating observation rather broadly as: *'the scientific practice where the researcher's concrete presence and sensing of the contextualised social issue being studied are considered part of the method rather than merely a condition that is either ignored or viewed as problematic'* (own translation). This description of participant observation captures the conditions for this project, where the researcher uses the presence in the field to uncover and discover the contextualised rules and structures. Hence embracing the presence as part of the method and research strategy to engage actively with the field. Engaging with the field becomes a way of working in the field and a premise for the study, as illustrated previous in this chapter. Merriam (1998) suggests that it is not a matter of the impact on the participants in the observed situation rather it is a matter of how the researcher accounts for the effects. Similarly, (Patton, 2005) suggests that the researcher reflects on and state own role in the field, the level of openness to the field both in terms of the fact they are being researched, as well as the purpose of the research, the length of the study and the degree of focus in the observations. In the following, I will be reflecting on my role, impact on the field, and how the observations have unfolded during the project.



In the three cases, I have been observing, I have been presented as being part of the Centre HR team, while doing a PhD-project on talent management. I have been introduced either by the Global Head of HR or the responsible HR consultant. They have shared what kind of role I would take up during the session, e.g. assisting with practicalities or documenting discussions for follow up and implementation, without providing further details on me or the PhD-project to the participants. At no occasion, did I experience any hesitation or heard concerns about my presence, no matter if they were very senior business leaders or less experienced business or HR professionals. I did however on a regular basis experience participants during breaks asking me what my research more exactly was about. Similarly, through my daily interaction in the organisation, people often approached me and asked how the project was progressing, and what I actually worked on. To me it seemed more out of interest than resistance, and when asked, I shared the project-focus with the interested parties.

The role, I have taken as an observer, has changed slightly through the different initiatives. According to Kristiansen and Krogstrup (1999) the researcher can in some instances benefit from changing between different roles. I did experience it as easier to gain access to the different sessions, if I suggested to take up a role as documenting and providing a helping hand when needed. The first ‘gatekeeper’, in getting access to the data, was the Global Head of HR and often it seemed that he would be more comfortable allowing me to join, if I took up an active role, and in this way it was easier for him to explain my presence to the participants.

Gold (1958) labels four typical participant roles one can take up as a researcher. Each role represents a way of interacting between researcher and field. The role that most closely reflects the role I took up during my field studies in the three initiatives, is a role as ‘participant as observer’ (Gold, 1958). In this role I deliberately move away from ‘the fly on the wall attitude’. The different sessions had a tight schedule with one facilitator or presenter setting the scene, and my role in the session was mostly centered on capturing points and discussions. During breaks, I had the opportunity to ask the participants questions and as such taking up a more visible researcher role. I made no effort to hide that I was researching, however due to my history with the company, it seemed that the participants mostly saw me a part of the HR team on some kind of undefined educational leave. For me this was a good role to be in, as it was considered natural and

normal that I was curious. During the actual session, I had the official role of notes-taker for the company, which simultaneously allowed me to make notes for the project without creating a strange atmosphere, when actively writing down notes.

Being close to the field and collaborating with the field hopefully allows me to present new and interesting empirical material (Davis, 1971), contributing to the academic field (Barley, 2006), as well as contributing to practice. As already discussed in this chapter, being close to the field and collaborating with the field is circumstanced by the industrial PhD setup, but also by the fact that I have been an integral part of the company prior to the start-up of the PhD. The result is that many already know me and I'm less scary in this way, but also due to my weekly appearance in the company, they more or less consider me part of the company, as I'm able to have a conversation in same terms and comment on daily problems. Merriam (1998, p. 103) refers to this role as a 'schizophrenic activity', as the researcher participates in the field, but not to an extent that the researcher becomes too absorbed and consequently not able to observe and analyse the field notes. This label describes very well the research setup throughout the research process. To manage and cope with this situation I have held a log (see section 2.2.3). Similarly, in the situations where I have used participant observation, I have clearly highlighted the sections in the notes that have to do with my own thoughts and feelings in the situation. An example is in a talent session, where notes taken show that the mental change from consultant to researcher requires awareness: *'I notice that I wonder why the facilitator did not fix these things at an earlier point in time. I'm embarrassed by the lack of structure in the session.'* (Appendix A, PSS 2). These notes exemplifies the difference between being a researcher and a consultant – and trying to be reflective about the difference. Clearly the lack of structure is irrelevant to the researcher exploring talent management, whereas the lack of structure in a talent session is highly relevant to a consultant trying to facilitate a talent session through to outcome and actions. As the project progress, my role as naturally integrated in the company gradually changes. I'm invited for fewer meetings, and I have experienced a slightly stricter concern about what kind of documents and meetings I get access too, for example when new colleagues join the team.

Based on the more structured observations in the three talent initiatives, as well as the less structured observation in the organisation, field notes have been taken.

There are many instructions on how to do ‘proper’ field notes and typical ethnographic approaches stresses the importance of ‘thick descriptions’ of a given culture (e.g. Maanen, 1988). However, since this dissertation does not aim at discovering an unknown culture, but rather at exploring the complex praxis of talent management, the approach to constructing the field notes are pragmatic and selective, which is guided by central practical problems and topics. The selectiveness is based on the researchers predetermined knowledge of the field (see section 1.2 and 2.2.3). However, a certain focus has been applied in the observations. An observation guide has been developed for each observation of the different talent initiatives. The first guide was developed on the basis of current themes in the organisation, as well as previous collected interviews. The second and third guide, were very similar to the first, but were adjusted based on persistent themes in the first observation. Main purpose with the observation guide was to provide a structure for and an overall theme focus for the researcher to pay special attention to during the sessions.

According to DeWalt and Dewalt (2002) participant observation is a method ‘*..to develop a holistic understanding of the phenomena under study that is as objective and accurate as possible given the limitations of the method*’ (DeWalt & DeWalt, 2002, p.92). They suggest to combine observations with other techniques, e.g. interviews and document analysis. Documents and interviews also accounts for a large part of the data material in this PhD. The following section clarifies how interviews were used to collect data for this dissertation.

#### **2.2.5.4 Interviews**

Interviews formed an important part of my fieldwork, and are used extensively in the empirical analysis of the dissertation. Interviews can be described along a continuum, where an interview can be placed somewhere between unstructured and structured (e.g. Kvale, 2009; Patton, 2005). Traditional sociologists describe the necessity of taking a structured approach to an interview where certain steps are predefined, and a ‘how to interview approach’ exists (Denzin & Lincoln, 2000). For example one must identify insiders to talk to, gain knowledge of the context and build trust with the field (Denzin & Lincoln, 2000; Opie, 2004), create clearly structured questions (Cohen, Manion, & Morrison, 2007), and listen actively (Clough & Nutbrown, 2007). In the more unstructured approach to interviews, an interview is described as something ‘*persistent, slippery, unstable,*

*and ambiguous from person to person, from situation to situation, from time to time'* (Scheurich, 1997, p.62).

The observations of natural occurring events (participating observation) is an advantages when wanting to gain a deeper understanding of what goes on in social practice (Alvesson, 2003), but the insights from the people being studied is necessary to understand meanings and ideas that guide behavior and practice (Alvesson, 2003; Bryman, 2008). In this dissertation, semi-structured interviews (Bryman, 2008; Kvale, 2009) are used to explore insights from key stakeholders in the practice field of talent management – the key stakeholders share their experience and reflections on customer centricity and talent management, which include both reflections on a more generic level, but also their experience and perceptions of specific events/interaction. The semi-structured interview is based on predetermined themes, yet it allows for flexibility to explore subjects within the themes, and assists in keeping the flow in the interview (Bryman, 2008). In a semi-structured interview, it is essential to keep the flow in the dialogue as well as it is to ensure all topics are covered (Darmer and Freytag, 1996). For this purpose, an interview guide was created for each type of interview (talent, customer and learders) to ensure that the overall themes were covered. Further, they provided a frame for myself to ask within. However, the interviews were carried out as open and explorative as possible in order to let the interviewees talk about the issues they found important and relevant within the themes of customer focus and talent management. The interview guide contained relatively specified questions, which mainly served as a guideline in case some of the interviewees needed additional guidance to talk. I let to a large extent the interviewees define the order and topic of relevance to them, in order to keep the flow in the interview. Further, the prescribed steps in how to carry out an interview (e.g. Denzin & Lincoln, 2000; Kvale, 2009; Opie, 2004) where not all relevant, since I had work for the company prior to the PhD-project and partially on projects as consultant through the project, I had a well-founded background knowledge around the organisation, the Group, talent Management in the company, and in this way I had little trouble asking questions about it, knew many of the insiders, and in general experienced a high degree of trust (particularly if involved internal stakeholders as discussed above).

During the project in total 48 formal interviews were conducted with different stakeholders. The interviews are here referred to as formal, as they differ from the innumerable conversations that took place that was not scheduled, and themes not

predefined. In the formal interviews all the interviewees prior to the interviews received an invite for an interview (oral or written), a separate room was booked for the interview, an interview guide was developed, and the interview was recorded and subsequently transcribed and coded. The interviews were carried out with a range of key stakeholders in talent management in the organisation – the talents, the commercial leaders, HR professionals and leaders, and last not least global customers. Each of the interviewees represents a different perspective on talent in relation to the customer focus. The talents are the group that assumingly are to create added value to the company through the customer focus, and the group with the actual customer contact. For more details see Appendix A. Executives and business leaders are the group that decides not only who are talents, but also the ones ultimately responsible for business value and the customer focus. In the dissertation a distinction is made between executives and Commercial leaders. The Executives are the top leaders of the organisation, which has a responsibility that goes beyond the commercial function, whereas the commercial leaders are also global leaders both within the commercial function. For more details see Appendix A. HR professionals and HR leaders are the owners and facilitators of talent management practice and process. Again a distinction between the two groups is made, the HR professionals are senior HR people, who influence the HR agenda, and the HR leaders are the top HR leaders who not only influence, but also own and define the HR agenda. For more details see Appendix A. The customers provide the external perspective of talent management *and* value – and should be almost naturally considered in an organisation that introduces a customer focus. The interviews of these stakeholders have first and foremost taken place in relation to the three defined talent cases (see section 2.2.4), but they have also taken place between talent sessions, in the everyday of the organisation as well as in the initial phase of the project, when exploring the practice field of talent management. The interviewees from the customers all represent large global customers and are part of the customer senior leaders.

The way these interviewees have been identified varies according to the stakeholder group they belong to. The interviewed talents are all part of the IMPACT talent initiative. There are 38 talents participating in IMPACT, which come from different commercial functions in the organisation, from different regions, and with different experience. In order to capture the different nuances they potentially provide, I planned to interview at least one from each function (e.g. commercial or operation), as they expectedly will have different interaction

with the customer and different experiences. Another requirement was to include most regions so both developing markets and developed markets would be represented. Again as the customer contact expectedly vary. For instance most of the major retailers are located in the North America and Europe, and their engagement with the company is very extensive (e.g. extremely complex supply chain solutions), whereas in many emerging markets the typical customer is much smaller and the engagement with the customer is more in terms of moving a box from A to B. Prior to the workshop, I had initially identified eight potential interviewees based on input from the project manager in terms who was able to express them self well enough in English. However, I did not identify the final interviewees until after the second day at the workshop. At this point in time, I had had a chance to informally chat with many of the participants and participate in some of the sessions. It was a decision made in order to improve their level of trust in me, and for me to get a feeling of who the different participants were and their background beyond what was possible to see in the files that were with the program manager. During breaks and lunch, I approached them and asked them if they would be willing to share their experience and reflections with me. Everyone said yes, and most seemed honored to participate.

The customer interviews were all set up in relation to the talent workshops, where they were invited to participate, give a presentation and to enter into a dialogue with the participants. The customers are all customers with a global footprint. The way the interview was setup was two out of three times by a customer was invited to give a presentation at the workshop, and share their perspective with the participants. Following the presentation, I interviewed this customer to explore his or her view and experience of being part of a Damco talent initiative. Prior to the workshop, the talent project leader had facilitated the contact to the global account manager (for that particular customer), who then would have asked the customer if they wanted to participate. From the very start, I was determined to include a customer perspective into the project, and the interest was even further triggered by the very hesitant reaction in the company, when I asked for permission to talk to the customer. It turned out to be rather challenging, as it was considered 'dangerous ground' to ask the customer for this. Due to the importance of this perspective, I persistently pursued this opportunity. When I finally met the customers, they were all more than happy to share their thoughts, shared their business card with me, and invited me to reach out to them at a later stage if needed further elaboration.



The company perspective is relevant to the project, as it set the scene for what is considered valuable, relevant and is prioritised to drive within the context of the company. To include this perspective, I interviewed both HR and business leaders. The HR interviews were less formally set up than the remaining interviews. This was due to the fact that many of them had previously been my colleagues. To ensure a flow in the conversation and to avoid an artificial situation in which the interviewees did not feel comfortable sharing the reflections, I asked them if they would have time to talk with me for example the next day, and then I would in advance have defined the themes to be covered. The HR interviews took place continuously throughout the project. The HR representatives interviewed included project managers for talent initiatives, as well as global head(s) of HR, as they are the 'organisational owner' of the talent initiative. From the business, senior leaders were interviewed both from the Headquarter as well as from the regions. The leaders were selected partly based on their hands-on experience with talent management, partly based on their responsibility to drive it in the business, and partly based on the engagement with specific talent management initiatives. Each of the interviewees were contacted either by email or approached by face-to-face contact depending on their geographical locations. All were more than willing to participate, and offered additional input if needed.

For every interview, I had booked an actual meeting with the interviewee and booked a separate meeting room. I briefed them that I was researching talent management and customer centricity and using talent management in Damco as a case. I was interested in hearing about their experience with both customer centricity and talent management in general. After the first interview, where a participant started evaluating course content from one of the talent workshop to me, I included in the briefing that my interest in talking with them was from the PhD project point of view, and not to make an evaluation report for the project manager. This worked well, and they opened up for broader discussions and shared broader reflection. Setting up a formal appointment turned out to be useful in my fieldwork, as the work context often put constraints on the interviewees in terms of time, space and focus. The formal appointment was a forum for a more focused, extensive and in-depth conversation, where the respondent had set aside time, and I had the opportunity to ask more details about their experience and perception of both more abstract items as well as specific events or initiatives. Simultaneously, it was a natural opportunity to ask for permission to record the



conversation, which they all gave their permission to. The interviews lasted between half an hour and an hour and a half.

For each interview the aim was to create a very informal atmosphere and little like an interview, and more as a conversation between two professional peers. Partly, due to the fact, I have worked for the company, and in some cases worked with some of the interviewees. Thus, pretending to be ignorant about the subject and the company would be very untrustworthy and awkward for everyone involved. Partly allowing their real reflections to surface instead of standard corporate answers, which professional interviewees are likely to produce (Darmer & Freytag, 1996). In general people seemed very honest in the sense they shared rather personal experiences and challenges with me as well, which to me indicate a high level of trust. Nevertheless, in particular with the business leaders, the customer and HR leaders, it was clear that their corporate role is to set direction and provide answers. In some cases the interview took what could be characterised as a detour, despite the very open and exploratory approach. On the contrary, in a few of the interviews with the talents there was a clear power asymmetry (Kvale, 2009). This was attempted mitigated by asking more about their everyday, and immediately they seemed more comfortable in the situation.

The interviews were both in Danish (with native Danish speakers) and in English (with all other nationalities). When Danish quotes have been used in the dissertation, they have been translated into English in the writing process. The interviews have been transcribed by the researcher herself, and have subsequently been coded in NVivo also by the researcher (for further elaboration on the coding process see section 2.2.5.6). All interviewees have been promised to be anonymous and therefore when referring to names e.g. in quotes, these names are fictive.

#### ***2.2.5.5 Documents***

The third type of data used in the project is documents from the organisation. The different types of documents are chosen as they capture organisational priorities and focus areas. The documents collected to this dissertation falls into four different categories, which each has its relevance and provide an important context, when exploring the value of talent management in an organisation introducing a customer focus. The first category regards documents related to the strategic direction of the company. This is a highly relevant context for discussing

the value of talent management, i.e. in which context is value to be understood and perceived. Further this is how the Damco executives frame the future direction of the company. The second category regards documents related to the HR strategy and talent management strategy. This is relevant as it is a way to see what the organisation prioritises and formalises a key in terms of talent management and HR strategic direction. The third category regards documents related to driving commercial capabilities. This is relevant as this is how the organisation articulates and prioritises what the customer focus is and how to work with it. The fourth category regards written communication widely shared internally in the organisation, for example through the intranet. This is relevant as these documents illustrate what is emphasised in the communication to the employees, who essentially are the ones driving the customer focus. It has been fairly easy to get access to all four categories of the documents. I have been given more or less free access to even internal strategy documents, documents on personal items (e.g. talents), since I have been considered an ‘insider’ (see section 2.2.3). When referring to personal or company sensitive information in the dissertation, the material has therefore been made anonymous out of ethical consideration (Kvale, 2009). For same reason, when details on the interviewees are listed in Appendix A, gender and specific country is not mentioned. If it had been listed, it would in some cases be possible to identify individuals, who have been promised anonymity. Instead the regional area where the country is located is mentioned, and the functional title and responsibility is listed as contextual factors.

#### ***2.2.5.6 The analytical process***

After having collected the empirical data (observations, interviews and documents), the transcribed interviews, the field notes, and the documents have been coded in Nvivo. The coding in NVivo has taken place as a content analysis without predefined categories, and categories emerged during the coding process. The coding process started out with very open empirical codes, which initially resulted in 82 very broad and overall codes. These codes were then explored further through different steps. First, by exploring dominating themes. The dominating themes were a result of a large number of total references in certain codes. For example after the coding of the interviews at the first talent workshop, it became clear that customer value and relationship were dominating codes, as the total references in these codes significantly exceeded other codes. Second, by exploring themes and patterns for different stakeholder groups in the codes. Different stakeholder groups were explored by looking at patterns across the codes

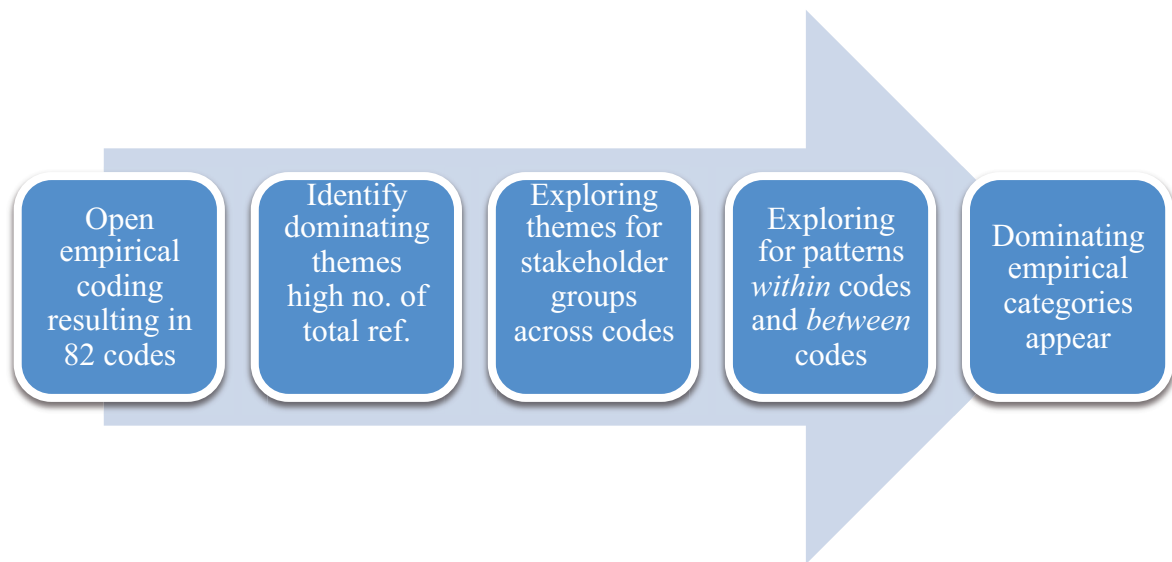
that the customers mentioned and emphasised, patterns in the codes HR leaders emphasised, etc. Third, by searching for themes and patterns *within* the codes, combined with search for patterns and similarities *between* the codes. As an example of this, it became clear that some of the initial codes (amongst others: collaboration, trust and teamwork, relationship) had many similarities and could be further grouped into one category, which then again at a alter stage was later developed into categories. The below table provides an illustrative snapshot of this process:

**Table 2 - Example of narrowing down the codes**

Text example contained in initial code	Initial code	Merging into code	Final Category
<i>Our customers are increasingly international and they expect us to work in the same way. So, as we approach 2012, building the collaborative spirit across Damco remains vital - this is the engine of a cohesive and efficient network</i>	Collaboration	Relationship	Connecting
<i>Trust is key for the future – and in order to earn it we need to be less rigid in operations and extremely flexible in solutions</i>	Trust		
<i>In our focus story on building global industry verticals, Steve and Claus describe how we are reorganising to grow faster with existing and new customers in key industries. That will only be possible by building effective virtual teams across the organisation that focus on pursuing and winning large new pieces of business and offering more to our existing customers</i>	Teamwork		
<i>The strength of the relationship is very good, we had success with selling Forwarding solution to SCM customer. The relationship is so important. They said, you do well on business, now we see you put the money where the mouth is, we give you more business</i>	Relationship		

This table is an illustrative snapshot of how the coding and analytical process evolved, and where the 82 initial codes gradually were narrowed down to more closed categories. In this process for example collaboration and teamwork was similar and therefore ended up in the same category. During this process dominating categories gradually appeared in the coding, which were used in the analytical process together with theoretical concepts, as described later in this section. The process for exploring the empirical codes is illustrated below:

**Figure 1 - Process of exploring empirical codes**

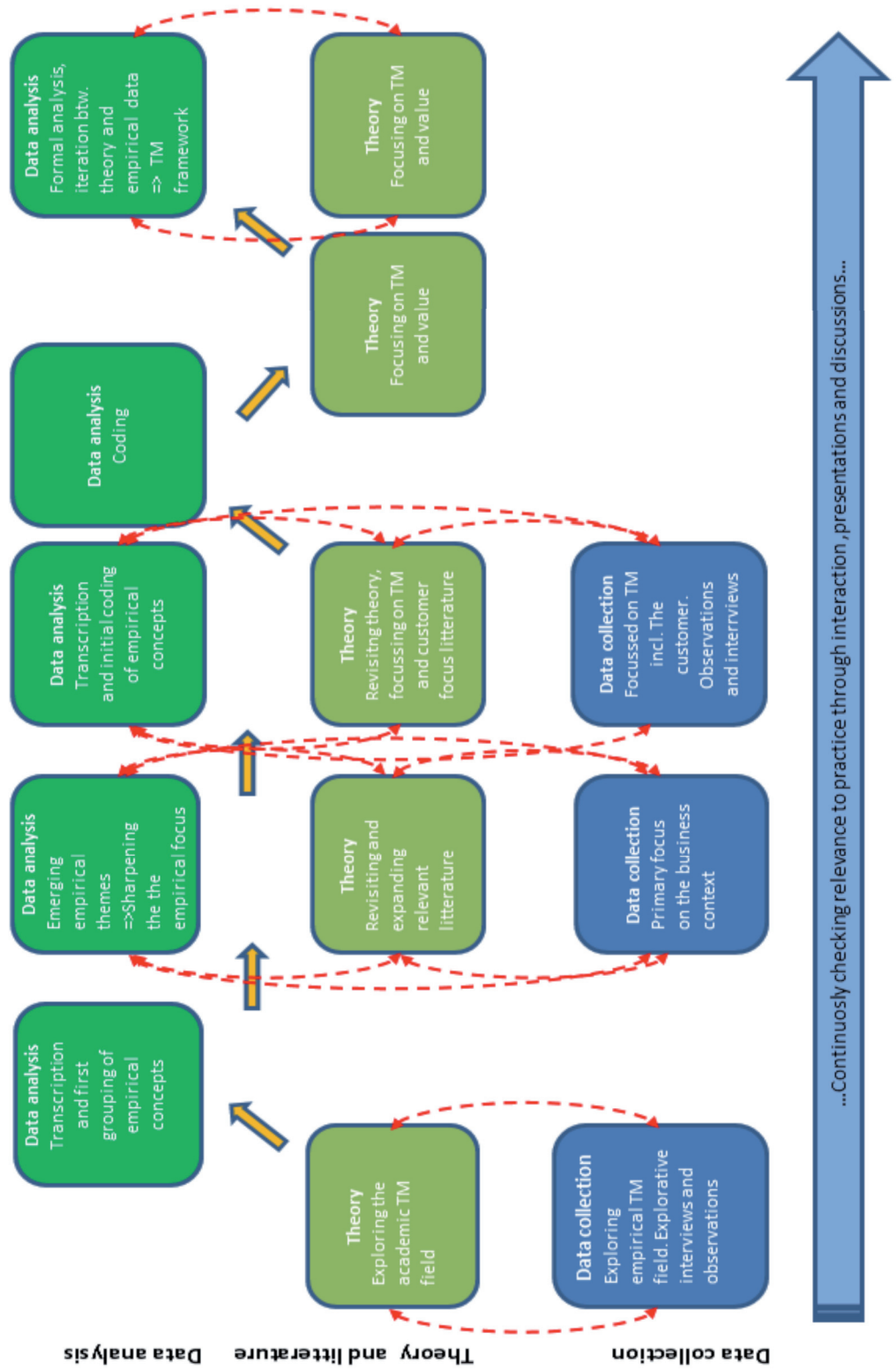


The analytical process in this dissertation was characterised by an iterative dialogue between the empirical codes and theory, which influences both the process and the outcome. Through this process the codes gradually evolved into more closed categories. Ultimately, it resulted in the talent management framework that partly structures the empirical analysis of the dissertation (see section 5.4), and partly suggests new possibilities for value creating talent management. Consequently, the analysis and the framework used to structure the empirical analysis are the result of an interaction between theoretical concepts within talent management (Chapter 5), value (Lusch & Vargo, 2009; Thompson, 2003; Vargo & Lusch, 2004; Vargo, Maglio, & Akaka, 2008), and the empirical material. The framework will further be elaborated in section 5.4.

The iterative dialogue between empirical data (practice) and theoretical concepts (academia) characterises both the intention with the project and the actual research

process and research project, as discussed in this chapter on the methodology and research design. The below figure sums up the research process in the project, and it reflects how the iterative dialogue between practice and academia is incorporated into the research design as well as into the research process:

Figure 2 - The research process



The figure above displays the research process in this PhD project. It visualises the process for how empirical data has been collected, analysed and engaged with theory. As it has been discussed in this chapter on the research design of the dissertation, the process is characterised by an empirical research design, in which the research takes place under certain research conditions similar to action research, and where the researcher takes up a specific role in the field. Figure 2 above illustrates that during the process three research modes (data collection mode, theory and literature mode, and data analysis mode) have been applied through the different steps in the research process. Often, two modes, for example theory and data collection mode have been applied simultaneously. This has led to an iterative interaction between theory and empirical data, where these have informed each other. Similarly, due to the practitioner-oriented ambition with this project and the research design reflecting this ambition, there has been an ongoing interaction (formal or informal as described in section 2.2.1) with the practice field of talent management to ensure relevance to practice. The figure thus summarises the discussion on the research design in this chapter, and hence the details within this process are elaborated previous in this chapter.

Having discussed the philosophical underpinnings of the dissertation in the context of a moderate social constructivist perspective, as well as having discussed the empirical research design, the dissertation now move towards a discussion of the theoretical field of talent management. However before doing so, the following chapter will discuss the concept of value, which provides a frame for discussing the value of talent management.

### **3 On value**

This chapter examines the concept of value. The purpose of the chapter is to be able to define value as it is to be understood in this dissertation. Exploring the value of talent management in the dissertation, one needs to address the concept of value. Value is an ambiguous concept; it is difficult to pin down and brings forward several challenges. Therefore, initially, section 3.1 will address the challenges associated with studying ambiguous concepts. This is followed by a brief look at how value is dealt with in the literature with the purpose of defining ‘value’ in the context of this PhD. The aim of this particular dissertation is not to discuss, clarify or suggest a new understanding of the concept of value. Rather, it



is to discuss the value of talent management, and in order to do so, it is essential to explicate how value is understood in the context of the dissertation. Finally, section 3.2 will take up value as it has been dealt with in the strategic management literature, as this literature serves as an important business strategic context for exploring the value of talent management. The section will briefly look into how the concept of value has been displaced within the strategic management literature. This is done first of all to provide a frame for understanding how the strategic management literature deals with the achievement of competitive advantage, and thus with value and value creation. Achieving a competitive advantage is also an often referred to, and an underlying argument pro talent management, both in academia and in practice (e.g. Coulson-Thomas, 2012; Tarique & Schuler, 2010; Whelan, Collings, & Donnellan, 2010). When discussing the value of talent management, it is therefore necessary to gain an understanding of the business strategic context, in order to understand how talent management potentially confers a competitive advantage. Secondly, it is done to illustrate that value is not dealt as an isolated phenomenon in the talent literature. Instead, it expresses a broader and more general displacement of value, which also occurs in the strategic management literature. Finally, section 3.3 and 3.3.1 introduces the Service-Dominant Logic (SD Logic) as an alternative understanding of value and elaborates on how it was indented within the field of marketing with the purpose of linking the perspectives on value to the talent management discussion later in the dissertation. Before doing so, the following section discusses value as a concept.

### **3.1 Value as a concept. Defining value**

Value is an ambiguous concept, and according to Koselleck (1982) the notion of concepts must be distinguished from the notion of words. Concepts are tied to words, but they do not equal words. Words and concepts differ, as words work unambiguously in practice, and can be applied in different contexts. Concepts, on the contrary, remain ambiguous, also when applied in a certain context. Concepts may contain multiple meanings, and the concept of value, for example, may refer to anything from personal values to economic value.

Concepts are words, but they are more than words: *'each concept is associated with a word, but not every word is a social and political concept. Social and political concepts possess a substantial claim of generality and always have many meanings'*. (Koselleck, 1982, p 418). This implies that concepts can be interpreted

from different positions in a given context. For example, in the context of corporate business, the concept of value is addressed from many different positions, including employee value, ethics, customer value, and shareholder value. Because concepts are ambiguous, they form the conditions for the unfolding of a continuous semantic battle between the different positions of a concept. The winning position gets to define the meaning of the concept, which offers a possibility to load the concept with content (Andersen, 1999). In this manner, value as a concept can be loaded with both intangible and more tangible elements. In a corporate business context, value is most commonly referred to as shareholder value, which makes this the dominant position of value in this context. The position of value as shareholder value defines a direction that manages and prioritises corporate processes and practices.

Concepts have counter-concepts. A counter-concept is a concept that is in opposition to a given concept, for example male/female or Christian/Heathen (Andersen, 1999; Koselleck, 1985). A concept achieves its meaning through its counter-concept, and in order to understand a concept the counter-concept must be considered. To put it into somewhat black-and-white terms, if value is typically understood as shareholder value in a corporate context, that might imply that what is *not* shareholder value, is not value. This understanding of value may give rise to challenges in an organisation that wants to compete in the market with a customer focus, as the customer focus might entail different positions on value. Both concept and counter-concept can over time transform and change, which makes both concepts and counter-concepts flexible constructs. Thus, both contain an ambiguous, dynamic element, which allows for manoeuvring and adjustments over time (Andersen, 1999). An example of the ambiguous and dynamic element in the concept of value in a corporate context is that value is increasingly discussed in broader terms than shareholder value, branching into ethics, employee relations, environmental issues and stakeholders (e.g. Pfeffer, 2009). The concept of value thus adjusts and varies over time to match variations in context.

Evidently, value is an ambiguous concept, multiple positions exist on the concept of value, and the concept of value evolves and changes over time. Research on value and value creation is multi-faceted, fragmented and diverse (De Chernatony & Harris, F. & Riley, F., 2000; Payne & Holt, 2001). Focusing on value in the literature, one is struck by the many interpretations and approaches to it, and thus

following value will be defined as it is to be understood in the context of this dissertation.

The literature contains numerous positions on the concept of value. The broad scope of contributions on value is evident from an article search on Business Source Complete, where a search for peer-reviewed articles produces 242,070 articles on 'value'. The first article dates back to 1886, and since then, articles have been added continuously until today. Clearly, value is considered a significant topic in the literature. Value is discussed in a variety of fields and referred to in a variety of ways. References to value in the literature range from intangible value, such as value practices related to cultural and cognitive values (e.g. Gehman, Trevino, & Garud, 2013), to tangible value, such as accounting practices (e.g. Lilien, Sarath, & Schrader, 2013). Taking a small sample of the wide variety of references to the concept of value in more recent academic literature, the extent to which value is discussed is substantial. Value is discussed in terms of how to capture value, e.g. within IT technology (e.g. Drnevich & Croson, 2013) or in relation to crowdsourcing (e.g. Afuah & Tucci, 2013); in relation to the network of products (e.g. Oestreicher-Singer, Libai, Sivan, Carmi, & Yassin, 2013); as leadership value (e.g. Carter & Greer, 2013); in the context of service innovation (e.g. Dotzel, Shankar, & Berry, 2013); in relation to sustainability (e.g. Florea, Cheung, & Herndon, 2013); in relation to accounting practices (e.g. Louis, Sun, & Urcan, 2012); and in relation to the effort to drive value creation through digital business and virtual communities (e.g. Keen & Williams, 2013; C. Porter, Devaraj, & Sun, 2013). Thus, the value discussion is unfolded in a wide variety of ways and across many different disciplines and fields.

The approach to value and value creation in the literature can be divided into two fundamental models, each with its own underlying logic. The two models are labelled, respectively, the *rational systems* model, which is a model that rests on an assumption of organisations as closed systems, similar to a production logic, and the *natural systems* model, which rests on an assumption of organisations as open systems (Thompson, 2003). Most organisational literature is developed in the search for efficiency and productivity in organisations, e.g. Scientific Management by Frederick Taylor (Taylor, 1911). This literature is characterised by a rational logic and an assumption of the organisation as a closed system. The goal of certainty and predictability is pursued within the rational systems model. The aim

is to predict accurately a given state of the system at a given time; therefore it is essential to minimise uncertain variables and relations and to be able to understand, predict, and control all variables and relations. Pursuing predictability and certainty requires a closed system, if not entirely closed, then at least with maximum control over impactful external relations and variables (Thompson, 2003). Value within the rational systems model is internally found and defined, it is tangible, and it lends itself to being optimised through control and measurements. This underlying logic of value and value creation is dominating in the talent management literature, which will be explored in Chapter 4.

In contrast, the natural systems model operates with open systems and assumes uncertainty. It is based on an assumption and expectation of the existence of multiple variables and relations, which it is not possible to understand, control, and fully predict. It assumes that the organisation, the system, consists of mutually interdependent parts (Thompson, 2003). The end goal is the survival of the entire system, which is ensured through self-stabilisation. This model devotes attention to variables that are not included in the rational systems model and focuses on variables not subject to complete control. Thus, it is not contained in a closed-system logic (Thompson, 2003). Value is found in the entire system, be that in the organisation, its context, or the intersection of the two. This underlying understanding of value is gradually emerging in more recent talent management literature, which we will revert to in Chapter 4.

Management research is still dominated by a rather narrow view of the purpose of the firm as the generation of economic value for the owners (Crane, Palazzo, Spence, & Matten, 2014). Here, value is often defined as shareholder value and specified as financial performance in economic terms (e.g. Harrison & Wicks, 2013; Pfeffer, 2009). The notion of value has primarily focused on economic return on investment (Harrison & Wicks, 2013; Pfeffer, 2009). In recent years, there has been an increasing tendency within the management literature to also to focus on value as shared value (e.g. Karababa & Kjeldgaard, 2014; M. Porter & Kramer, 2011; Vargo & Lusch, 2004). Thus, moving from the rational systems model towards the natural systems model. This move will be further elaborated in Chapter 3.2. As part of this development, the concept of *customer* value has gained momentum as a way of generating a competitive advantage for a company (e.g. Harrison & Wicks, 2013; Lindgreen, Hingley, Grant, & Morgan, 2012; Palmatier, 2008; Woodruff, 1997). Customer value has become a core concept in

value studies, where the focus is on value as a mutual creation process and on the consequent relational aspects of value creation (Vargo & Lusch, 2008b).

Thus, encountering the notion of value in the management literature, it is evident that value as category covers a large spectrum. The concept of value is often either not defined in the specific article (e.g. Crane et al., 2014), or it is addressed in extremely vague terms (Enderle, 2009). As no single definition or shared understanding exists of the concept of value, it is pertinent to explain how value is defined in this particular dissertation. For the purpose of this dissertation, value follows the definition by Harrison and Wicks (2013, p. 100), who ‘... *define value broadly as anything that has the potential to be of worth to a stakeholder...*’. This specific definition of value may be no less vague than many of the definitions found in the literature. However, in the present context, the definition has been chosen for three main reasons.

First, this definition refers to value as ‘worth’. Worth is suitable in this context, as worth refers to a quality that renders something desirable, useful or valuable, and which has merit in the eyes of a stakeholder. Thus, ‘worth’ indicates and embraces value in a broader perspective than merely shareholder value. This perspective corresponds well with the purpose of this dissertation of exploring the value of talent management in an organisation introducing a customer focus. In the dissertation, the customer is included in the research question, in the theoretical discussion, and subsequently in the empirical data. Therefore the definition of value must allow for inclusion of value from a customer perspective in order to unfold a different discussion of the value of talent management, and to be able to shed light on the value of talent management as seen from a customer perspective.

Second, the definition has been chosen because it allows for a systems-related understanding of value. A systems-related understanding of value is relevant, as the dissertation works from the assumption that if a customer focus is a way of competing in the market, the definition must recognise that stakeholder interests are an inseparable aspect of the system of value creation in which the company is operating. The stakeholders of a company have the power to engage or not engage with a company, and the value that is created for one stakeholder is partially dependent on the behaviour of other stakeholders in the same system (Harrison & Wicks, 2013). The company and the customer become interdependent in their value creation. All though they are mutually dependent, it should be noted that

including stakeholders in broad terms in the value definition may be a source of tensions and conflict (Harrison & Wicks, 2013; Thunnissen et al., 2013)

Third, this broad definition of value seems to embrace the two seemingly incompatible logics of value represented by the rational systems logic and the natural systems logic (Thompson, 2003). The rational systems logic seeks to avoid uncertainty and strives for determinateness, while the natural systems logic assumes uncertainty and indeterminateness. Still, the phenomena addressed by the respective approaches can not be ignored, neither in theory nor in practice. Both models seem to lead to a certain kind of truth, however, in isolation none of the approaches alone provides a suitable understanding of complex organisations (Thompson, 2003), such as Damco. (Most) modern organisations need simultaneously to think and act on rationality *and* uncertainty. Thompson (2003) phrases it this way:

*'We will conceive complex organizations as open systems, hence indeterminate and faced with uncertainty, but at the same time subject to criteria of rationality and hence needing determinateness and certainty'* (Thompson, 2003).

Global companies today, including Damco, are impacted by and also impact their environment, regardless whether it is a manufacturing company or a service company. Simultaneously, they serve a goal-oriented purpose and operate under rational criteria, as they exist to earn money, operate under a profit and loss logic, and are required to produce positive financial results. The merger of the two underlying logics of organisations creates an opening for understanding value in a broader sense than exclusively the shareholder perspective that is typically depicted in the management literature. This is particularly relevant in an organisation that introduces a customer focus, where value must necessarily be understood in a broader perspective than traditionally assumed. If the customer focus is to be a way of competing in the market and a potentially provide a competitive advantage, value must necessarily be understood also outside the formal organisational sphere. It is necessary to understand the organisation as a system that interacts with its environment, *also* in HR and the practice of talent management. Value cannot only be found and defined internally, as an (intended) customer focus more or less directly implies a stakeholder perspective rather than a pure shareholder perspective. In practice, however, applying a customer focus does not entail disregarding criteria of rationality and economic performance.



Rather, it involves an expansion of the understanding of the organisational ecosystem and finding a way of navigating under both sets of circumstances. Thus allowing for a different and broader understanding of value and value creation.

The broad definition of value recognises that value can be understood from multiple perspectives by referring to stakeholders broadly, instead of referring only to shareholders. Stakeholders include creditors, suppliers, communities, employees, customers *and* shareholders. The definition reflects the fact that some stakeholders may well be interested in other aspects than shareholder value (Bosse, Phillips, & Harrison, 2009), and that attention to these other factors may be critical for understanding why some companies achieve a sustainable competitive advantage over others (Harrison & Wicks, 2013). It is worth noting that all though considering value in broader terms than shareholder value, the definition does not exclude the possibility of *also* discussing value in terms of shareholder value, which will be crucial inevitable in any large global company, where economic returns are fundamental to the core stakeholders (shareholders) of a company. An example from practice where a company has introduced this multiple perspective on value, is Novo Nordisks ‘triple bottom line’, which essentially is about balancing economic, environmental and societal value creation to maximise value to stakeholders as well as shareholders ([www.novonordisk.com](http://www.novonordisk.com), ).

In summary, value in this dissertation is ultimately concerned with value to the company. In this sense, discussing the value of talent management means discussing whether and how a management initiative ultimately produces a positive impact on the corporate bottom line. The approach taken in the dissertation is to explore the value of talent management from an inclusive perspective by assuming that value is created in a system of interdependent actors, and that to ensure long-term survival, value for multiple actors must be considered. Working from this assumption has implications for how to study talent management practices. Traditionally, the talent management literature has been concerned with ensuring ‘people pipelines’, which implies an internal focus, e.g. how to ensure that we have the next (talented and competent) chief commercial officer in place in the shortest possible time. The success criteria and value of such initiatives have been evaluated and measured on internal criteria. This dissertation explores how it is possible to go beyond the perception of a good (competent and talented) pipeline to create value. The dissertation explores the value of talent

management in the intersection of company and customer. With the aim of exploring talent management in this intersection, the dissertation automatically allows for a more externally oriented approach to value and talent management and for taking a different perspective.

Before turning towards the talent management literature, the following section briefly looks into how the concept of value has been displaced within the strategic management literature. This is done first of all to provide a framework for understanding how the strategic management literature addresses the achievement of competitive advantages - and thus addresses value and value creation. Achieving a competitive advantage is also an often referred to, and an underlying argument in favour of talent management, both in academia and in practice (e.g. Coulson-Thomas, 2012; Tarique & Schuler, 2010; Whelan et al., 2010). When discussing the value of talent management, it is therefore necessary to include the business strategic context in order to understand the talent management potential for providing a competitive advantage. Further, it is done to illustrate that the displacement of value within the talent literature (which will be discussed in Chapter 4) is not an isolated phenomenon. Instead, the displacement expresses a broader and more general displacement of value, which also occurs in the strategic management literature.

### **3.2 The concept of value in the strategic management literature**

In the strategic management literature, value and value creation are key concepts, which are essentially about appropriating more value than the competition and thus achieving a competitive advantage (Foss & Stieglitz, 2010). According to Lopdrup-Hjort (2013), value and value creation has been displaced within the strategic management literature – from Porter’s value chain to a resource-based view, then to core competences and, further, to dynamic capabilities. This represents a transition from perceiving value and value creation in a linear, specific, and analytical perspective into perceiving value and value creation as dependent on outside factors, innovation-oriented and with a strong focus on intangible sources and outcomes of value creation.

Porter (1985) positioned value and value creation high on the academic and the corporate agenda (Kiechel, 2010). In his book ‘Competitive advantage’ (M. Porter, 1985), he presented the value chain and discussed how organisations create value. The value chain describes the activities within an organisation, and it

evaluates which value each particular activity or function adds to the organisation's products or services. According to Porter, value is measured by the price that the customer is willing to pay for a firm's product and the number of units it can sell (M. Porter, 1985). Porter (1985) argued that the firms that are able to turn input into an output that has greater value than the original cost of creating the input will have a competitive advantage. Having a competitive advantage leads to superior results for a company, and a sustainable competitive advantage and a favourable position that can be maintained in the long term, which obviously helps boost a company's future earning potential (Barney, 1991). Porter's value chain framework suggests a certain mechanistic assumption that implies a linear, sequential creation and flow of value, which is measurable, as activities are presumed to be tangible and observable (Lopdrup-Hjort, 2013; Marek, 2001). It rests on the assumption of products and services that are *delivered to* a market and *to* the customer, and of value as something that can be captured internally and *delivered* at a margin. The value chain is concerned with internal factors, and ignores those external factors that may also have a direct or indirect impact on the value creation process. The internal orientation and the view of activities as tangible and observable lead to a model where everything is assumed fairly controllable.

There have been several approaches that are concerned with how a company achieves a competitive advantage, and they emphasise different elements in receiving the competitive advantage. The resource-based view of the company (Wernerfelt, 1984) attempts to understand the deeper structures of competitive advantage by emphasising the heterogeneous resources of a company, including its intangible resources. Others are concerned with competitive advantage as achieved by focusing on an organisation's core competencies (Prahalad & Hamel, 1990). These core competencies essentially consist of the collective knowledge in the company, and how these are coordinated through diverse production skills and technologies (Lopdrup-Hjort, 2013; Prahalad & Hamel, 1990). Lopdrup-Hjort (2013) argues that the recognition of core competencies as an essential source of competitive advantage, which for example involves recognising innovation, commitment to work, and working across boundaries as differentiators, represents a contrast to the concept of value and value creation as represented in Porter's value chain. The greater focus on heterogeneous resources and competencies represents a stronger interest in non-tangible, invisible and knowledge-based assets.

Building on this argument, the article ‘Dynamic Capabilities’ (Teece, Pisano, & Shuen, 1997) presents the central resources of a company as even more intangible, immaterial, innovation-oriented and difficult to control, and as even closer to the outer boundaries of the organisation. The focus here is on the ability of an organisation to renew and adapt internal *and* external skills, resources and competencies to continuously match the environment and achieve a competitive advantage (Teece et al., 1997). The dynamic capabilities perspective emphasises that resources and competencies are no longer *only* found inside the company, but may equally be found in the company’s external environment, i.e. with partners, customers, etc. This means that value is also considered and created outside the organisation or in the intersection of the organisation and its surroundings. Thus, value is increasingly depicted as relational. This approach to value and value creation is often labelled as co-creation, and since 2000, this view has continued to gain prominence (Prahalad & Ramaswamy, 2004a; e.g. Prahalad & Ramaswamy, 2004b; Ramaswamy & Guillard, 2010).

In recent years, the concepts of value and value creation have been displaced and externalised in the strategic management literature (Lopdrup-Hjort, 2013). The displacement has implications for the management of companies, as it implies a loss of direct authority as well as loss of control over what is created, how, and by whom. With these transformations, well-established notions of markets, customers, firms, strategy, and value within the field of strategic management are questioned. As a consequence, companies need to reconfigure their relationships and business systems by broadening their perspective and considering the entire value-creating system and engage in a dialogue with their customers in order to succeed and remain successful (Normann & Ramirez, 1993). This has implications for ways of thinking and doing business, and business models and processes need rethinking to match the current conditions (Lusch & Vargo, 2006; Lusch, Vargo, & Morgan, 2006; Lusch, Vargo, & O’Brien, 2007).

It is in this development that the field of marketing field has been re-examining the concepts of market and value, suggesting an interactive and systemic perspective of economic exchange by emphasising value-in-use (further details in the following section), where customers play a key role in the value creation process. This is referred to as a Service-Dominant Logic (Vargo & Lusch, 2004). The following section elaborates on the Service-Dominant Logic (SD Logic), as it

was indented within the field of marketing with the purpose of linking the perspectives on value to the talent management discussion later in the dissertation. SD Logic represents an approach to explore the value of talent management, which is aligned with the ontological and epistemological assumptions of the dissertation. In addition, it offers an opportunity to understand how the value of talent management has been expanded and displaced within the talent literature. This will be further elaborated in Chapter 4. Before turning to the talent management literature, the following chapter will explore the SD Logic.

### **3.3 Two perspectives on value – Service and Goods**

This section first elaborates on Service-Dominant Logic (SD Logic) as it was indented within the field of marketing. Subsequently, the chapter will draw the links to how the SD Logic is relevant when discussing the value of talent management. In the dissertation, the SD Logic framework is applied as a specific approach to understand the talent management implications when an organization introduces a customer focus as a way of competing in the market. The SD Logic approach was chosen here, because an organization that introduces a ‘customer focus’ as a differentiator and a means of competing in the market must be expected to imply a similar mindset or logic as that represented by SD Logic.

In their seminal article on SD Logic, Vargo and Lusch (2004) called for a paradigm shift within the discipline of marketing to reflect changes in the marketplace and society. They proposed a new logic or mindset, SD Logic, which reflects the changes in society and business. They suggested that companies are increasingly dependent on each other to do productive work due to the evolution of society and technology. They argued that the most obvious transition in business is the move from a manufacturing economy to a service economy, in which service receives increasing attention, e.g. in the form of service systems, service marketing, software-as-a-service, services science etc. This affects ways of doing business (Lusch & Vargo, 2009). Business models and processes need to be rethought due to the changing business environment, the rise of technology, and increasing globalisation. Companies are focusing on finding new ways to compete and differentiate. Differentiation is essential, and organisations need to be customer-centric in order to facilitate unique experiences (Lusch & Vargo, 2009). Implications include strategy alignment with customer values and operational benefit from dynamic networks. For HR, one potential implication is a broader

concern with resources, which are no longer exclusively internal. Indeed, valuable resources are to be found outside the company that may represent a source of competitive advantage, if the company is able to tap into and utilise knowledge, skills, and networks outside the organisation.

Vargo and Lusch (2004) claim that marketing inherited a model of thinking from the industrialisation and economics that is characterised by a goods dominant logic (GD Logic). GD Logic is focused on tangible resources, transactions, and embedded value. A logic which is similar to a production logic. In recent decades, a new perspective has emerged, and Vargo and Lusch (2004) put forward service as a new logic for marketing to organise ways of thinking and practicing marketing. The SD Logic revises the GD Logic, focusing instead on intangible resources, relationships, and the co-creation of value. The delivery of services rather than goods is fundamental to economic exchange. As such, SD Logic is in opposition to GD Logic (Vargo & Lusch, 2004). Since this seminal article was published, the perspective has received widespread attention in academic research (Ford & Bowen, 2008).

Originally, the study of marketing was concerned with the distribution and exchange of commodities and manufactured products, and rested on a foundation in economics (Vargo & Lusch, 2004). As a discipline, marketing has developed over the years from being a decision-making activity aimed at enabling profit by making optimal choices based on marketing models such as ‘the 4Ps’ or ‘marketing mix’, reflecting strong ties to a standard economic model dominated by a logic of ‘Taylorism’ focusing on manufacturing processes and goods (Vargo & Lusch, 2004). In the 1980s, new thinking emerged within the field of marketing, and what was considered sub-disciplines of marketing began to gain momentum with the growing consumer orientation, moving away from considering manufactured quality alone to including the consumer’s perception of quality, and thus considering the more intangible aspects of marketing. The new sub-disciplines came labelled as total quality management (TQM), network- and relationship management. It was as part of this trend that service marketing initially appeared. With the concept of TQM, the focus shifted from engineering specifications of tangible goods to the customer’s perceived evaluations; with relationship marketing, the focus shifted to the successful exchange spanning the entire process from the discrete transaction to continued interactivity with the customer; and with service marketing, the focus shifted from highly structured



mass production, standardisation and economies of scale to teamwork, inter-functional collaboration and inter-organisational partnerships. This they call the SD Logic (Lusch et al., 2006; Vargo & Lusch, 2004). The SD Logic mindset (Vargo & Lusch, 2004) highlights and re-examines in particular the two issues of market and value as considered by the GD Logic mindset, which had been highly influenced by history.

In the beginning of the twentieth century, two parallel models describing economic activity were represented by economic scholars. The two contrasting models rest on different assumptions of the nature and creation of value and utility (Lusch et al., 2006). One model focused on the demand and supply of goods, to which consumers attribute an abstract property of utility or value. This model is in line with what Vargo and Lusch (2004) label as GD Logic. The basic assumption in this model is that the demand for a certain good reflects its utility. The supply curve for a certain good reflects the company cost for that good. The other model describes economy in terms of services and is in line with what Vargo and Lusch (2004) label as SD Logic. In this framework, value is considered in terms of the discrete and collective relationships among specialised service providers. The GD Logic model is closer to natural sciences and more related to stringent scientific criteria. Therefore, this model represented dominant economic thinking for decades, until the SD Logic model re-emerged with the discipline of service marketing in 1980s (Lusch et al., 2006).

GD Logic and SD Logic differ significantly in how they perceive **resources**. GD Logic is concerned with *operand* resources, which are tangible and static and require other resources to act on them to become valuable (Lusch & Vargo, 2009; Vargo & Lusch, 2004). In classical and neo-classical economics, *operand* resources are considered primary and as the basic unit of exchange. Marketing inherited the view of resources from economics, which essentially views operand resources as static ‘stuff’, e.g. natural resources that can be acted upon during production and subsequently exchanged, distributed and marketed (Vargo & Lusch, 2004). Historically, customers have been considered an operand resource to be acted upon or captured. This is reflected, for example, in the rhetoric of market ‘segmentation’ and ‘penetration’. Over the years, due to changes in the market and in marketing, Vargo and Lusch (2004) claim that the focus of marketing has shifted away from the exchange of tangible goods and towards the exchange of intangibles. Simultaneously, the role of resources has begun to shift,

and specialised skills and knowledge are increasingly considered essential resources. In contrast to GD Logic, the SD Logic is concerned with *operant* resources. *Operant* resources are dynamic and infinite resources that are employed to act upon operand resources. Operant resources produce effects (Vargo & Lusch, 2004). They are often intangible and invisible, such as core competences or processes. While the GD Logic perceives operand resources as primary, SD Logic perceives operant resources as primary (Vargo & Lusch, 2004).

The shift in the perception of primary resources has implications for the approach to and perception of exchange processes, markets, and customers. Within GD Logic, people exchange for goods. Goods are operand resources and constitute the final product. In SD Logic, by contrast, people enter into exchanges to acquire specialised competences or skills. Goods are ‘only’ the transmitters of operant resources (Vargo & Lusch, 2004). The interaction with the market and the customer is also changing. Within GD Logic, the customer is perceived as a recipient of goods or as an operand resource to be acted upon. This is in contrast to SD Logic, where the customer is primarily perceived as an operant resource and an active participant in the value creation process (Vargo & Lusch, 2004). The shift from GD Logic to SD Logic also implies changes in how value is considered and created, which is reflected in a transition considering value-in-exchange to considering value-in-use (S. L. Vargo, Maglio, & Akaka, 2008).

Adam Smith was the first to bring the discussion of value and value creation into the field of economics (S. L. Vargo, Maglio, & Akaka, 2008). He distinguished between *value-in-exchange* and *value-in-use*. The former refers to the power of purchasing other goods, and the latter refers to the utility of a particular product. The nominal value (value-in-exchange) of something is easy to measure and was determined as the price paid at the market, where the tangible exchange took place. The real value (value-in-use) on the other hand, i.e. the application of specialised skills and knowledge to afford the necessities and pleasures of life, was hard to capture and measure (Vargo et al., 2008).

GD Logic is concerned with *value-in-exchange*. Value is embedded in operand resources and defined in-exchange (Vargo & Lusch, 2004). Value is manufactured and distributed to the market and exchanged, typically for money – hence the label value-in-exchange (Vargo et al., 2008). The producer and the consumer are separated, and the creation of value takes place in the production process when

raw materials are transformed into products that the consumer wants. The embedded value is exchanged in the marketplace for money (Vargo et al., 2008). From a GD Logic perspective, *'maximum efficiency – and maximum profit – is achieved by standardization and economies of scale'* (Vargo et al., 2008, p. 147). In contrast to this, SD Logic is concerned with *value-in-use* (Vargo & Lusch, 2004). SD Logic rejects the notion of goods and services as separate and is instead concerned with the relationship between goods and services (Lusch & Vargo, 2009). SD Logic rests on the assumption that all exchanges are about services, and in the case that goods are involved in the exchange, they merely serve as tools and delivery mechanisms for the service. Value is the result of the application of operant resources (Vargo et al., 2008). In contrast to GD Logic, both the customer and the producer take active part in the value creation process, and the distinction between the two disappears. Instead, they collaborate in a complex value creation process. Both parties act as operant resources and thus produce effects on other resources (Vargo & Lusch, 2004; Vargo & Lusch, 2008a). A SD Logic perspective implies that value is co-created with and defined by the customer rather than embedded in the output. Value is always defined by the beneficiary (often the customer) and is based on an individual experience and perception of 'value-in-use' (Vargo et al., 2008). Each individual has a different experience with the service being exchanged and values it differently. Therefore a producer cannot deliver value but instead delivers a value proposition, which it is up to the customer to define the value of (Vargo & Lusch, 2004; Vargo & Lusch, 2008a).

Value is the shared effort of multiple stakeholders, e.g. a producer, employees, and customers (Vargo & Lusch, 2004; Vargo & Lusch, 2008a), and is therefore created and considered in a relational context (Vargo & Lusch, 2004; Vargo & Lusch, 2008a).

### **3.3.1 Competitive advantage through collaboration**

Since the first contribution on SD Logic by Vargo and Lusch (2004), other scholars have elaborated on the SD Logic (Ballantyne, Williams, & Aitken, 2011; Cova & Salle, 2008; Ford & Bowen, 2008; Jacob & Ulaga, 2008; Kindström, 2010). Essentially, SD Logic describes market mechanisms in which service is fundamental and where consumers play an active role in defining and creating value. Organisations, whether local, regional, national or international, need to adapt to the fact that external environments, stakeholders, and, in particular, customers are increasingly involved in the business. SD Logic suggests embracing

and collaborating with these stakeholders as valuable and knowledgeable resources (Lusch & Vargo, 2009) in order to ensure the company a sustainable competitive advantage.

SD Logic is rooted in resource advantage theory, where core competences are intangible knowledge and skills. The company's competitive advantage originates from such dynamic capabilities inside *and* outside the organisation (Vargo & Lusch, 2004). Vargo and Lusch (2007) argue that organisations can compete by viewing and approaching both itself and the market with a service-dominant mindset (Lusch et al., 2007). Neither services nor goods are per se a primary source of sustainable competitive advantage; rather, it is crucial for companies to possess a collaborative competence in order to be competitive, given the relational and integrative nature of service provision (Lusch et al., 2007). Possessing a collaborative competence enhances two meta-competences that are crucial in complex and dynamic environments (Lusch et al., 2007). Organisations need an *absorptive competence*, which is: '*..the ability of an organization to be able to comprehend from the external environment the important trends and know-how. This will assist in transforming these external environments into important resources the firm can draw upon for support. Collaborative competency will aid a firm absorbing new information and knowledge from partners or improve its absorptive competence*' (Lusch et al., 2007, p. 9). And further, organisations need an *adaptive competence*, which is '*... the ability of an organization to adjust to changing circumstances. Once again by developing collaborative competence the entity is able to use its partners as mechanisms for adapting to change brought about by complex and turbulent environment and, thus, improve its adaptive competence.*' (Lusch et al., 2007, p. 9). These two meta-competences allow organisations to continuously navigate in and adjust to a dynamic context by grasping information and knowledge from the surroundings, including customers and value networks. Those who succeed in developing superior competences in these two areas achieve a competitive advantage. Thus, the superior competences in this way describe a way of understanding how value is created.

As we have seen throughout this chapter, value is a dynamic concept that varies over time, it is an ambiguous concept that allows for varying interpretations. The literature offers multiple interpretations of value, and the representation of value varies across different fields and disciplines. Management research is dominated by a view, in which value is defined in rather narrow economic terms. However,

value is increasingly depicted as a relational process that takes place either outside the company or in the intersection of the company and its environment. This is also the understanding of value that is applied in this dissertation, where the discussion of the value of talent management is framed by a broader understanding of value that includes a customer perspective. In order to do so, the dissertation will draw upon concepts inspired by the SD Logic in the following chapter on talent management in the empirical analysis, as well as. The SD Logic offers an opportunity to understand how the value of talent management has been expanded and displaced within the talent literature. This will be further elaborated in the following chapter, which will focus on how value has been dealt with in the talent management literature. It will show that the understanding of the concept of value in the literature has been displaced, since the term ‘talent management’ was coined in the late 1990s.

## **4 The value of talent management**

This chapter presents a theoretical view of talent management. The purpose of the chapter is twofold. First, it is to examine and understand how the talent literature has dealt with value. This is done to position the dissertation in relation to the different perspectives on value and talent management that are found in the literature. Second, the chapter identifies value dimensions within the talent management literature that resemble talent management practice. These dimensions subsequently form part of the analytical framework used to structure the empirical analysis of the dissertation. The framework will be used to explore talent management implications in an organisation that introduces a customer focus as a way of competing in the market. As described in Chapter 2, the analytical framework has been developed inductively in the process of coding and analysing the empirical data and is the result of an iterative dialogue between theoretical concepts and empirical data.

The dissertation focuses on the value of talent management as reflected in selected literature with an emphasis on recent texts. Three main review articles are used to set the scene and together they illustrate the development within the field of talent management. The following sections explore and elaborate on how the talent management literature has dealt with value, often referred to as the goal of and



the reason for practicing talent management. Structurally, the sections first examine the different approaches to talent management and illustrate developments within the field. Second, the sections present how the displacement of value within the talent management literature has taken place. Third, in addition to demonstrating how value has been addressed in the literature, these sections also identify key dimensions of value related to talent management in the literature. This discussion frames the exploration of talent management in the dissertation, including the empirical analysis. In closing, the chapter presents an illustration that sums up how the focus within talent management has changed over the years, and how the concept of value has expanded in the talent literature over the years.

Talent management operates under the umbrella term of Strategic Human Resource Management (SHRM), and is considered a key strategic HR initiative. Much SHRM is concerned with how to contribute significantly to a company's competitive advantage, either through cost reduction or through added value by means of best-practice HR policies and other practices that are well aligned with the business strategy (Beer, Spector, Lawrence, Mills, & Walton, 1984; Fombrun, 1984; Wright, Dunford, & Snell, 2001). An understanding of the business context and the business strategy is therefore considered significant in developing an understanding of strategic human resource management. Since the early 1980s, when SHRM arrived on the managerial agenda, there has been considerable debate about the nature of the concept and its value to the organisation. Nonetheless, today any large organisation will have an HR function that is aligned, at least ideally, with the company's strategic goals. Before moving on to a discussion of the talent management literature, the following section will therefore offer a brief perspective on the field of HRM and its origin intended to frame an understanding of the roots of talent management.

#### **4.1 Strategic Human Resource Management – a way of gaining a competitive advantage**

SHRM is a popular field that largely rests on the idea that when a number of HR practices are ideally designed and implemented, the system of practices will support business strategy, and thereby create value for the firm (Wright et al., 2001). SHRM has a long history with complex roots and plenty of ambiguity. A variety of disciplines, ranging from scientific management, welfare work, and industrial psychology, have contributed to the field of HRM. When tracing the



intellectual roots of HRM, two dominant traditions appear, both of which emerged in the early 20th century and were introduced as a systematic response aimed at increasing efficiency and productivity in the workplace (Duhlebohn, 1995; Kaufman, 2001).

One approach is characterised by a rational and economic mindset and is rooted in scientific management, as represented by Frederick Taylor (Taylor, 1911). Taylor sought to find ways for companies to rationalise work processes and make them more efficient. The assumption was that based on certain measurements, both the content of work and the work processes could be standardised and become more rational. The role of management was to oversee and impose control on these processes (Duhlebohn, 1995). The other approach was primarily represented by welfare work and industrial psychology. The purpose of the welfare movement was to avoid industrial conflicts and to promote a healthy working relationship between management and employees to ensure productivity, which also was part of Taylor's agenda. The focus of the industrial psychology movement was more on the individual worker, and how to increase human efficiency by maximising welfare in the workplace. Both approaches, welfare work and industrial psychology, were more concerned with the *human* in the organisation than the scientific movement was (Duhlebohn, 1995).

In the 1950s, the human relations school represents a combination of Scientific Management, the welfare work movement, and industrial psychology. It focuses primarily on increasing productivity by paying attention to the needs of the workers and providing appropriate leadership. Inspired by the human relations school, in the 1960s certain theorists, including Maslow, Agyris, Herzberg and Mayo, began to focus on the human resources of an organisation and on the key concepts of needs, motivation, and learning. Their work rested on the basic assumption of employees responding positively to increased interest and attention, which in turn would translate to increased productivity for the company (O'Connor, 1999).

By the 1970s, the human resources of a company were increasingly regarded as an asset that potentially provided the firm with advantages – and not just an investment, as assumed previously (Sparrow & Hiltrop, 1994). Also by the end of the 1970s, the field of business strategy picked up increased academic attention, and HRM was now perceived as essential to a company's competitiveness. An

increased focus on how to integrate human resource management with business strategy emerged. The concept of SHRM surfaced out of this discussion in the early 1980s (Duhlebohn, 1995). There are many variations on the definition of strategic human resource management (SHRM). However, what some authors suggest is that within the perspective of SHRM, employees are considered valuable assets, and that SHRM is the development and implementation of a framework that seeks to gain and sustain a competitive advantage by managing human assets (Kaufman, 2001).

In summary, HRM is an outgrowth of the industrial revolution where the main focus was on production rather than on delivery to the customer, thereby reflecting a GD Logic. HRM was considered a vehicle for management to achieve productivity goals, and the emphasis was on production. The basic assumption was that high employee satisfaction leads to increased productivity. Historically, HRM was concerned with individuals and emphasised productivity improvements through control within the formal organisation. This has had implications for what is considered successful and value-adding HRM. Success and value have been evaluated against internally defined and relevant standards (Schneider, 1994). Talent management emerges out of the field of SHRM, and it is possible to point to rather clear links between the intellectual roots of HRM and contemporary talent management thought and practice. Both fields focus largely on individuals, process optimisation, and increased productivity through control as issues to be dealt with within the boundaries of the formal organisation. These focus areas large reflect an underlying logic of value and value creation similar to the GD Logic. Historical developments influence what has been, and to some extent still is, considered valuable, not only within the field of HRM but also in talent management. The following sections will now focus on talent management as a SHRM key initiative, and address how value has been dealt with in the talent management literature. It will show that value has been displaced since it was originally coined in the late 1990'ties as an issue relating to people resources. First, the following section will briefly discuss the concept of talent, and it will show that talent management has inherently had a strong focus on individuals.

## **4.2 The concept of talent**

*'When we think of talent management our mind naturally focuses on individuals'* (Smilansky, 2006).

Traditionally, talent is defined as a competence or quality carried by an individual. Multiple variations exist in how the term ‘talent’ is defined in the literature as well as across organisations, industries and sectors (CIPD, 2013). Historically, the New Testament specified that human beings should use whatever talent they had been given by God – in terms of money or ability – and if used wisely, God would increase it (The New Testament, Matthew 25:14-30).

The variations in what talent is about may be explained by the multiple approaches to talent management. The concept of talent is often discussed but seems hard to define in the talent management literature (Collings & Mellahi, 2009; Iles et al., 2010; Lewis & Heckman, 2006; Tansley, 2011; Thunnissen et al., 2013a). In the literature, less effort has been made to define the concept of talent than to define talent management, and no single definition of talent exists (Ashton & Morton, 2005; Blass et al., 2006; Cappelli, 2008; Collings & Mellahi, 2009; Thunnissen et al., 2013a). Similarly, companies have different practices of talent management and different definitions of talent (CIPD, 2013).

Gallardo-Gallardo (2013) did a review of the talent definitions in the literature and found three ways of understanding talent:

- First, talent can be understood as ‘people’ in general in the company. The danger in defining talent so broadly as to include people in general, possibly the entire workforce rather than a selected group of people, is that the term becomes so broad that it is meaningless. There is no real difference between talent management practices and typical HRM practices (Gallardo-Gallardo et al., 2013).
- Second, talent can be understood as a group of high performers in an organisation. This approach incorporates how companies drive performance, and rather than focusing on the entire workforce, the workforce is segmented, and the talents are those who rank in the top in terms of capability and performance. This definition of talent is criticised by e.g. Pfeffer (2001), as it promotes internal competition and hinders learning.
- Third, Gallardo-Gallardo (2013) finds that talent can be understood as ‘the attributes of an individual such as abilities, knowledge and/or competencies’. This conceptualisation of talent incorporates two different views; the first being talent as defined by the exceptional, innate, *and* acquired abilities of the individual; the second being talent as based on both attributes and attitude, meaning both an individual’s abilities and, equally important, how the person applies the abilities (attitude) (Gallardo-Gallardo et al., 2013). The current debate on the concept of

talent also involves a discussion about whether talent is innate or learned. In European culture, talent is primarily considered an innate gift, whereas in non-European cultures, talent is primarily considered a learned skill that can be acquired and developed (Tansley, 2011).

Traditionally, the term talent within the corporate world has been associated with leadership and executive talent, but today it is associated with a broader group of people who are of strategic importance to the company. The challenge in defining the concept of talent is well described by Tansley (2011, p.266):

*'...choosing a definition of talent is no easy task, not least because there are number of ways in which talent may be defined within a particular organization. For example, a common notion of organizational talent refers to those who are identified as having the potential to reach high levels of achievement. It is clear that certain pitfalls have to be avoided in settling on a definition of talent. For instance, we must beware of having a restrictive definition as this could make it impossible to find evidence to characterise talent. But then, some definitions of talent are so vague that one is forced to ask what the point is of using the term 'talent' at all. Why not use any other human resourcing term, such as 'skills' or 'knowledge' or 'competencies'?'*

The definition of talent must be fitted to the particular organisational context, but in any case it cannot be too narrow or too broad, then it become meaningless. Recent talent management literature to a large extent emphasises the context of talent and the reality that defines the particular talent practice in the particular company (Tansley, 2011). When it comes to the talent management literature, it is worth considering that the majority of contributions on talent management are by American writers (Collings, Scullion, & Vaiman, 2011), who have a cultural tendency to perceive talent as something that can be acquired and developed – hence the hype implied in speaking of a ‘war for talent’, and which was how talent management surfaced as a people issue.

### **4.3 Talent management – surfacing as a people issue**

The concept of talent management was coined by an American consultancy company (Michaels et al., 2001), and has until recently been dominated by practice-oriented literature (Iles et al., 2010; Lewis & Heckman, 2006; Thunnissen et al., 2013a; Vaiman et al., 2012). Practice-oriented literature is a particular genre

within the literature that is actively engaged in driving the talent management agenda. The dissertation will therefore include both practitioner-oriented contributions and academic contributions in the following review. When exploring the value of talent management in the talent literature, value is rarely mentioned specifically but is typically, implicitly or explicitly, referred to as the goal or the outcome. Therefore, the following talent literature review is based on articles that refer implicitly to the value of talent management. The following sections are structured in the way that value has been expanded and displaced within the talent literature, from originally being dealt with as transactional reflecting a GD Logic to a more recent view, where value is increasingly dealt with as relational reflecting a SD Logic. The review is structured around three main review articles, as these three articles together illustrate the development within the field of talent management, and that a displacement of value has taken place, which can be understood along a continuum. An important point to be made here is that describing the displacement of value along this continuum implies (gradual) expansion in the concept of value. It does not, however, necessarily imply replacement, i.e. that the relational view of value completely replaces the view of value as transactional. This will be evident both in the following theoretical discussion and in the empirical analysis.

In the early 90s, many companies experienced a shortage of talented employees. The lack of people resources represented a major business risk, as demand for talent exceeded the available supply of talent (Minbaeva & Collings, 2013; Schuler & Jackson, 2009). By 1997, the American-based consultancy firm McKinsey released the book 'The War for Talent'. The book presented the results of thousands of questionnaires, interviews, and time spent in 18 top-performing American organisations. The purpose was to document how top-performing companies in the United States differed from other firms in the ways they handled areas such as hiring and firing (Gladwell, 2002). Analysing the material, the three leading authors realised that the best-performing companies had leaders who were passionate about their 'best people'. They were exceptionally conscious when hiring, they focused on top performers and identified, rewarded and promoted their stars (Gladwell, 2002). The title of the book identified an issue that many large American companies experienced at the time – a 'war for talent' (Michaels et al., 2001). Therefore talent management was originally framed as problem related to individuals needed to deliver the business (Michaels et al., 2001), and the corporate 'war of talent' was presented as a value-adding strategic response to

very low unemployment rates and a lack of people resources on the global market. The assumption was that high-performing and high-potential individuals, ‘the talents’, have a more impact on the company’s performance more positively than others.

Although talent management was introduced in the 1990s, the content of the activity, as it was represented in the book, was not a new thing. Already back in the 1950s, it was the norm to carry out internal career development (Cappelli, 2008), and in 1957 Marvin Bower (1957) emphasised the importance of recognising the executive talent in a company. He stressed the importance of recruiting talents, and of rewarding, retaining, and developing them. He pointed out that many companies and leaders could strengthen their business by deliberately working with the talent of the company using simple planning and consistent follow-up. In contrast to modern working life, working life in the 1950s was characterised by lifelong employment rather than job-hopping. Therefore, costs for internal development was less of a gamble, and internal development was the norm (Cappelli, 2008).

The corporate focus on internal development collapsed in light of the increased uncertainty in the marketplace during the 1970s, when business conditions changed, and growth became an out-dated assumption. The 1980s were characterised by steep recession, and as a result, companies had to execute multiple lay-offs and trim down management layers. Development programmes at the time were designed to build managers who could fill the ranks internally, so the sudden excess supply of managers meant there was no need for maintaining these programmes (Cappelli, 2008). During the early 1990s, a large pool of laid-off talents was still available in the marketplace. However, throughout the 1990s as the economy gradually picked up, the pool of available talent became smaller, and as the talent pool shrank, companies began to recruit from each other, and suddenly companies had to deal with retention issues. By the mid 1990s, most large organisations focused on improving their recruiting practices allowing them to ‘steal’ talented people from their competitors (Cappelli, 2008; Michaels et al., 2001). Expenses for external recruiting were huge, and suddenly business executives spent their resources attracting and retaining talent (Cappelli, 2008). This was the challenge faced by companies and executives that McKinsey called the ‘war for talent’, and this was the point in time where talent management became a valuable exercise for companies as a way of dealing with the lack of



people resources; consequently, talent management had a strong focus on individuals. Thus, due to economic growth and the subsequent lack of individuals to keep businesses running, talent management has historically been an internal matter involving processes to ensure the right individuals to keep the business running, and thereby talent management has historically had a strong focus on the *individual*, that is, the talent, and how the talent as a resource could be controlled and optimised. A focus which represent and underlying logic of value and resources similar to the GD Logic (Chapter 3).

#### **4.4 Talent management – a practice or process approach**

Ten years after Mckinsey (Michaels et al., 2001) declared the war for talent, Lewis and Heckmann (2006) took stock of the field of talent management and found confusion about the concept of talent management. They concluded that the field was still in its infancy with a disturbing lack of clarity in terms of definition, scope, and overall goal (Lewis & Heckman, 2006). They were, however, able to identify three distinct strains of thought within the talent management literature (Lewis & Heckman, 2006).

The *first* strain of thought treats talent management as a collection of traditional HR practices, including recruitment, development, and succession planning. They find that the term ‘talent management’ has more or less replaced the term HR, and that talent management is basically about what HR has always been about, only optimised by the use of IT, processes, systems, etc. Within this strain of thought, talent management is narrowed down to a particular (HR) sub-discipline that can be optimised (Lewis & Heckman, 2006). Lewis and Heckman (2006) identify a number of authors focusing on sub-disciplines of talent management such as recruitment, development or compensation. Although these sub-disciplines were identified in 2006, more recent contributions exist that focus on specific sub-disciplines of talent management, e.g. leadership development or career management (T. Davis, 2007; De Vos & Dries, 2013; McDonnell, Lamare, Gunnigle, & Lavelle, 2010; Smilansky, 2006). Thus, the value of talent management in this approach is reflected in how well existing HRM practices are optimised, and value is determined by the successful optimisation of specific (HR) practices. Thus, the focus is on the *optimisation* of practices.

The *second* strain of thought identified by Lewis and Heckman is concerned with talent management based on talent pools. This approach to talent management is very similar to succession planning or workforce planning. The authors working within this strain of thought address talent management as processes that ensure the flow of employees through the organisation, from predicting staffing needs to managing employees in the organisation (Lewis & Heckman, 2006). This view is especially common in the management and popular literature (e.g. Rothwell, 2010; Sullivan, ; Ward & Tripp, 2013). As was the case with the first strain of thought, within this approach to talent management, value is related to *process optimisation*. However, instead of ensuring a production flow, the task becomes to ensure a people flow, and it is assumed that this flow too, like a production flow, can be controlled and optimised. When properly optimised, this approach is assumed to lead to increased productivity, hence increased value. Value is determined based on how well these processes are established and can be controlled. Instead of focusing on controlling the production flow, the focus will be on controlling the human flow. One of more recent and widely cited authors who subscribe to this approach is Capelli (Cappelli, 2008), who suggests that talent management is essentially about predicting present and future needs for human capital, thus taking a supply chain approach to talent management. Focussing on process (and practice) optimisation as the primary mean to value creation as well as assuming and targeting full control over (people) resources reflects and underlying GD Logic, where people are considered operand resources (Chapter 3).

While the two first strains of thought that Lewis and Heckman (2006) identify focuses on HR practices or processes, the *third* strain of thought focuses on talent as generic term. The literature represents two broad perspectives on talent:

- One perspective perceives talent as a resource to be managed based on performance; thus, the performance pool offers a way of managing talent (Lewis & Heckman, 2006). A practical example of working with performance pools is the widely used but somewhat controversial workforce management tool introduced by General Electric (GE). GE divided employees into A, B, and C players and based their HR practices on this categorisation. The top 20 percent are the ‘A’ players, the people who will lead the future of the company. The middle 70 percent are the ‘B’ players, the people who are solid, and the bottom 10 percent are the ‘C’ players, who contribute the least, and who will eventually be managed out of the organisation (Alsever, 2007; Stahl

& al., 2007). The goal of talent management in this approach is about segmenting a group of individual employees into the right categories, based on internal criteria. Hence, value is determined based on an attempt to make subjective performance measures more objective, controllable and quantifiable. As we shall see in Chapter 8 this has also been the approach in APMM.

- The second perspective on talent in this third strain of thought perceives talent from humanistic and demographic perspectives. Talent is important for business, and it is the task of the HR function to develop talent to enable every individual to perform at his or her best (Lewis & Heckman, 2006). This perspective is less concerned with the outcome, and focuses more on individual talent in talent management. Thus, in this perspective talent management continues to be centred around (talented) *individuals*.

Both perspectives can be considered problematic. Defining talent based on performance pools is non-strategic, as it ignores the possibility that for some jobs, competent performance is acceptable. Besides, the authors promoting this perspective offer little concrete advice on how to implement them in practice (Lewis & Heckman, 2006). Nonetheless, since 2006, this has been the practice in many large global organisations. Similarly, the perspective of ‘talent as inherent in the individual’ is also non-strategic, as it is based on an assumption that all employees are equally valuable to an organisation, which is rarely the case. Further, no advice is offered on the amount of resources that should be allocated to uncovering and developing an individual’s talent (Lewis & Heckman, 2006).

Reviewing the talent management literature and categorising it into three strains of thought, Lewis and Heckman make it evident that ‘*the term talent management has no clear meaning*’ (Lewis & Heckman, 2006). They further find that how talent management is defined often does not contribute to the actual understanding and management of talent in the organisation. Talent management is more often a relabeling and application of sound HR practices, and the term is used without any implication of value (Lewis & Heckman, 2006). They thus suggest that the value of talent management is limited. In order to practice more value-adding talent management, they suggest making talent management strategic. The idea behind this recommendation is that quality HR practice is of value, and for talent management to be a value-adding strategic activity, and not just a response to

strategy, Lewis and Heckman (2006) recommend a systems-level approach to talent management.

A systems-level approach involves perceiving talent management as a system of different components such as business strategy, implications for talent, talent pool strategy, talent management systems, and talent practices. Their framework serves as a talent decision science, allowing room for considerations, not only for how talent is affected by business strategy, but also for how talent decisions impact business strategy. This approach provides a different way of organising thoughts concerning talents and points to different questions that need to be considered in relation to the different components of talent management, including external and internal factors. These questions range from considering ‘what market opportunities exist?’ in the strategic component of talent management to considering ‘which practices efficiently meet the talent goals and can be captured by a system’ in the practice component of talent management (Lewis & Heckman, 2006). The suggestion regarding talent management as an architecture or system of a range of components, impacted by internal and external factors, has similarities with recent contributions to the field of talent management (Downs & Swailes, 2013; Tarique & Schuler, 2010; Thunnissen et al., 2013a). Taking a systems-level approach to talent management treats talent management as a decision science, and implies that the outcome of talent decisions impact business, and, conversely, that business decisions impact talent decisions. This also implies that in the framework suggested by Lewis and Heckman (2006), talent management becomes a matter of opportunities that lie outside the boundaries of the organisation, i.e. reflected in the question ‘what market opportunities exist?’ This means that in their framework, the value of talent management is marginally linked to the external context of the company, as it depends on the outside. Thereby it contains an opening towards the external environment in the practice of talent management. The value of talent management then simultaneously start reconfiguring, as there is an initial assumption of the factors being co-dependent, thereby gradually start considering (people) resources as more than operand resources.

From the above we see two dimensions of value within talent management can be identified in the review by Lewis and Heckman (2006). One dimension is talent as individuals; the other is the optimisation (of practices and processes) through control (in order to remove uncertainty and thereby increase productivity). Both

dimensions are associated with a transactional view of the value of talent management, as reflected in the GD Logic. By emphasising the control of the individual, the talents (individuals) are considered operand resources (a static resource that can be acted upon). Similarly, by focussing on control of processes to increase efficiency and productivity, value is assumed created and defined internally, which represents a value-in-exchange perspective (S. L. Vargo, Maglio, & Akaka, 2008) on value creation. However, Lewis and Heckmann (2006) suggest that talent management needs to be concerned with more than individuals and specific practices and processes to be a value-adding strategic activity. They emphasise the need link talent management to strategy and to consider how it contributes to a competitive advantage. Thus, their framework, gradually expands the value of talent management towards strategy and includes a (still very limited) link to the external environment, which implies that there is a limited opening towards considering resources as infinite and that at least value creation influenced by the external world, thus an emerging value-in-use perspective on value creation (S. L. Vargo, Maglio, & Akaka, 2008).

Since 2006, the field of talent management has been gradually changing focus, evolving towards an understanding of talent management as a strategic imperative. In 2009, a new perspective in the field of talent management emerges, which takes its point of departure in strategically important positions rather than in individuals, as mainly emphasised by Lewis and Heckmann (2006). This perspective includes a broader concern than specific HR practices, and a link to strategy, and it is concerned with achieving a sustainable competitive advantage. Thus, the value of talent management gradually expands from a transactional (GD Logic) towards a relational perspective (SD Logic). This will be further elaborated in the following section.

#### **4.5 Talent management – a position approach**

Collings and Mellahi (2009, p.304) point out that '*... despite the growing popularity of talent management and over a decade of debate and hype, the concept of talent management remains unclear..*'. They draw attention to two main shortcomings in the contemporary talent management literature. The first shortcoming is a lack of clarity in the scope, definition, and overall goal of talent management. The second issue they point out is that there is a disturbing lack of theoretical development within talent management (Collings & Mellahi, 2009). The implications of the lacking definition, goal, and theoretical development,

according to Collings and Mellahi (2009), are that the talent management literature has little practical usefulness, and that scholarly work is limited from moving forward. Many resources are wasted on initiatives with potentially limited usefulness in companies, not only in HR departments but also at the desk of the CEO (Collings & Mellahi, 2009). This implies that the value of talent management remains vague within existing theories of talent management, and that it apparently remains difficult to nail down.

Like Lewis and Heckman, Collings and Mellahi (2009) identify three strains of thought within the talent management literature; in addition, they suggest a new, fourth dimension. They suggest strategically important positions as *the* key element of talent management. This emphasis on strategically important positions is reflected in their definition of talent management:

*'... activities and processes that involve the systematic identification of key positions which differently contribute to the organizations sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization..'*  
(Collings & Mellahi, 2009, p.305)

With this definition of talent management, Collings and Mellahi (2009) advocate an identification of strategically important positions over non-strategic positions as the point of departure for any talent management system. The approach represented a new approach to talent management and a different understanding of talent management as a value-adding exercise. Their work has since then been frequently referenced by other authors (Hartmann, Feisel, & Schober, 2010). Collings and Mellahi (2009) develop a theoretical model that frames their definition of talent management. The model requires first of all identifying the strategically important positions that have a potential impact on the company's ability to achieve a sustainable competitive advantage. This step rests on the basic assumption that human capital has little economic value unless it is applied in pursuit of the strategic goal of the organisation. It also represents a contrast to previous models, which were more concerned with how to manage individual talent in isolated HR practices, e.g. how to recruit and retain the most talented individuals. Second, the model recommends the development of a talent pool of



high-potential and high-performing individuals who are slated to fill the strategically important positions. Finally, the model recommends a differentiated HR architecture determined by the internal and external context of a company in order to maximise the outcome produced by these talented individuals (D. G. Collings & Mellahi, 2009).

The eventual outcome of the talent process is high company performance (Collings & Mellahi, 2009). With this approach, which in this dissertation is labelled as the position approach to talent management, the goal of talent management becomes a matter of using talent management initiatives to drive a strategic agenda and thereby eventually accomplish improved company performance. However, the underlying assumption that company performance is achieved through a set of mediating variables such as work motivation, organisational commitment and extra-role behaviour emphasises the importance of the people who make up the talent pool (Collings & Mellahi, 2009).

Including the strategic positions as a key element of talent management moves the talent discussion a step further away from focusing on individuals and towards a greater emphasis on the strategic direction of the organisation. Thus, the end goal of talent management is to improve organisational performance. This makes talent management a valuable exercise in relation to the strategic agenda. It also implies that talent management is valuable in relation to the context in which the company has to perform. Like Lewis and Heckman (2006), Collings and Mellahi (2009) assume that for talent management to be a value-adding strategic activity, it needs to be concerned with more than individuals and the optimisation of specific practices and processes. It needs to be anchored in the business strategy, which in their framework is represented by strategically important positions. Which positions are strategically important is partly determined by the company's external environment, which underlines the need to consider the world outside the organisation. In this framework, however, the external world is still only one (minor) element amongst others. In the framework suggested by Collings and Mellahi (2009), the perceived value of talent management has less to do with managing individuals and filling people pipelines through selected HR practices and much more to do with pursuing a strategic direction through mediating variables within the internal and external worlds. Thus, the value of talent management in their framework becomes increasingly interdependent and relational.

Further, it implies that resources increasingly is recognised as operant resources, which are dynamic and infinite (Vargo & Lusch, 2004).

So far, this chapter has focused on talent management as it originated, and how it largely has been concerned with value as transactional represented by its focus on individuals, internal factors, and optimisation by means of control aimed at maximising productivity. It seems that a certain logic is represented in much of the talent management literature, which is largely characterised by the rational systems model (Thompson, 2002) with underlying assumptions similar to the GD Logic in which value is created, when individuals are identified, controlled, and optimised within the boundaries of the formal organisation. However, in the talent literature, the notion of value has undergone a gradual expansion from being considered as transactional towards being considered as relational. An expansion which partly has similarities to the transition from a GD Logic towards a SD Logic (Vargo & Lusch, 2004) and which regards the perception of value, focus areas, and the value dimensions within talent management. From 2006, and in particular from 2009, onwards, there has been less emphasis on selecting (the right) individual and securing the people pipeline as the ultimate goal and value of the talent management.

The following section explores the value of talent management in recent talent literature, where the concepts of business strategy, external conditions, non-economic value, innovation, dynamics, as well as knowledge, and service emerge and gain increased importance. As these concepts emerge and take on greater importance in the talent literature, the concept of value is expanded and displaced further from the transactional view towards the relational view. The chapter will examine recent theoretical contributions within the field of talent management to explore the changes in the literature. It will illustrate that the literature is diverse, but that it builds to a large extent on the principles put forth by Collings and Mellahi (2009), which assume both explicitly and implicitly that the value of talent management is to be a strategic driver, and which increasingly emphasises a relational and systemic approach, the context within the company, and, not least, an increasing emphasis on the external environment of the company.

#### **4.6 A contextual approach to talent management**

Since 2009, the field of talent management has been dispersed. For example, talent management has been dealt with in the context of MNC in China and Ireland

(Hartmann et al., 2010; Iles et al., 2010; McDonnell et al., 2010; Minbaeva & Collings, 2013; Schuler, Jackson, & Tarique, 2011), in the context of increasingly knowledge-based economies and settings (Iles et al., 2010; Vaiman et al., 2012; Whelan et al., 2010), as a more generic concept (Burkus & Osula, 2011; Coulson-Thomas, 2012; Nilsson & Ellström, 2012), and in the context of a (cross-) industrial practice (Bethke-Langenegger, Mahler, & Staffelbach, 2011; Thunnissen et al., 2013). In this diverse literature, the value of talent management is increasingly dealt with as relational and systemic, as a contextual matter that includes less tangible aspects.

This does however not imply a complete shift in paradigm or a complete replacement of the focus in talent management. Rather, different foci seem to co-exist in the literature. In the literature, traditional dimensions of talent management that largely represent a production-oriented logic represented in the GD Logic still exist, for example, there is a certain emphasis on the development of individuals as the point of departure for talent management practices (McDonnell et al., 2010), and focus is still directed at talent management as an internally oriented practice, for example in terms of internal relevant metrics (Tarique & Schuler, 2010). Simultaneously, there seems to be an expansion and displacement of value within the recent talent literature, where value is considered more intangible, less controllable, and more relational. For example, talent management is considered a means of increasing innovative capabilities (Whelan et al., 2010). Although the focus is still on optimisation, the focus here is on innovative capabilities, a more intangible and less controllable element than the ones addressed in the traditional approach to talent management. Thus, talent management becomes a matter of driving an organisational agenda and becomes less individually oriented. The value of talent management comes to include a dynamic and relational element. For example, talents are those individuals who are able to ensure a flow of important knowledge inside and outside the company (Whelan et al., 2010). The underlying assumption of resources here is that they are not acted upon to create value (operand resources), but are active participants in the value creation process (operant resources). This means that talent management comes to operate and function on the boundaries of the organisation and in the intersection of the organisation and its surroundings, thus containing both an internal and an external dimension. The value of talent management is then increasingly found and (co-)created also outside the organisation. This implies that the value of talent management is increasingly depicted as represented in the SD

Logic. Resources are considered dynamic and infinite (operant). For example intangible resources such as knowledge and skills are key in value creation, which happens in-use and is co-created rather than controlled.

In a recent review of the talent management literature, Thunnissen, Boselie, and Fruytier (2013a) sum up the current state of the field of talent management. The review rests mainly on literature published after 2005. They conclude that talent management remains a relevant topic, both in practice and in academia. They too identify three main strains of thought within the talent management literature. The *first strain of thought* regards the definition of talent. Thunnissen et al. (2013a) conclude that little has changed in terms of finding a clear definition of talent. It has been concluded several times that talent is a broad concept, that it is hard to define, and that several definitions coexist (Collings & Mellahi, 2009; Iles et al., 2010; Lewis & Heckman, 2006).

Thunissen et al. (2013) identify two key dimensions on talent can be identified in the literature:

- The *first* dimension concerns the distinction between talent as people (a subject approach) and talent as characteristics, competencies, knowledge of people (an object approach).
- The *second* dimension concerns whether the entire workforce is regarded as talents (inclusiveness), or whether talent only applies to a selected group of people, ‘the happy few’ (exclusiveness) (Cappelli, 2008; Thunnissen et al., 2013a).

Despite the different talent definitions in the literature, scholars agree that context matters with regard to the specific definition of talent, and that talent is relative and subjective (Thunnissen et al., 2013a). This is also reflected in the fact that the literature looks at talent in a variety of settings, applying a variety of definitions; for example, the talents are those who transmit valuable and important knowledge, also from the outside of the company (Whelan et al., 2010), talents are commercial leaders (Yonger et al., 2013), talents are those who have a high degree of employability (Nilsson & Ellström, 2012), talents are needed to run the business (Hartmann et al., 2010), and talents are managers (McDonnell et al., 2010). These examples illustrate that talent is contextual, relative, and subjective, and that context matters for the definition of talent. This implies that who is a talent, i.e. who is of particular value to the company, depends on the context, and the value of talent management thereby becomes dynamic. This emphasis on context lends

value and talent a dynamic dimension, which depends on the situation and the strategic direction of the company. This also implies that an expansion and displacement of value takes place within the concept of talent where talent goes from traditionally being something given (subject approach) to being something contextual (object approach). This is likely to have implications for the management of talent, as this means that talent can not be dealt with through practices that reflect assumptions of complete control, predictability, and certainty.

The *second strain* of thought in recent talent management literature identified by Thunissen et al. (2013) is concerned with the effects and outcomes of talent management. Effects and outcomes of talent management are implicit references to the value of talent management in how the literature implicitly relates to the value of talent management. Again, there are numerous points of interest in the literature and different definitions of outcome, i.e. different perspectives on the value of talent management. They range from effects at the individual level, at the level of an HR subsystem, and at the level of the organisation as a whole. The most frequent reference to outcomes are the organisation's ability to attract, develop, motivate, and retain talent, fulfilling the need for human capital, improving individual performance (Thunissen et al., 2013a), and increasing the company's competitive advantage (Coulson-Thomas, 2012; Iles et al., 2010; Minbaeva & Collings, 2013; Thunissen et al., 2013a; Vaiman et al., 2012; Whelan et al., 2010). This shows that the recent talent management literature at least partly recognises that there is value in talent management to be found and created at different levels in the organisation, be it the individual level, the level of the HR system or at the organisational level, with a recent tendency to focus especially on the organisational level. Although various outcomes of talent management are suggested, there is general agreement amongst scholars that at the organisational level, the intended purpose of talent management is to achieve organisational benefit in terms of either competitive advantage or sustainability, which ultimately leads to increased profit for the organisation (Thunissen et al., 2013a). This means that talent management is valuable when it creates organisational outcomes that ensure a competitive advantage. However, there has been little actual research analysing the impact of talent management on organisational performance, and it remains a challenge, as organisational performance is interpreted so broadly (Bethke-Langenegger et al., 2011).

Bethke-Langenegger et al. (2011) set out to investigate the effectiveness and impact (implicitly the value) of talent management initiatives at different levels, emphasising both *financial outcomes*, meaning the corporate profit and market value, *organisational outcomes*, which are company attractiveness, the achievement of business goals, and customer satisfaction, and *human resources outcomes*, which are employee satisfaction, performance motivation, commitment, improved quality, and trust (Bethke-Langenegger et al., 2011). By focusing on these three levels, they expand the value of talent management from a purely transactional concept to include a relational aspect by incorporating not only an individual focus but also an organisational focus. They include not only financially measurable outcomes but also more intangible outcomes such as commitment and trust, which are inevitably found in a relational context. Finally, they include not only an internal focus in terms of controllable processes but also an external and relational dimension in terms of customer satisfaction in their understanding of the potential value of talent management. Thereby discussing the value of talent management along a value continuum ranging from the traditional transactional components to include more relational components. Bethke-Langenegger et al (2011) conclude that talent management is a valuable exercise, particularly when a talent management strategy is strongly linked to the corporate strategy. They further find that a talent management strategy focusing on succession planning has the weakest impact on organisational outcomes, whereas a talent management strategy that focus on developing talents has a positive effect on almost every performance indicator.

Based on this, it seems that if talent management is to be a valuable exercise, talent and talent management must be contextual, systemic, and dynamic, as few businesses, especially knowledge-intensive firms and service providers, operate in isolated environments where they can afford to disregard their context, environments, partners, and customers (Gulati, 2009; Pine & Gilmore, 2011; Ulrich, 2013). Opening up to the outside of the company and taking a more dynamic perspective requires a focus on other value dimensions than the individual and internally driven factors and optimisation through control; a development that is also reflected in the talent literature. The emerging focus areas assign value to include the business strategy, the business environment (e.g. customers), and systems-related issues (the co-dependence of organisation, knowledge, etc.). This leads to a gradual displacement of the concept of value in the talent literature takes place, which resembles the move from a GD logic



towards a SD Logic. Consequently, past focus areas, e.g. succession planning, may seem less relevant, as things are likely to be very different five years from now, both in terms of the business strategy and with regard to the knowledge required. Simultaneously, talent management within the boundaries of the organisation becomes increasingly dependent on outside forces, which are less predictable, harder to control and more difficult to predict.

Finally, the third strain of thought that Thunnissen et al. (2013a) identify within the talent management literature is talent management as practices and activities. The practices and activities that receive attention in the literature are predominately within staffing and succession planning, training and development, and retention management. These areas are also typical HRM areas, which are now applied in the field of talent management (Bethke-Langenegger et al., 2011; Thunnissen et al., 2013a). This strain of thought is very similar to what Lewis and Heckman (2006) referred to concerning talent pools and succession planning. Talent pools and succession planning represent a sub-category of talent management practices and activities as defined by Thunnissen et al. Fruytier (2013a). This focus on specific HR practices implies that despite the increased attention to talent management as a value-adding practice in a more systemic, dynamic, and context-oriented approach, the internal approach with its focus on optimisation, control, efficiency, and individuals is still widespread in the talent literature.

#### **4.6.1 Critical perspectives and alternatives**

Although talent management is an increasingly widespread business activity, and there seems to be a common-sense perception of talent management as a necessity, critics have pointed to the fact that it may not be as a valuable practice, as it is perceived to be (Burkus & Osula, 2011; Martin & Schmidt, 2010; Pfeffer, 2001). Thrift (2008, p.115) is fundamentally critical of the practice and the concept of talent management and asks, '*...can it be that a world populated by six billion people is suffering from a shortage of talent?*' Thus, he questions the basic assumption underlying the 'war for talent' mindset and the very reason for introducing talent management. Jeffery Pfeffer (2001) is another author who is critical of the practice of talent management. He points out that fighting the war for talent can be hazardous to the health of an organisation, thus arguing against the common assumption of talent management as a value adding practice.

Pfeffer (2001) argues that adopting a 'war for talent' mindset is problematic, as one ends up fighting the wrong war, with the wrong methods. The talent war is essentially about locating, assessing, recruiting, and retaining the most talented people in order to succeed in the marketplace. The common-sense assumption that the companies with the best talent win neglects the importance of teamwork and the attributes of the system around the individuals (Pfeffer, 2001). Pfeffer points out that if an organisation adopts a war for talent mindset, it triggers other, unintended organisational processes and dynamics with unfortunate consequences for the organisation. First of all, it invariably puts the focus on individual performance, at the risk of creating destructive internal competition, impeding learning, and hampering teamwork. Many talent management practices rest on the fundamental assumption of organisational performance as an aggregation of individual performances (Pfeffer, 2001), which in today's knowledge-based economy is rarely the case. Thus, Pfeffer points out the potential non-value inherent in talent management with an individual focus. Second, he points out a tendency to glorify outsiders and thus neglecting insiders, potentially leading to a higher turnover of employees. Third, he points to a tendency that those who are labelled 'less able' will become less able, as they receive less training, attention etc. Previous research has found similar results (Burkus & Osula, 2011) Fourth, he argues that talent management puts too much focus on individuals and too little on systemic, cultural, and business processes that are crucial for company performance (Pfeffer, 2001).

Thunissen et al. (2013a) makes similar critical comments on contemporary talent management theory. *First*, they describe the approaches as being one-dimensional and too narrow. Talent management as described in the literature, they argue, rests on an unrealistic assumption that every actor, from entry-level employees to the CEO, pursues the general interest of the organisation, disregarding their own goals, views, and needs. This represents a classic top-down managerialist approach. Further, the literature is largely devoted to a small range of talent practices such as attraction, development, and retention (Thunissen et al., 2013a). This assumes the necessity of preventing talents from leaving the organisation and taking control of the human capital investment. Few have questioned this basic assumption and instead embraced employee turnover as way of gaining access to clients and human capital (Somaya & Williamson, 2011). Thus, the theory assumes that control over the individual is a way to increase the productivity, with an underlying GD Logic, (it is more efficient not to have to hire and train people

repeatedly), rather than taking a relational perspective, with an underlying SD Logic, in which access through relations is embraced as a way of expanding the business. Today, success in talent management is often measured by retention rates, lead time to fill positions, and succession pools (Appendix A, Global HR forum 3). If one were to embrace turnover as a positive outcome instead, a relevant measure could be to track the maintenance of relations, for example within the industry.

*Second*, according to Thunissen et al. (2013a), the talent management literature is too one-sided, as it focuses primarily on people management practices and neglects practices such as work design, which the authors consider equally important for creating employee commitment, engagement, and motivation. *Third*, Thunissen et al. (2013) point out that there is too much focus in the literature on finding a strategic fit, and often the internal fit is neglected, i.e. how talent management practices fit with other HR practices. Similarly, they point out that the contemporary literature puts too much emphasis on the talent compared to other systems and resources that potentially have a similar impact on company performance (Thunissen et al., 2013a). Finally, in regard to external fit, there is a tendency to focus on the external context as the labour market only, for instance whether there is a shortage or surplus of talent available, instead of taking a broader perspective and including the potential impact of other competitive and institutional mechanisms, which seem to be completely overlooked (Thunissen et al., 2013a). An example of a key stakeholder with a potentially huge impact on the company is the customer, who is rarely discussed and included in the talent literature. The implications of this are further discussed in the empirical analysis of the dissertation.

Thunissen et al. (2013a) suggest taking a more pluralistic and contextual approach to talent management. A pluralistic approach implies an awareness of an organisation's multiple stakeholders. Adopting a pluralistic approach may lead to conflicting goals and interests, as employee and societal goals become equally important to managerial goals; also, the definition of talent would no longer be decided by the management alone but also by other stakeholders such as peers, employees, and customers (Thunissen et al., 2013; Thunissen et al., 2013a). In a pluralistic approach, talent management is regarded as a 'people management system'. The term *system* is stressed as a term to enhance the importance of understanding multiple practices rather than single practices, and the term *people*

is used to indicate the necessity of including practices outside the control of HR, such as communication, culture, leadership, etc. (Thunnissen et al., 2013a). This simultaneously entails that the value is co-created and found beyond the immediately controllable factors.

The critical perspectives provided by Pfeffer (2001) and Thunissen et al. (2013) reflect a development in the perceived value of talent management, and how talent management potentially can create value. The perspectives contain an opening towards an organisational emphasis rather than an individual emphasis. They also contain an opening towards the context and hence involve external stakeholders, rather than exclusively viewing shareholders as the only relevant stakeholder category. Last, but not least, they contain an opening towards the less controllable and measurable (e.g. team dynamics), rather than focusing narrowly on optimisation and productivity through control, as is the case in a more production-oriented logic. These perspectives on talent management as a value-adding HR practice illustrate and support what has already been argued in this chapter: that an expansion and displacement of the concept of value is taking place within the field of talent management, moving from value as transactional towards value as relational, which implies a move from GD Logic to SD Logic. It is in this stream of literature that the present PhD project position itself.

Thunissen et al. (2013b) present a multi-level, multi-value approach to talent management, which clarifies both economic and non-economic value, created by talent management. The approach addresses three levels of value: the individual level, the organisational level, and the societal level, and further suggests different types of possible economic and non-economic value of talent management. One is an increased focus on people and work relationships instead of specific (HR) practices. A work relationship is an exchange relationship that should encompass both the economic exchange and the social exchange, which is more intangible. Another is an increasing awareness of the influence of multiple actors by recognising that organisations are not isolated entities, which implies that preferences and intentions, beyond management stakeholders, are to be included. This could, for example imply that organisations should strive for other goals than the traditional goal of shareholder value, e.g. environmental sustainability, diversity and protecting the environment (Thunnissen et al., 2013). Finally, it is suggested to embrace a broader understanding of value besides traditional notions of rational and economic value, which typically focus on objectives of

effectiveness and efficiency. Organisations are affected by social values and need to respond to them, considering social moral outcomes, including non-economic value, to increase the company's probability of survival (Thunnissen et al., 2013).

Therefore, it is suggested to address economic and non-economic value both at the individual level (e.g. rewards *and* feelings of accomplishment), at the organisational level (e.g. organisational performance *and* legitimacy, which is about social acceptance from stakeholders in the external environment), and finally at the societal level (e.g. economic/legal obligations *and* ethical/philanthropic concerns and activities). The framework represents the expansion and displacement of value in the way it addresses the value of talent management. It contains the more transactional value components with an underlying GD Logic of resources and value (e.g. rewards and organisational performance) while also emphasising some of the more relational value components (e.g. legitimacy and feelings of accomplishment). This pluralistic and contextual approach rests on a basic assumption of talent management as a social system that interacts with the specific environment (Thunnissen et al., 2013a), which is similar to the natural and open-systems model (Thompson, 2003). Thus, it more closely reflects the assumptions of resources, value and value creation represented in the SD Logic, where the receiver occupies a central position in the value creation process as well as in the determination of value.

As illustrated in the previous section, the contextual approach to talent management is gradually gaining prominence in the literature, but it remains conceptual, and empirical research is still limited (Thunnissen, Boselie, & Fruytier, 2013a). The notion of talent management as a social system that interacts with its specific environment is reflected in an emerging trend within HR. The trend is to take an outside in approach to HR, and contributions within this trend are primarily found in the popular and practitioner-oriented literature. The rationale behind this approach is that in order to add sustainable value to the business, HR must, in every regard, work from the outside in. The following section elaborates on the outside in approach, as the outside in approach represents one stream within the literature that considers the value of talent management in a more relational perspective in line with the SD Logic, hence the outside in approach is part of the positioning of this project in relation to the existing field.

#### **4.6.2 An outside in approach to talent management**

The outside in approach represents a way of working and thinking for HR professionals, which should direct future HR work (Ulrich, 2013). The term basically reflects an emphasis on importance of aligning the expectations of customers and other external stakeholders with the business and HR. This perspective on HR is still in its early stages, and the main contributor is the American professor and management consultant Dave Ulrich. He and his co-authors label this perspective an 'outside in' perspective.

HR, or at least some parts of HR, has for years been concerned with connecting the HR strategy to the business strategy. However, Ulrich (2013) now suggest that HR should be connected with the company's external environment, including customers and other stakeholders. As other aspects of business activities have done for years, it is the job of HR to look outside the organisation to evaluate how the external environment may affect HR and to predict trends, e.g. changes in lifestyles, demography, technology, economic cycles, regulations, environmental concerns and corporate social responsibility and translate them into the work of HR. If HR is able to respond adequately to these influences, they will be able to add value to the business through their work, e.g. through the practice of talent management (Ulrich, 2013).

By emphasising the link between value and talent management beyond the business strategy, Ulrich (2013), like Thunissen et al. (2013a, 2013b), emphasises the importance of contextual, relational, and systemic aspects and thus also engages the possibility of multiple interests. This also implies that value is considered in-use (Vargo & Lusch, 2008a) and thus co-created with and defined by the receiver. In doing so, Ulrich (2013) suggests that all HR work, including talent management, should be seen through an external lens. He argues that all HR activities, ranging from recruitment, training, and development to performance assessments, rewards, leadership, culture, and talent management, can be seen from the outside in. The (practice) field of SHRM is now discussing customer-centric HR (Fox, 2013; Ulrich, 2013). One important outside stakeholder is the customer, and like Thunissen et al. (2013b), Ulrich (2013) mentions other external stakeholders such as the community in which the company operates (Ulrich & Ulrich, 2011). One example, of an outside in approach to HR practice is performance management. The role of HR is to review whether the standards meet customer expectations, and in terms of training and development, HR must

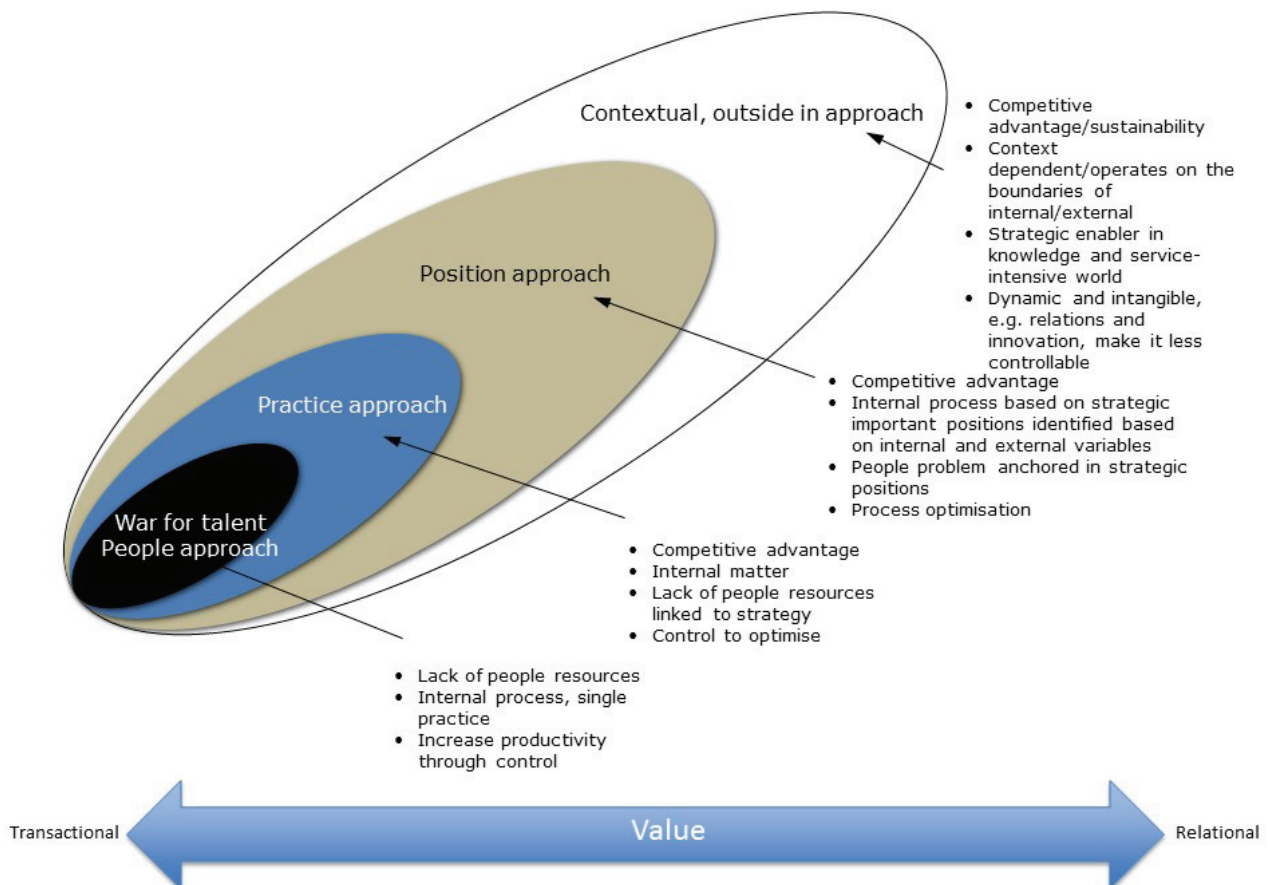


involve customer needs in the design and delivery of employee training (Ulrich, 2013). In terms of talent management, this could imply that customers have a say in who is a talent or not, and hence a new beneficiary gets to define value. It also implies that while previously, talent management was evaluated as successful and considered valuable or not according to internally defined criteria, it should now be assessed based on external, less controllable, and thus potentially less efficient criteria, as value is defined in different ways than what has traditionally been the case. This way of framing value and value creation within the field of HR represents a new logic for organising talent management and thought, which is similar to the SD Logic emphasising intangible and dynamic resources, relationships, and the co-creation of value (Lusch et al., 2006; Vargo & Lusch, 2004; Vargo et al., 2008) This implies that the value of talent management are organised around and considered within a new logic, and that the dimensions of value are expanded, which are summed up and illustrated below.

The outside in approach to talent management assumes that the company's external environment, including the customers, can inform HR and (co-)create HR practices, adding value to the business. According to Ulrich (2013), there are multiple sources of organisational value – it can be in terms of reputation in the community, employee commitment and competency that determine productivity, and customers determine sales and market share. It is the role of HR to create a proper architecture where these elements are present in the right composition (Ulrich, 2013). It is within this emerging perspective on SHRM and talent management that the present dissertation empirically explores the value of talent management in a corporate context.

In summary, this chapter has explored how value has been addressed in the talent literature, and how it has gone from being concerned primarily with talent management as an isolated activity or practice into addressing talent management as a strategic imperative and as a system that interacts with its internal and external context, more specifically taking an outside in approach. Along with this development, the value of talent management has been expanded and displaced from considering value as transactional in line with the GD Logic towards considering value as relational in line with the SD Logic. The development in the underlying logic of value within the talent management literature, and the discussion in this chapter, are summed up and illustrated in the figure below:

**Figure 3 - The onion layer framework of valuable talent management**



Source: Author

The above figure illustrates the development within the talent management literature since Mckinsey kicked off the *war for talent* based on a lack of people resources. The value of talent management was considered in relation to the focus on controlling individuals, optimising processes, and specific practices, and talent management was treated as an internal matter. These focus areas are very similar to a production-oriented logic and resembles a strong similarity with both the GD logic and the historical roots of HRM. Since then, the focus in the literature has gradually changed and evolved into what can be labelled a *practice approach* to talent management. In the framework suggested by Lewis and Heckman (2006),

marginal attention is paid to the external context of the company, and we see the beginnings of an opening towards the context and the external environment. Talent management gradually becomes a matter of achieving a competitive advantage and is linked to the business strategy. However, it remains an internal matter that is about optimising people processes through control. Following the practice approach, the literature has evolved into what can be labelled as a *position approach* to talent management. In the framework suggested by Collings and Mellahi (2009), it appears that the value of talent management increasingly is considered away from talent management as a matter of managing individuals and filling people pipelines through selected HR practices (towards considering the value of talent management in relation to driving a certain strategic direction through mediating variables within both an internal and an external context. The goal or value of talent management is to achieve a competitive advantage, and talent management needs to be aligned closely with the business strategy, which is ensured by focusing on strategic important positions. The focus in talent management at this stage is still on process optimisation through control.

Much of the talent management literature is characterised by the rational systems model and as represented with an underlying GD Logic. However, from 2009, the talent literature begins to embrace new focus areas and new understandings of value. This view put less emphasis on selecting (the right) individuals and securing the people pipeline as the ultimate goal of talent management. That is, talent management is no longer as being primarily concerned with value as transactional; instead, talent management is seen as value adding when it is a strategic driver. This involves less of a focus on specific practices of talent management and a shift towards a relational and systemic approach to talent management. Gradually, the external context is recognised as having an impact on talent management. The recent talent literature has emphasised business strategy, external conditions, non-economic value, innovation, dynamic aspects, as well as knowledge and service, reflecting a *contextual or outside in approach* to talent management, where the goal of talent management is still about achieving a competitive advantage, but with an increasing emphasis on sustainability. Talent management is considered a strategic enabler in a knowledge-intensive world, it is context dependent, and it operates on the boundaries between the formal organisation and its external environment. Talent management literature increasingly deals with value as dynamic, containing intangible elements, such as

innovation and relations, which makes it less controllable, and thus more closely reflecting an underlying SD Logic.

With the change in focus areas in the talent management literature, the concept of value is expanded and displaced from a transactional view (GD Logic) towards a relational view (SD Logic). An important point to be made here is that describing the expansion and displacement of value along a continuum implies (emerging) changes in the concept of value, but it does not necessarily imply replacement, i.e. that a relational view of value has completely replaced the transactional view. In the above figure, the value of talent management is represented as a continuum. One end of the continuum, where value is represented as *transactional*, has a relatively strong echo from Taylorism. At this end of the continuum, valuable talent management is best described as a controllable internal and individually oriented process or practice. This view reflects an underlying production-oriented logic, which assumes that talent management can largely be optimised in ways similar to production optimisation. This implies that valuable talent management emphasises individuals, e.g. identifying the right people and implementing specific, efficient HR practices, e.g. recruitment or pipeline management, as well as a strong emphasis on processes and programmes that can be mapped and, preferably, measured and controlled.

At the other end of the continuum in the figure above, where value is represented as *relational*, valuable talent management is described more by a contextual approach with an impact on and impacted by external factors. This means that the process is assumed dynamic, less controllable and implies a certain emphasis on intangibles, including relations. It implies that valuable talent management emphasises what lies beyond the immediately controllable, and that it is dynamic and not represented in a certain shape by, e.g., certain recruitment practices. Value, in this understanding, is typically found and created outside the transactional aspect, e.g. outside the specific recruitment practice or the specific talent programme and instead emerges in the intersection of initiatives, people, and organisations. Thus, value becomes relational, co-created and defined by the beneficiary (S. Vargo & Lusch, 2008; S. L. Vargo & Lusch, 2004). The expansion of the concept of value in the talent literature is illustrated in the figure as an expansion or displacement from transactional to relational. This expansion has many similarities to the postulated shift from GD Logic to SD Logic (Vargo & Lusch, 2004). In practice, the shift describes a tendency towards an increased

focus on value as relational, as something that is created, understood, and defined from the outside in and in the context with and of the surroundings. This makes value more difficult to map, control, and optimise and also more difficult to understand and capture within the current practices and understandings of talent management.

Traditionally, the talent management literature has been concerned with ensuring people pipelines, which implies an internal focus, e.g. on how to we ensure that we have the next (talented and competent) chief commercial officer in place in the shortest possible time. The success criteria and value of such initiatives have been evaluated and measured on internal parameters. The shift from a transactional towards a relational view of value in the talent literature has coincided with the emergence of an increasingly dynamic, global, interconnected, and service and knowledge-based business environment. The displacement of value enables different way of conceptualising talent management. It questions many of the current assumptions about the value of talent management (e.g. high-performing individuals vs. strong networks), relevant measures (e.g. lead time to fill positions vs. learning opportunities or customer perceptions) and ways of working (e.g. internal, functional programmes or external, cross-functional development). This development has shaped the understanding of and approach to talent management in this particular dissertation.

The dissertation is ultimately concerned with value to the company. The intention is not to explicate the complexity and multi-faceted dimensions of the concept of value but rather to discuss the value of talent management in the context of how a management initiative can ultimately lead to a positive impact on the corporate bottom line – possibly in different ways than traditional assumptions and practices. In exploring the value of talent management, the project draws inspiration from the contextual and systemic approach suggested by Thunissen et al. (2013; 2013a). However, the project has a different intention and underlying logic than represented in the framework suggested by Thunissen et al. (2013b). Their framework is concerned with talent management as having a societal value that is equally important to the organisational value. Like Thunissen et al. (2013b), Ulrich and Ulrich (2011) address the value of talent management by linking talent management to community results but still with the intention of serving the interest of the organisation. Thus, they view societal welfare as important, but they do not consider it an equally important outcome of talent management. This

means that the underlying logic of Ulrich and Ulrich's (2011) contribution is different from Thunissen et al. (2013b). Given its nature of this PhD project as an industrial PhD with a practitioner-oriented ambition, the positioning of the present project is closer to the approach represented by Ulrich and Ulrich (2011).

The dissertation explores how to go beyond the common-sense idea that a good (competent and talented) pipeline creates value. More specifically, the dissertation explores the value of talent management as it emerges in the intersection between company and customer, where the company generates its profit. The aim of exploring talent management in this intersection automatically allows for a more externally oriented and relational approach to talent management and for considering the value of talent management from a different perspective. Value is not found in a neat formula that can be presented in a spreadsheet, and the dissertation is not a discussion of how to measure the value of talent management in a traditional terms. This has already been attempted by numerous management consultants and companies (DeTuncq & Schmidt, 2013; Human Capital Management Institute, ). Instead, the dissertation explores and discusses how, what is known as a key strategic HRM practice, widely accepted as a necessity both in practice and academia, is a value adding corporate initiative. This investigation and discussion will be based on the assumption that value creation is possible outside the sphere of the organisation, and that it contains a relational aspect, thus adding the customer to the talent equation and expanding the value dimensions of talent management. The project positions itself in an emerging stream of *outside in approaches* to HR by taking a deep dive into talent management in a corporate context and introducing the customer into the talent management practice through the empirical data.

With this summary of the basic elements of the analytical framework (which will be explained in more detail in Chapter 5), we are now ready to begin the empirical exploration in the following four chapters, starting with Damco as the business context for talent management. A context that is characterised by a sense of change and a need for development.



## 5 A sense of change and a need for development

*'I was given an opportunity to say, you are doing a lot of good stuff and good things, but times are changing. So I might not benefit tomorrow, but a bunch of young folks like this, is gonna be around for another 15-20 years, are all gonna realise its all true, you gotta go forward, and we gotta understand how our lifes gonna change. And it will...'* (Appendix A, Customer 1)

In the above quote, a Damco customer frames a sense of change that is prevalent both with the Damco customer and within Damco. This chapter, the first of the four empirical chapters, introduces the customer into the project through its empirical data. There seems to be an intense, rapid, and pervasive feeling of change, which is experienced and articulated in a number of ways. The customers describe how they perceive the world to be different now, which has implications for their way of doing business and for their expectations to partners and suppliers. Damco also experiences change internally and externally and attempts to do things differently in order to adjust to changing market conditions and remain competitive. This chapter explores the changing business context, which provides the context for practicing talent management and frames the context for considering talent management a valuable initiative. As we shall see later in the chapter, business is characterised by a sense of change, and a need for development.

As conditions and understandings in business change, so are conditions for what is considered valuable, and how value is created and attributed. In this way, the sense of change and the need for development in the business becomes relevant for the discussion of the value of talent management, as it influences fundamental assumptions of value and value creation. The purpose of this chapter, which explores the changing business context, is to provide the lens through which the project will explore talent management. This lens is inspired by the outside in

approach to HR (Ulrich, 2013). The outside in approach focus on connecting HR practices, in this dissertation talent management, to the external environment of the business by foreseeing trends and translating them into the practice of talent management.

Talent management, as it is studied in this project, is unfolded in a large global organisation, which is constantly moving (on). That is also the point of departure for the analysis – in the business of Damco, which does business with business (customers) experiencing a sense of change and a need for development. The chapter serves the purpose of bridging the business context with the subsequent discussion of the value of talent management, which will be unfolded in the three empirical Chapters 5,6 and 7. This is done first by focusing on Damco's customers' perception of change and the need for development. Second, the focus will be on how Damco perceives and acts on change and the need for development. Finally, the perceived change and need for development with both customers and Damco will be discussed in relation to the displacement and expansion of value in the business. The value discussion provides a perspective on and understanding of the organisational agenda in which talent management unfolds and is expected to be a value-adding activity. First we will however turn to the customers' perception of change and their expectations.

## **5.1 The customer perception and expectation**

This section focuses on the customer perception and expectation to Damco, and is based on illustrative examples that highlight the customers' business agenda. Damco's customers experience and articulate change and a need for development. All the customers included in the analysis are large international companies with headquarters in different countries, and they all have a global footprint. Regardless of their industry, whether medical devices, IT products or fashion and retail, they all express that they are experiencing some degree of accelerated change in their environment and have a sense that their conditions for doing business are changing. In order to survive and adjust to the market, they seek to develop and change their business to adapt leading to changed and different requirements to their service provider(s). The changes they experience include changed business conditions, changed environmental requirements, changes in technology and changed perception in the importance of service. These will be discussed further below.

Under the headline ‘*Changing expectations – new dynamics and revisiting others*’ (Appendix A, Customer presentation 2) a Damco customer highlights some key changes in the environment in which they operate. He articulates:

- *Emerging countries – BRIC to N11?*
- *Technology – diversity, standardisation, simplification, gaps*
- *Demands on Green Environment*
- *Regulatory environment*

The customer elaborates on these points in his presentation (Appendix 2, Customer presentation 2) and he points towards changes in the market, emphasising the increased importance and relevance of emerging markets, a point that he is very insistent about in subsequent interview as well (Appendix 2, Customer 2) He stresses that emerging markets offer new growth opportunities but also present a number of challenges, as few companies know how to approach these markets properly and be successful in the markets. For example, Africa is potentially a huge growth market, but it is a challenge to distribute goods in Africa, in part due to an underdeveloped infrastructure. Here he sees a potential for future cooperation among different companies combining their skills, knowledge and networks to achieve success in yet to be developed markets (Appendix A, Customer 2) He further points out that the customer's business is highly influenced by changes in technology, environmental and regulations. When asked by one of the workshop participants (one of the commercial talents) what kind of green information (implicit what kind of environmental information) is they would like to receive from DAMCO as their service provider, the customer answers, ‘*it changes all the time*’ (Appendix A, Customer presentation 2). Thus, the customer is interested in receiving information and services that are relevant to their particular challenges. Challenges which apparently are very dynamic (Appendix 2, Customer presentation 2) rather than asking for a standard ‘carbon foot print’ solution.

Environmental demands, and in particular sustainability, seem to be an increasingly important area to all of the customers included in this dissertation. Sustainability is represented and understood in many forms and foci with the different customers. They have difficulty defining exactly what it means to them, some more than others, but one is left with the impression that it is a necessity for doing business today, since every customer interviewed for this project mentions

and highlights it independently. One customer points out that sustainability *'makes them tick'* (Appendix 2, Customer presentation 3). He adds that an important business approach is to focus on sustainability. His company has chosen to focus on aspects of sustainability ranging from environmental sustainability over transportation, health and safety and diversity to recycling (Appendix A, Customer presentation 3). Another customer expands on this point, explaining that his company is focusing increasingly on sustainability, which *'is important stuff nowadays'* (Appendix A, Customer presentation 3). Without explicating how the company actually addresses these sustainability concerns, he implicitly expresses why it is important: *'If the company ends up in the media with one bad story, it can be devastating for the business'* (Appendix 2, Customer presentation 5). This customer is in the fashion industry, and like most of the competition, the firm has devoted many resources to sustainability in recent years, yet they still find it challenging. For example, it has proved impossible to track development work in the Indian production facility (Appendix 2, Customer presentation 5). His comment thus aligns with comments from other customers (Appendix 2, Customer presentation 1-5). A fourth customer says that his company is in the process of defining what sustainability means to the company, yet what it actually means remains unclear, both to the workshop participants and to the researcher. Nevertheless, he says that it involves environmental impact, social responsibility and business process improvements. In this sense, sustainability as articulated and prioritised with the Damco customer's remains a very vague concept, although it is highlighted as an important part of the business and as something the company wants to be known for (Appendix A, Customer presentation 2). This indicates that most likely they do not know how to deal with sustainability, although they are aware that it is important, and therefore they are now trying to *'figure it out'*.

Technology development is another area of change experienced by the customers. The customers describe how technology is impacting developments within their business in several ways. One customer explains that technology has had implication for their business model, which used to be based on warehouses and universal stores. The business is now developed into a high-end, high-tech online shopping solution with millions of US dollars in annual turnover. One implication of the changed business model is changes in their cooperation with logistics companies (e.g. Damco), as advanced supply chain and logistics solutions become essential when the business is structured around online shopping rather than around warehouses (Appendix 2, Customer presentation 3). Other customers

describe the impact of changed technology. Also in businesses that are not organised around online shopping, the customers report that they are highly dependent on smart technological solutions as a way of reducing (transportation) costs, making life easier for *their* customer and managing sustainability (Appendix A, Customer presentation 1), which is being highlighted as essential to business.

The customers all experience that service is becoming increasingly important in comparison to physical goods to be successful in their industry. One customer says that their business is constantly changing, and that in recent years, like many other business, they have experienced a change in perception, from '*product as king*' to an increased focus on the service that surrounds the product' (Appendix A, Customer presentation 4). Another customer expands on this observation as he elaborates on the logistics and supply chain development within his own company. He explains how it '*..changed from moving containers to managing customer expectations. The container is a means to an end; what's important is the customer's expectations...*' (Appendix 2, Customer presentation 3). All the customers clearly articulate an expectation of, and a need for, more than 'just' transport, the product they buy, in their logistics solutions (Appendix A, Customer presentation 1-5; Customer 1-2). One of the customer frames it by highlighting: '*... what used to be just transportation is changing. Those who need that service [transportation, ed.] need something else to understand their business-related problem...*' (Appendix A, Customer presentation 4). The experienced shift towards an increased focus on service, is similar to the shift described in Chapter 3 with the move from GD Logic to SD Logic. As proposed within SD Logic, this shift represents a new mindset, where companies increasingly depend on each other to do productive work due to changes in society and technology (Lusch & Vargo, 2009; Vargo & Lusch, 2004).

The customers' experience of changes in business conditions and environmental demands along with an increased focus on service and customer experience has implications for their expectations to their service providers, suppliers and partners. This includes changes in their expectations to Damco as one of their service providers. In the past, their service providers, suppliers and partners have mainly been expected to act as subject-matter experts, which involve knowing best and being close to the customer. These expectations are still relevant, but they are not sufficient to differentiate one service provider from another (Appendix A, Customer presentation 2). Hence these parameters are not sufficient to potentially

create a competitive advantage for Damco (Chapter 3) Increasingly, the customer expects the working relationship to function as a partnership. This partnership more specifically implies that a partner is capable of helping the customer improve *their* business by understanding *their* business problem, challenging them, inspiring them, suggesting business innovation and basically acting as an extended arm of the customer's business. One customer mentions that when they choose strategic partners they expect '*an improved and more dialogue-based service/interaction, up to date technology, awareness of environmental sustainability, social responsibility, business process improvements and empowered employees who can challenge the customer and help them improve and innovate their business*' (Appendix A, Customer presentation 1). Another customer highlights the need for a partner who can act as an '*... inspirational partner, delivering change...*' (Appendix A, Customer presentation 2). Thus, to act as a partner, the service provider is expected to act as a driver for customer internal change and growth. He elaborates by emphasising that past expectations are still relevant, just not sufficient. The customers describe that this expectation of a strategic relationship or partnership makes a difference when they evaluate and choose one service provider over another. Thus, if/when Damco embraces and collaborates with external stakeholders, including customers, they become sources of value and knowledge resources, which ensure/assist in ensuring Damco a sustainable competitive advantage (Lusch & Vargo, 2009; Vargo & Lusch, 2004).

Both the customers and Damco emphasise the strategic partnership as an essential way of doing business. A partnership is, however, a broad and somewhat vague concept; more specifically, the customers say that they expect to be challenged as well as receiving help to improve and innovate their business. While emphasising this need for being challenged through their strategic partnerships, they also request more of that kind of partners relationship and behaviour from Damco, as illustrated by the excerpts below:

*'... Innovation is the biggest challenge for a forwarder. We have received the same services for the past 10 years, PLEASE PROVOKE ME!!'* (Appendix A, Customer presentation 5).

*'... It is a partnership; we like to be challenged...'* (Appendix A, Customer presentation 4).



*'... Don't do as the rest; we want innovation, to be challenged, that is part of a partnership... (Appendix A, Customer presentation 3).*

Above, we see how the customers describe the need for innovation, how they expect a service provider (forwarder) to be able to understand the customer's business, entering into a partnership and contributing to their business by providing inspiration, innovation and investing in their relationship. It is no longer *only* about delivering a service but also about applying a strategic perspective to the customer's business (Appendix A, Customer 2; Customer presentation 3; Customer presentation 4; Customer presentation 5). The respondents present this as a necessity, and they want more of it. In this way, the boundaries between organisations are becoming more fragmented and less stable. On the one hand, Damco seeks to meet these expectations, which differ significantly from the expectations traditionally associated with buying a transportation solution from point A to point B. On the other hand, Damco is trying to figure out how to deal with the expectations. With the expectation of a strategic partnership and associated ways of working together by challenging, inspiring, innovating and re-scoping problems, what happens (with customers and Damco) becomes relevant to the organisation's external relations and makes problems more interrelated and interdependent. Below, a customer reflects on the company's expectations of its strategic partners:

*'We have changed expectations to our strategic partners, we expect customer service to exceed expectations, we expect service at both end of the svargo vaupply chain, Damco is a part of two ends that need to connect for the customer, Damco is part of a network. In general Damco is doing a good job, but it takes only one person to clear it all. I experienced it last week, and it is only because I know this company and its people really well.. ([... that we are still with them; ed.]' (Appendix A, Customer 1)*

This customer describes how Damco's internal processes and people are related to the customer's business. As a global organisation, the customer's business is affected by all their interactions with Damco – globally, disregarding the geographical touchpoint. It is the total experience with the Damco business that matters to them, how successful the business is in building a partnership with the *entire* customer organisation. This also means that Damco's ability to utilise their collaborative meta-competences (Lusch et al., 2007) affects how successful they

are at doing business with the customers. One customer describes it rather simply in terms of expectations:

*'We have the same expectation to our service providers as we do to our internal staff, you need to be able to have high quality of work, make decisions, have clear communication and bring suggestions, take ownership and responsibility of problems. It is actually about managing external relationships. We depend on these relationships.'* (Appendix A, Customer presentation 5)

This customer emphasises how their business depends on external relations, similar to the relationship with their employees, and how their internal and external expectations do not differ. Both are crucial to their business and closely interlinked. This is becoming more and more common for Damco, and Damco increasingly experiences this interdependence. A large global customer wrote when renewing their contract:

*'...the success of our relationship lies with the capabilities of our associates. And this is one area we must continue to put strong emphasis on in the coming years. Having highly capable, well trained, experienced associates who can handle the unique challenges the RETAIL(ed.) business presents, is the single most important factor in the success we will have together...'* (Appendix A, Email 5).

The partnership thus implies that boundaries between the organisations are becoming less stable, both in terms of ownership of problems, relevance of problems, ways of interacting and communicating as well as implications of decisions. This interdependency leads to an increased complexity, which is difficult to address within the traditional boundaries of the organisation and the traditional transactional approach, because people, organisations, problems, solutions etc. are interdependent. Hence, the strong focus on the partnership role.

The partnership requires a less transactional approach where problems, communication, responsibility and decisions are handled in a continuous process between multiple interests and stakeholders with both Damco and Damco's customers. This way of working and creating business value represents a contrast to the typical transactional approach, where problems, communication, responsibility and decisions are handled in one particular transaction, by particular people who are relevant for that particular transaction. Thus, organisations become

interrelated in different ways, and to a larger extent they are mutually dependent, both in creating success (value) for the respective businesses and in relation to *how* the success is created and defined. In this way, the value assumptions reflecting the partnership model of business are similar to the natural and open system logic (Thompson, 2003). Valuable resources are found outside the company in the shape of partnerships (e.g. customers, suppliers), they are dynamic and infinite and take active part in the value creation process, as we also saw in section 3.3. In this way, value and value creation becomes largely dependent on a collaborative and mutually dependent effort by both the customer and Damco. This has implications for the way in which value is attributed and created and means that value must be understood in a relational perspective. In turn, this means that value for Damco is dependent on value for the customer, and vice versa.

Value for a Damco customer is not necessarily understood, defined or captured in a single transaction of moving a particular good from China to the USA. Rather, value for a Damco customer should be understood, defined and captured through a continuous process in which Damco takes an active role, acting continuously as a strategic partner for the customer. This requires an understanding of the customer's problems (which goes beyond transportation issues) and the ability to act, communicate and make decisions, as if Damco were part of the customer's business, yet all the while remaining an independent company. As we have seen in this chapter so far, the customer then experiences value creation, which are linked to value creation for Damco. This perspective on value and value creation as relational has a number of implications for ways of doing business – also in people processes such as talent management. We will return to the talent management implications in Chapter 6. First, we will turn towards Damco, which, like the customer, experiences a sense of change and a need for development.

## **5.2 Damco's perception and action**

Damco has been through several large organisational turnarounds, particularly since 2008, to grow the business and remain competitive, as illustrated in section 1.1 there is a sense of change and a need for development in Damco, similar to what we saw above with the customer. In Damco both business conditions and customer expectations is perceived to be changing. The focus in this section is on Damco's perception of change, which is discussed by means of selected examples of Damco's agenda and focus areas.

A Damco senior leader reports an experience of a changing competitive landscape, which has implications for logistics companies. He reflects on the changes, and highlights the technological changes, which lead to a higher degree of connectivity among people, countries, organisations and information in general. Other changes include a growing number of organisations working globally, emerging markets becoming huge markets in their own right, customers sourcing from everywhere and customers continuously looking for new sourcing opportunities (Appendix A, global talent workshop 1). These changes lead to several key questions that logistics companies need to address. Such as, how will trade flows change? How will the new markets be connected? How will the customer base evolve? Where will the competition come from? What is the next productivity ‘game changer’? The answer to these questions have implications for how to run a successful logistics business (Appendix A, global talent workshop 1). In this way, there is an awareness that uncertainty is the new norm, a norm that one has to embrace, without necessarily being completely comfortable with the new norm or knowing exactly how to deal with it.

Further it is reported that they experience increased customer expectations. First, customers expect Damco *to understand the customer’s business*, which involves knowing who the customer’s customers are, what is important to them, their current supply chain sophistication situation, and also to spend a significant amount of time with the customer. Second, *the customers expect innovation*, which involves knowledge of best practices, new ideas, 4PL<sup>2</sup>, carrier management and end-to-end solutions. In Damco’s experience, what is important to the customer is both the more typical and transactional elements such as operational excellence and costs as well as the more forward-looking and intangible elements such as innovation and sustainability, which are becoming increasingly important. (Appendix A, global talent workshop 1). These customer expectations are amongst others evident in the tender signing process. Damco increasingly experiences that part of the tender process contains information requests regarding other issues besides than the actual price. These requests include information about corporate

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<sup>2</sup> 4PLs (fourth-party logistics providers) stand in contrast to 3PLs (third-party logistics providers). Arrangement in which a firm contracts out (outsources) its logistical operations to two or more specialist firms (the third party logistics) and hires another specialist firm (the fourth party) to coordinate the activities of the third parties ([www.businessdictionary.com/definition/](http://www.businessdictionary.com/definition/), ).

values, management layers and Damco's customer focus. Examples of questions asked by customers before signing a tender are:

*'Please provide details of your corporate and business values, and how this affects your*

*organization and the services you offer.*

*Please provide details of your management hierarchy including length of service dynamics and*

*qualifications and explain how these assist in creating an effective business organization.*

*Have you used customer satisfaction surveys within a customer's organization in the past and if so, please provide copies of surveys you have used and describe how successful such an approach has been'* (Appendix A, Email 1).

From the above example it is clear that intangibles such as values, management and customer satisfaction becoming increasingly important for customers when choosing a service provider. A Damco leader elaborates on these requests by describing that '*..in particular the more advanced customers (supply chain and solution customers; ed.] focus on individual development and go directly to please pass me a CV..*' (Appendix A, Commercial leader 3). The leader continues by emphasising that the knowledge and skills of Damco's employees is critical when working on/with/in the customer organisation. He says that these factors are of great importance to the decision-maker in the customer organisation, since '*...if we fail on this project, the person will fail in his organisation, and therefore they are very very serious about these things..*' (Appendix A, Commercial leader 3). This example further supports what we saw in the previous chapter - that organisations (and people) become increasingly interrelated in the decision-making and value creation process.

It is evident (and expected) that customers demand efficient and professional logistics solutions from a logistics provider. They do, however, also expect more than that: They expect service, understanding, innovation, sustainability and someone who can help them improve *their* business by understanding *their* business. Thus, they demand a relational rather than a transactional business interaction, and this demand contains an implicit change in the understanding of what create value to the customer. Damco perceives this as a need for changes in

the way they do business. On several occasions, the need for change and for rethinking their business is articulated:

*'We cannot grow our ocean business, we must step away and rethink ... one of the things that I always promise the customer is that we will keep reinventing ourselves...'* (Appendix A, Commercial leader presentation 1)

*'Damco missed out in this strategy [a past strategy; ed.]. This is one of the things we are trying to rectify today. What it means on the ground in those day, we were consolidating, and it was great back then, we made good money then, with the new strategy it changed. I joined in 2008 and saw, our business is disappearing because XYZ (ed.) going after that business, our whole market disappeared. We had to reinvent ourself. We are still in the process of reinventing the way we go to market...'* (Appendix A, Commercial leader presentation 2)

In the above examples, both senior leaders highlight the perceived need for rethinking the ways they do business, and that past business models need rethinking. The rethinking further concerns about how to go to market and unfolds in an iterative process. Part of the process involves looking towards the market, customers and industry for trends and consequently acting on them (Appendix A, Global talent workshop 3). Being able to comprehend important trends and know-how from the external environment is a collaborative competence, which can be a source of competitive advantage (Lusch et al., 2007). Damco seeks to comprehend trends from the external market, and several initiatives are launched in an attempt to rethink ways of doing business and remain competitive in the long term. These initiatives are related both to process optimisation and cost cutting as well as relationship building and a stronger customer focus. The focus in both aspects is to ensure the achievement of an ambitious growth strategy (Appendix A, Commercial leader presentation 3).

Part of realising the growth strategy is a strategic reorganisation, which has led to a number of changes with a more short-term focus. The leadership team has subsequently discussed how to move from turnaround mode into sustainable growth: *'we can't continue to do more of the same; we need something different.'* (Appendix A, field notes 2012, informal coffetalk). Also in the internal communication, it is emphasised that Damco has been and to some extent still is in a transition mode: *'The first half of 2011 has been somewhat challenging for*



*Damco, as we transition from a focus on restructuring and cost saving to learning how to really grow our business – in a difficult market ’ (Appendix A, Intranet 2)*

The examples illustrate that Damco has been in a situation of restructuring and is now attempting to look forwards by emphasising ‘something different’ and ‘learning how to really grow our business’, thereby implicitly indicating that the growth originates from more than just cost cutting and restructuring. Despite the request for ‘something else’, the focus on optimising processes and cutting costs remains dominant. For example, cost reductions and correcting the book of business, which is basically about choosing the ‘right’ customers (customers that enable a profitable business), re-shaping the customer portfolio (Appendix A, Global Talent Workshop 3; Commercial leader 2). Beside the focus on cost efficient and effective processes, there is a strong focus on being customer-centric, which is a key differentiator in a commoditised market. This is evident, for example, in Damco’s internal communication:

*‘Our starting point is: if we don’t create value for our customers we have no right to win or retain them. Identifying how we create value for our customers – not just in lower prices but also in what can we do with our service to really create value for them – is our competitive advantage. This is about understanding the customers, their industry, their challenges and finding out where we position relative to the competition so we can come up with something that is different’ (Appendix A, Newsletter 3).*

Here it is emphasised that creating customer value – beyond price – holds a potential for creating a competitive advantage. The customer-centricity is further part of a commercial ambition that emphasises the desire to be regarded as ‘*a customer-driven company as well as operating as a customer-driven company*’ (Appendix A, Global talent workshop 2). This implies that deliveries are assessed on the customer value they bring, customer satisfaction and Damco’s ability to differentiate the company’s brand and value proposition. Last but not least, delivering this requires a performance-driven and collaborative approach (Appendix A, Global talent workshop 2). In order to achieve this, Damco focuses on the need to organise around the customer, to drive a customer service mindset and to collaborate across the global organisation (Appendix A, Commercial leader presentation 1), which is how external factors influence internal organisation. Damco perceives the customer-centric mindset as a journey:

*'We have been on a journey towards customer-centricity, which we have undertaken with utmost commitment. Everything we do now is centered on how we create value for our customers. Our functions, geographies and management spend time supporting customers and, importantly, supporting those that service the customers'.* (Appendix A, Newsletter 3).

Here, the customer-centric approach is referred to as a journey. One note of interest is that this journey is referred to as being close to completion. However, it does not appear fully completed, and a more accurate description might be that it is an ongoing journey that primarily has taken place in few functions, as we shall also see in the subsequent three empirical chapters. Damco has begun to organise around the customer. Damco products (e.g. air freight, SCD, Ocean, SCM) are organised around the customer, as are management and IT services (Appendix A, Global talent workshop 2). Besides organising around the customer, other initiatives are launched to drive the customer focus, such as the introduction of customer forums and NET promoter scores. Both are new to Damco, and they are considered a way of integrating the outside value perspective (customer value) at Damco, and in this sense value is attributed and considered in a more relational perspective than previously at Damco.

Taking the example of the customer forum, it is a non-commercial forum, which serves as a platform for industry updates and best-practice sharing amongst key customers. Customer forums are arranged as a way of engaging with customers and building relations. Existing and potential Damco customers have the opportunity to share industry knowledge, network with other customers, and discuss best-practice. The customer forums are very popular, both with Damco leaders, who sees them as an opportunity to gain insights and input to the strategic development agenda, and as a way of embracing customer-centricity. The customers have also received the forums with great enthusiasm, engaging and openly sharing their thoughts on sensitive issues, such as business models etc. (Appendix A, Newsletter 7). The example of the NET Promoter Score (NPS) is another way to consider value in a different perspective, a perspective where the outside represented as the customer, gains a momentum. NPS acts as a customer satisfaction survey. In reality, the NET Promoter Score is a customer loyalty metric, which measures the loyalty that exists between a provider and a consumer. Damco has introduced it as a way of measuring its service to customers, and as an

indicator of how likely customers are to continue to make use of Damco's services and the possibility of generating new business. Since the introduction of the NET Promoter Score, the score has improved significantly and is considered an indicator for Damco's performance on customer-centricity:

*'Our global Net Promoter Score increased for the fourth year running...This increase in NPS is a great achievement, and a real testament to the way we work and service our customers. It is clear evidence that we are becoming more customer centric. 58% of our customers took part in the survey (2% more than last year) meaning that this is the collective opinion of around 2,500 respondents and a very valid indicator for us of how we are performing.'* (Appendix A, Newsletter 7)

From the above snapshot of an internal communication on the NPS, we see that there is a focus on the customers' perception of Damco, expressed in efforts to measure the perceptions and in proudly presenting when customer satisfaction has improved. The NPS is widely adopted by many global organisations, as it represents a simple method of measurement. It is, however, also criticised, for example for being attitudinal rather than behavioural (Keiningham, Cooil, Aksoy, Andreassen, & Weiner, 2007) and thus not necessarily predicting growth. Nevertheless, to Damco, the NPS represents a means of understanding and including value from a customer perspective and is primarily used to sense-check impressions and as a tracking parameter. Introducing the NPS is a way of introducing perceived customer value at Damco, and in this sense the value of Damco services is then determined (at least to some extent) by the receiver (S. Vargo & Lusch, 2008; S. L. Vargo & Lusch, 2004), which in turn implies that value attribution becomes relational. Since the introduction of the NPS, Damco has experienced a positive development in the scores. It remains unclear and a challenge to determine what kind of actions would have been initiated if there had not been any improvement. The (external) measurement of customer loyalty is linked to the (internal) measurement of employee engagement, emphasising the link and relevance between the two:

*'Committed employees mean happier customers and better end-of-year results. This is now statistically proven in a new study conducted by A.P. Moller-Maersk ...'* (Appendix A, Intranet 1)

*'Engagement is contagious beyond organizational boundaries. A new study shows that 35% of the customer satisfaction measured in the Group's logistical arm Damco is explained by the engagement among Damco's employees ' ' (Appendix A, Intranet 1)*

Linking an internal measurement to an external measurement as illustrated above reflects an attempt to drive a certain agenda through multiple channels and measurements. All the initiatives, process optimisation, cost cutting, customer forums and metrics are intended to reinforce customer centricity and link external and internal measurements. The selected measurements are an expression of what is (also) considered valuable in the context of the organisation. The measurements are launched in pursuit of a strategy that is ultimately about business growth to be achieved through a customer focus.

In summary, since 2009, the business has experienced a sense of urgency for transforming the company's ways of doing business. As we have seen, a number of initiatives have been launched aimed at reinforcing the change towards being a customer-focused company. However, this transformation does not happen overnight, and Damco describes a number of challenges associated with this effort, for example being behind their growth target, lack of collaboration and room for improvement in terms of both the sales situation and the sales process, implementation and attitude, e.g. how Damco collaborates internally in order to deliver to the customer (Appendix A, global talent workshop 2). Nonetheless, Damco's organisational agenda is characterised by change. Change is perceived to occur, and it is articulated and acted upon. This leaves an impression of an agenda that is highly influenced by change, and which aims to rethink, to do things differently, and to achieve growth through optimisation and a customer focus. The agenda is characterised by an enhanced complexity sensitivity and greater responsiveness, which represents a number of challenges across the business, as fundamental business principles are changing, and new understandings of markets and customers emerge.

In the wake of these changes, new understandings of market and value emerge at Damco. Being customer-centric represents a new mindset at Damco, one that continues to offer certain challenges, as we have seen in Chapter 2 and will see throughout the following empirical chapters. The customer focus fundamentally changes the understanding of value. Increasingly, business practices are organised

according to an underlying assumption that business value is also created and attributed outside the sphere of the company or in the intersection of organisations in a view that is similar to value understandings as represented in the natural systems logic (Thompson, 2003). This understanding of value reflects value understandings represented in the SD Logic (Vargo & Lusch, 2004; Vargo & Lusch, 2008a), where value is considered in-use, and where the customer plays a key role in value creation and definition. As we have seen above, Damco (partly) organises its business practices along new lines and understandings of market and customer with an underlying relational logic around value creation (Vargo & Lusch, 2004; Vargo & Lusch, 2008a). This implies that in a strategic partnership, both Damco and the customer become active participants in the value creation process and recognise the mutual dependency that characterises the value creation process (S. L. Vargo, Maglio, & Akaka, 2008). It is within this context that talent management is expected to be a value adding practice and provide a competitive advantage.

### **5.3 The (missing?) link between business change and talent management**

Based on the above two chapters, it is evident that both Damco and its customers experience change and articulate the need for new ways of doing business. They describe changes in business conditions, the competitive landscape, environmental demands, technology, expectations about the primary focus of the business, market structures and customer expectations. The overall picture is that uncertainty seems to be the new norm. In this sense, both Damco and its customers experience changes in the ways of doing business, and despite the fact that they both emphasise the importance of partnerships in light of these changes, their perception of what the partnership entails is not necessarily aligned or fully established. For example, as we have seen, the customer requests to be challenged more and to be provoked to undertake innovation, as part of their interpretation of a partnership.

In this way value and value creation becomes relational rather than transactional. Damco creates value for the customer when the customer perceives the delivery/service/partnership to be value-adding; only then is value created for Damco as well. The SD Logic (Vargo et al., 2008) describes how both provider and customer become active participants in the value creation process, and that it

is in the intersection of the two that value is created. At Damco, as well as for the customers, this value creation process is referred to as a partnership, as we saw in the previous chapters. As also illustrated, both Damco and its customers focus increasingly on intangibles and relationships (and partnerships). This is what Vargo and Lusch (2004) refers to as co-creation, and it is essential to do successful business. Value is found and created with(in) the customer company, networks and partnerships, rather than necessarily found within Damco as a single entity. Therefore teamwork, cross-functional collaboration and inter-organisational partnerships are emphasised as essential aspects of business. As we saw in section 5.2 above, Damco (increasingly) articulates these competences as essential in driving the business. As a result, value creation and perception become more complex and dynamic composites, and Damco struggles with translating this into a changed mindset and actual behaviour in the various functions, which includes the people initiatives in the HR function. This is evident, for example, in the people process of talent management, which will be explored further in the coming chapters. As we already have seen the changed value concept implies that Damco and its customers, suppliers and other business partners become more closely interlinked and interdependent, not only in the value creation process but also in the value attribution process, which is emphasised on numerous occasions by executives and employees:

*'we are who our customers are..'* (Appendix A, Commercial leader presentation 1)

*'I try to put my self in the customers shoes almost too much, so I'm sometimes more of an advocate for the customer than for the company, so I'm like but oh they wouldn't want that, whereas I should be thinking oh we might make a bit of extra money'* (Appendix A, Talent 7).

The two examples above reflect the difficulty of mastering this new form of value creation, and the individuals struggle with converting this to a changed mindset and actual behaviour. We see how individuals within Damco perceive Damco through the quality and success of their customers. The success or failures within one company has potential value implications for both companies in the partnership, as the organisations are interlinked and interrelated in new ways. Similarly, decisions that aim at optimising value for one company (Damco) include an additional dimension to profit maximisation, as they also include the



(perceived) value from the customer perspective. The above examples highlight Damco's awareness of the customer focus and of the need to create customer value; yet, the examples highlight that despite this awareness, there is also some uncertainty as to what the customer focus and customer value actually entail, and how to translate this into new ways of thinking and acting. For example in terms of priorities on value creation, as one of the employees' reflections above on whose interests should come first. As we saw in the previous section, the customers wish to be challenged and provoked, and in the above quote the employee finds herself in a dilemma of accommodating. In this sense, with a customer focus value and value creation becomes more complex, composed and infinite, which makes it challenging to address and translate into practice in a traditional sense, both at the strategic corporate level and at the individual behavioural level.

Despite the focus on customers and customer value at Damco, it is worth pointing out that naturally, value for Damco is equally essential to consider. A senior leader who is actively engaged in driving the customer focus articulates this:

*'Of course, we are not interested in creating value for our customers that is not also financially and strategically relevant for us. Our approach must be on how we can use our strength and capabilities so that this is a profitable and interesting area for us to engage in. The importance of being innovative, at articulating value, at understanding our own strengths cannot be understated'* (Appendix A, Newsletter 3).

This senior leader describes how the creation of customer value is relevant to Damco, and how that potentially leads to a profitable business. The customer focus involves recognising that the external environment and stakeholders, the operant resources (Vargo & Lusch, 2004), particularly customers, are involved in and influence the business. Embracing this fact and collaborating with these operant resources will potentially ensure a competitive advantage (Lusch & Vargo, 2009). In the Damco context, this collaboration with customers (external resources) is referred to as a partnership. Referring to the concept of a partnership implies that Damco and the customer are much more closely interlinked and interdependent in the value creation. It implies that boundaries between the Damco organisation and the customer's organisation are broken down, both in

terms of how value is created, perceived, and in the way organisations become mutually interdependent in the value creation process.

The customer focus implies that value is defined by the beneficiary and is based on an individual's experience and perception of 'value-in-use' (S. Vargo & Lusch, 2008; S. L. Vargo & Lusch, 2004). It further implies that when discussing and evaluating value, the customer perception and experience occupy a central position in the value discussion. Damco can 'only' deliver a value proposition, which the customer can then determine the value of. Value-in-use (Vargo et al., 2008) becomes key, and the customer perception of value becomes relevant for Damco. The attention to this perspective is reflected, for example, in the introduction of the NET Promoter Score and customer forums, as we already have seen. These are attempts by Damco to assess how the customers define the value of Damco's services. The logistics and forwarding industry has typically been a highly commoditised market as described in section 1.1, but there seems to be a trend both at Damco and among its customers where the value of Damco's services is not only reflected in the price paid in the market (value-in-exchange) (Vargo et al., 2008) but also in the ability to drive the customer business, for example by being innovative. Thus, value is defined in-use (by the customer). A customer also highlights that aspects beyond price are essential when they choose their service providers:

*'Price, of course we care about price, but it is not the key differentiator, we will not necessarily go for the lowest price, so as long as you are within market reach then price is not an issue.'* (Appendix A, Customer presentation 4)

Above, the customer articulates that price is just *one* amongst other value indicators. Price is not the key differentiator. Thus, it is the customer's perception of value that defines value. This contrasts with the perception that value is created internally and delivered in the market, as represented in Porter's value chain (M. Porter, 1985), as described in Chapter 3.2. In this sense, value understandings and practices change fundamentally with the introduction of the customer focus. The linear, sequential and narrow understanding of value, as represented in e.g. Porter's value chain, which rests on assumptions similar to the GD Logic, is challenged with the introduction of the customer focus. The customer focus creates new dynamics in strategy and practice. Thus, an expansion of the concept

of value is taking place, where value is both created in relations, as well as defined and measured through relations. Conditions for value creation become more complex in nature, more composed, and more difficult to control, as a new stakeholder outside the formal control of the organisation is included in the value creation process and consideration. In practice business rhetoric's promotes customer focus and customer value as a way of doing business, a way of achieving a competitive advantage (section 3.3.1 and 3.2) nevertheless practice and reality still lags somewhat behind the prevailing business rhetoric and intention.

These new dynamics entails a completely different mindset, and simultaneously lead to value tensions at a practical level between past practices and future needs. Past perspectives on value and value creation, as possible to control and optimise within the boundaries of the organisation (Thompson, 2003), represent a contrast to the customer focus. At Damco, the customer focus and the associated value understandings, represent a new mindset and a new approach to the market and the customers. The new mindset has not completely replaced past approaches. Cost cutting and the optimisation of processes, along with the associated underlying assumptions, remain key priorities (in practice perhaps even more key than the customer focus?). Thus, Damco faces a number of challenges, particularly as value comes to be considered in a relational context rather than within the boundaries of one organisation. Tensions between the two perspectives, in terms of what is considered valuable, are experienced at a practical level by one of the customers. He describes his experience of doing business with Damco in the following way:

*'Your culture has been built on caution, better safe than sorry... but it gets inflexible, that's why air freight works, put it into rules and structure, and you will get your cargo, but there are more dynamic requirements.'* (Appendix A, Customer presentation 4)

This customer refers to past success criteria involving rigid structures and processes to deliver boxes from point A to point B. Simultaneously, he refers to a mismatch with current business needs and conditions, which require a more dynamic and less rigid approach. The rules and the structure represent the past ways of working and achieving success. They also represent a mindset that is similar to the GD Logic, and which seems incompatible with being customer-

focused. Introducing the customer focus, moving from one logic (GD Logic) to another logic (SD Logic) (Vargo & Lusch, 2004) is challenging partly because it involves an important new external stakeholder in Damco's business priorities. This produces uncertainty, as earlier ways of thinking, structuring and working become insufficient to handle future challenges.

At a practical note, the researcher encountered this uncertainty, while collecting empirical data on the customer perspective for the PhD dissertation. Although a fundamental guideline for doing this dissertation was to include the customer perspective in talent management, this particular perspective has been very difficult to include, as gaining access to the customers proved rather challenging, as described in Chapter 2. Over and over again, I had to go through the internal hierarchy to ask for permission to talk to the customers. I did this through e-mails and phone conversations and ended up travelling from Copenhagen to Singapore without having been granted permission to talk to the customer – despite repeated efforts. When asking for permission to talk to customers, I encountered many concerns, both in the business and in the HR function: Why do you want to do that? Why do you need this for a project on talent management; that has nothing to do with our customers. Can't you just ask HR? What do you need it for? What will you be asking them? Etc. To succeed in getting an interview, I had to almost stalk a Damco representative and interrupt when he was next to the customer, in order to have him introduce me to the customer. Interestingly enough, the response from the customer was always immediate excitement, acceptance and a great willingness to participate. This particular example at a practical level illustrates that the mindset change to be customer focused has not yet taken place. The uncertainty in communicating and engaging with the customer (as a basic requirement for understanding their business needs) reflects that despite the many initiatives to become customer-centric, the mindset is still a major challenge.

The difficulties involved in setting up interviews with customers are further interesting because the organisation identifies the customer focus as a way of competing in the market. Concurrent with this view, however, there seem to be concerns and uncertainty when actually engaging with the customer (in new ways). The difficulties associated with the interview process exemplify the challenges involved in introducing a new approach and a new mindset that is unknown, uncertain and does not contain a defined approach or guideline for successful behaviour. In a discussion with a senior executive on a different

occasion, I discussed my perception of concerns in the organisation associated with engaging the customer. He confirmed my experience and offered an explanation as to why it remains so difficult:

*'... that we become less hands-off when it comes to customers. We are an organization that is ... ahh ... not sure what to talk to a customer about (...) I think it's new, it's unknown; I'm not sure, I actually think the moment you have had customer contact, I think it becomes easier and more natural, but I think ... everything is new, and you haven't tried it before, and also because deep inside we know it is the customer who pays our bill, but that it's somewhat frightening to be confronted with it [said jokingly; ed.]...'* (Appendix A, HR leader 2).

This senior executive reflects on the challenges of being customer-focused in an organisation that has traditionally not engaged much with the customer beyond the transactional dialogue (see section 1.1 for elaboration). The customer focus and the way of engaging with the external environment represent a contrast to past practices and success criteria. Although particularly the commercial organisation increasingly organises business practices around being a customer-driven company, it remains a challenge to translate this customer focus into a way of doing business *across* the organisation. If a company is to have a sustained competitive advantage, it will need a collaborative competence given the relational and integrative nature of a service provision (Lusch et al., 2007). Therefore, it is not enough to have a customer focus in the commercial organisation. The customer focus must be evident across the organisation, for example in how to operate and communicate as a customer-centric company. As well as how an HR function works in a customer-centric manner.

As we saw in Chapter 4, all though talent management theory has developed and a relational and systemic approach to talent management has emerged together with suggestions of an outside in approach to HR practices (Thunnissen et al., 2013; Thunnissen et al., 2013a; Ulrich, 2013), the talent management field has so far been relatively customer-free. Most contemporary talent management literature considers resources (customers and employees) as separate and independent actors and distinguishes between internal and external issues. This approach to talent management is based on certain logics and assumptions, which are very similar to the rational closed system logic, as well as on assumptions about employees, customers and value reflected in the GD Logic (Vargo & Lusch, 2004). As also

discussed in Chapter 4, consequently, talent management is largely characterised by concepts of individual career progression and development, and on the need to control processes and programmes, all of which are relevant and can be handled within the boundaries of the organisation. The link to the external environment and the company's situation has received little attention within talent management, and consequently, talent management has been addressed as an internal matter and process, disconnected from external stakeholders, such as customers.

A business focus of being customer-focus not only challenges and changes current understandings value in the business, but also of current understanding of valuable *talent* practices. As we have seen in this chapter, value is increasingly to be considered in a relational and systemic context. This perspective has key implications for talent management thinking and practices. When the business introduces a customer focus as a market differentiator, it impacts *the* central issue for an HR function, which is (human) *resources*. HR has traditionally been concerned with the internal (human) resources of a company. However, with a customer focus and associated changes in value assumptions, resources are no longer restricted to internal resources such as employees. Resources are expanded to include external resources such as customers, who potentially represent a competitive advantage (Vargo & Lusch, 2004). This perspective holds a potential for talent management, which deals with the (particular valuable) human resources of a company. The potential lies in a different way of understanding, conceptualising and practicing talent management. This aspect will be explored further in the next three empirical chapters.

At Damco, the HR function has an emerging awareness of changing business conditions and approaches. Attention is increasingly directed at the customer focus, which is evident, for example, in the inclusion of customers at HR events. At an HR event, a customer is invited, as the focus and purpose of the event is explained: '*The focus for today is gaining a commercial understanding: How does it affect HR at Damco?*' (field notes 2012, HR team event). Another example is at an HR forum, where all the regional HR managers are to discuss the company's future HR strategy. A customer is invited to share the customer experience of working with Damco. Inviting a customer to take part in the HR forum marks an attempt to set the scene differently for the following discussions on a future HR strategy (Appendix A, Global HR forum 2011). These two examples illustrate that there is an awareness within HR of change in the business, and that the premises



for valuable HR are changing. The examples further illustrate that there is an awareness of the implications for HR, and there is an attempt at embracing these changes. However, in the HR function it remains challenging to determine exactly what the customer focus means, and how to translate it into HR thinking and practice. The focus of the next empirical chapters will be on the implications of the customer focus for talent management. The chapters will show that thinking and acting differently holds potentials for value creation but also highlight some of the associated problems, as future needs and success criteria clash with past success criteria.

In sum, this chapter has explored the business context where talent management is to act as a value-adding initiative. The chapter attempts to bridge a changing business context with changed understandings of value as well as the relevance of these changes for the practice of talent management. We have seen how customers and Damco perceive change in their business context and a need for development in the way of doing business. In an attempt to adjust to changes, ensure growth and remain competitive, Damco has introduced a customer focus. This implies new understandings of market and value, which are reframed in a relational and systemic perspective. A relational understanding of value makes value more dynamic, complex and composed. Thus, it makes value difficult to map and hard to deal with within traditional value assumptions and practices. This changed business perspective has important implications for what and how the HR function can add value through an initiative like talent management.

#### **5.4 Exploring the value of talent management**

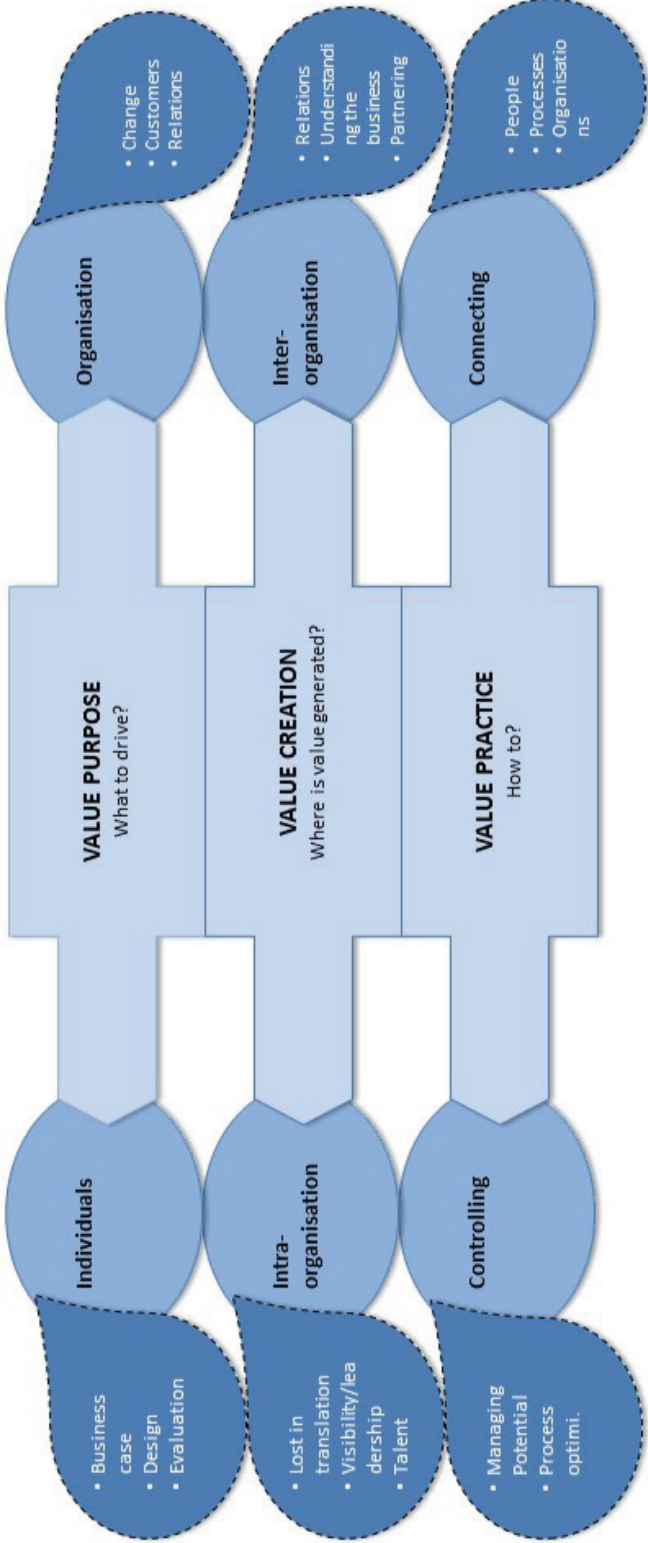
In the following three empirical chapters, the talent management implications of introducing a customer focus will be further explored. The analysis is structured by the analytical framework presented below. The framework contains three value tensions reflected in the practice field of talent management, and each of the tensions are discussed in a separate chapter.

Tensions are natural to expect when introducing multiple perspectives and focus areas in the way of doing business (e.g. introducing a customer focus). Fang et al.(2011, p.774) define tension as ‘... *two co-existing contradictory forces with conflicting goals. These forces have potential to break up partnerships, and are often the primary causes of aggravation within partnerships.*’ Although Fang et al. (2011) specifically describe tensions in cooperative business relationships, with

reference to the ability to balance cooperation and competition in order to improve business outcomes, their definition of tension remains relevant for describing tensions that are found in the field of talent management. The definition portrays these tensions as contradictory forces with conflicting goals, which may hinder a desired outcome. In the article by Fang et al. (2011), the desired outcome is partnerships, which may be hindered by conflicting goals. In the case of this PhD dissertation on talent management, the corresponding issue is how different and potentially conflicting value assumptions within talent management may prevent talent management from realising its potential, creating value and moving the field of talent management forward. This issue will be further discussed in the subsequent three chapters. The tensions and associated assumptions guide the analysis, where each chapter addresses one specific value tension. It should be noted, however, that although the three value tensions are illustrated and discussed as three separate categories and in three separate chapters, they are inseparable, and they will interchangeably refer to each other, as they each represent one (important) dimension of the value discussion in relation to talent management.

The following three chapters 6, 7, and 8 are structured according to the framework below:

Figure 4 - The talent management framework



Source: Author

The above framework is developed inductively in an iterative dialogue between theoretical concepts within talent management, value specifically SD Logic, and the empirical material, as described in section 2.2.5.6. The framework is thus the result of an interaction between theory and empirical data. The framework reflects three value dimensions represented within the practice field of talent management. These dimensions are *value purpose*, *value creation* and *value practice*. The dimensions are displayed in the centre of the framework. Each of these value dimensions embodies two seemingly opposite assumptions. The value purpose dimension embodies assumptions regarding *individuals* or *organisation*, the value creation dimension embodies assumptions regarding *intra-organisational* or *inter-organisational* ways of working, and the value practice dimension embodies assumptions regarding *controlling* or *connecting*. Each of these dimensions is discussed in more detail below.

The first value dimension displayed in the framework is *value purpose*. The value purpose concerns assumptions about the purpose of talent management. Basically, value purpose concerns what we expect to drive with this relatively costly management initiative. It regards what value is expected as an outcome. Two underlying assumptions of expectations exist: driving *individuals* and driving the *organisation*. These labels describe the value of talent management as either driving individual development (and implicitly assuming that this creates value for the organisation) or driving an organisational agenda and assuming that talent management can be a strategic enabler (and then subsequently translating this into individual development). These two respective assumptions rest on different underlying logics of value and value creation and lead to two very different focus areas and approaches to talent management - and produce different outcomes.

The second value dimension within the framework is *value creation*. This dimension concerns assumptions about where the value of talent management is created, and where/for whom it can create value. It concerns the discussion of whether talent management is a practice that creates value within the boundaries of the organisation (as it has typically been the case) or whether it may potentially create value and have relevance also outside the organisation, e.g. in the intersection of multiple organisations. The two underlying assumptions within *value creation* are labelled, respectively, *intra-organisational* and *inter-organisational*. These labels describe value as being created, evaluated and

considered either internally in the organisation or externally, in the organisation's environment. Again the two labels rest on different underlying logics of value and value creation, and the two respective assumptions may lead to two different and potentially conflicting perceptions of where value may potentially arise, and thus also what kind of value is considered as an output of talent management. The analysis will show that when the external perspective of value creation is included, this is in contrast to what is considered value inside the organisation.

Finally, the third value dimension within the framework is *value practice*. This concerns assumptions about how value is created, considered and captured within talent management. It concerns the assumption about *how* talent management is practiced to create value, that is, whether talent management creates value by assuming control of processes, information, talents and stakeholders, or whether talent management (co-)creates value by connecting people, opportunities, organisations, talents and stakeholders. Therefore, the two underlying assumptions within this dimension of value practice are labelled, respectively, *controlling* and *connecting*. Similar to the two other value dimensions in the framework, the two assumptions potentially lead to two very different and expectedly contradictory ways of designing and practicing talent management, for example how the value and success of talent management is measured.

With this clarification of the talent management framework, which subsequently structures the empirical analysis, we are now ready to begin the empirical exploration of talent management in the following three chapters.

## **6 Talent management – managing individuals or driving an organisational agenda?**

*'...if you ever want be in front of competitors and customers, be change managers...'*  
(Appendix A, Customer presentation 2)

In the previous chapter, we have seen how Damco and their customers perceive changes in their environment and in their way of doing business. Clearly, it is necessary to adjust to change to remain successful, and in the quote above, a customer points to the potential of a competitive advantage by being change managers. We have seen how change and uncertainty are becoming new norms for (successful) business. As we also saw in the previous chapter, the changes in ways of doing business include changes in understandings of value, markets and customers. Value is in transition from being considered in a transactional and value-in-exchange perspective towards being considered in a relational and value-in-use perspective (Vargo et al., 2008). A relational understanding of value treats value as more dynamic, complex and composed. This makes value difficult to define and address within the framework of traditional value assumptions and practices in business.

These changing value assumptions have implications not just for business practices, but also for HR practices such as talent management. The changing value assumptions in business seem difficult to translate into talent management, and the actual translation into talent management practice is little evident. The customer focus offers a possibility to rethink talent management if HR is able to link talent management practices directly to the outside and to the customer, thereby changing the underlying value assumptions, and thus delivering increased value for the business through the practice of talent management. The implications, problems and potential for talent management are the focus of this and the next two chapters, which explore the value of talent management by exploring three different dimensions of value: value purpose, value generation and value practice. Each of the three chapters takes its point of departure in one particular dimension of value. The present chapter addresses value purpose. More specifically, it discusses what talent management is aimed at driving: individual development or an organisational agenda. It does so by first exploring how talent management is organised around individuals, both in what is considered the business case for talent management, how talent programmes are designed, and how success is defined and measured. Second, the chapter explores and discusses the possibilities for talent management to go beyond individual development and assist more directly in creating a competitive edge for the organisation.

As we saw in Chapter 4, the field of talent management is a field with multiple scopes, purposes and definitions. It has undergone a development from focusing



purely on the lack of people resources to adopting a more pluralistic approach, and lately, discussions about an outside in approach have begun to emerge. Despite recent developments within the academic field, it is still dominated by its origin in terms of a GD Logic being prevalent – talent management is a process or practice to be optimised and controlled within the boundaries of the formal organisation to ensure optimum management of (people) resources. The same trend is found within the practice field of talent management, which is also a field with multiple scopes, purposes and definitions that has undergone development. Nevertheless, it is still largely based on an underlying GD Logic, as is the case with the theoretical field. New thoughts, discussions and ways of working are emerging that can be characterised as an outside in approach. An outside in perspective represents a new and very different way of understanding and practicing talent management, and reflects a different underlying logic of value and value creation more closely reflecting the SD Logic. Today it is only remotely linked to the mindset of the HR organisation and, for that matter, the business. Therefore, applying an outside in approach represents a challenge, as it conflicts with past logics, agendas, understandings and translations of the purpose of talent management. How this happens will be explored in this chapter.

Exploring talent management, it is evident that it is focused on and takes its point of departure in individuals and is organised around individuals in terms of what is articulated as the business case for talent management, how talent programs are designed, and how success is defined and measured. Within the practice of talent management, an ambiguity is reflected in assumptions of what talent management should/could be driving. Most talent management practices remain organised around and take point of departure in *individuals* rather than are organised and take point of departure in the business strategic direction, that is, the *organisational agenda*. Below an example of how this is articulated in the organisation:

*‘.from an organizational perspective, it’s important to create a strong talent pipeline to meet the business challenges of the future. At the same time, we need to support talented and consistently high-performing individuals and enable them to grow professionally within Damco.’*

(Appendix A, Newsletter 11)

The statement above is a snapshot of organisational communication, which articulates the necessity of talent pipelines and individuals. However, it shows the strong emphasis on individuals in the discussion of talent management – individuals are needed to fill pipelines, and individuals need support to grow. This will be further unfolded in this chapter, and it is evident that a tension is represented between the business strategic direction (a customer focus) trying tackling future challenges, and talent management, which is largely focused on past value understandings and success criteria based on managing individuals. Being customer focused is a new way of thinking and working that is filled with uncertainty – for example concerning what the new approach entails, and how it should be incorporated. Tensions are unfolded in relation to the value purpose of talent management, that is, what is considered valuable talent management, and what talent management should be driving. Initially, we turn towards what is arguably the business case for talent management.

## **6.1 The business case for talent management**

Damco's top 120 leaders discussed the talent challenges and opportunities in a talent management workshop at a leadership conference (Appendix A, Global leadership forum 1). Their perception of talent challenges and opportunities reflects what can be considered the business case for talent management. The objective of the workshop was to assess the business challenges to be addressed by a new talent management approach in Damco, which was to be developed. Until then, the IMPACT programme had been the only (and very newly established) talent initiative in Damco. The outcome of the workshop is presented below, as a snapshot from a follow-up on the meeting:

## **Business Challenges?**

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### **What are the business challenges that require us to focus on Talent Management?**

We have to strengthen our abilities to meet aggressive growth, to compete, and to generate profits. Also a gap has been created after discontinuation of the MISE program. We need to ensure a talent pipeline to meet our growth ambitions. Higher rate of retention/turnover is also becoming a challenge.

### **On which hierarchical levels, job functions, geographies do we have the most challenges?**

Generally, we need talent supply in all geographies, levels and functions. In particular, we need to strengthen the talent pipeline in the emerging markets.

The requirements vary from region to region for example in AFR there is shortage of Finance talent, in NAS talent shortage is entire mid-level. Functionally, in Ops we lack talent at the mid-level.

Overall we lack talent in:

- Entry level
- Products
- Commercial (lacking internal candidates)

Skill sets for talents: People management, Customer focus

Source: Appendix A, Strategy document 6

Above we see that the leaders identified three business challenges that require the organisation to focus on talent management. They need talent management to be able to meet aggressive growth targets, to be able to compete, and to generate profit. Beside these three identified business challenges, the leaders identify a people gap in the organisation due to the discontinuation of the traditional MISE programme (also described in section 1.1.1). The leaders point out that they need a talent pipeline, particularly in the emerging markets, in order to meet the growth target, and they identify high turnover as a challenge. It is interesting that the leaders mention these particular business challenges as issues to be addressed by talent management. The three challenges could be addressed by any other management initiative besides talent management, for example performance management, process improvements, IT improvements, cash flow improvements etc. In this sense, the discussion topic of the day (talent management) seems to become the solution to some very broad (and common) business challenges. Supposedly, growth, competitiveness and the need to generate profit are challenges experienced by most global organisations – most need to grow, compete and generate profit (in whatever market and industry they are in). Thus, the business challenges that talent management is supposed to address become very broadly defined and lack specific indications for practical implementation and relevance. The customer focus, as a way of competing, generating profit and

growing the business, is not explicitly mentioned as a business challenge to be addressed by talent management. However, it is mentioned that being a talent requires being customer-focused, which represents a contrast to previous assumptions (Appendix A, PSS 1).

The most specific challenge that talent management is seen to be able to address is the 'lack of people pipeline', which could in fact relate to any business problem. Most businesses want to ensure a people pipeline. In this sense, the request from business leaders for talent management becomes very broadly defined, in a way that is not specific to Damco's business agenda. The implications are when managers are asked to identify the business case for talent management, the outcome is very generic, broad and unspecific in relation to what the business needs to deliver. The business case, as articulated by the managers, is largely anchored in a history and a rhetoric that reflects talent management as related to concepts of individual development and individual management. Thus, if HR is to incorporate the customer focus into talent management, HR cannot rely on managers to translate business challenges into talent management practice. Business managers can identify, prioritise and articulate business challenges; however, HR needs to translate business challenges, industry dynamics, etc into new ways of understanding and practicing talent management, be able to rethink talent management and thus create business-relevant and value-adding talent initiatives. If the task of translating business challenges into talent practices is taken up by HR, it offers an opportunity for HR not only to optimise programmes and processes, but actually to change the way HR practices contribute to the business. It does however require a very proactive mindset and approach.

Beside the uncertainty and the lack of specificity and direction that the above example illustrates, it also illustrates another important point. There is actually an attempt at and an (emerging) interest in doing things differently within HR. There is an attempt to address and consider business challenges in connection with the efforts to create a new talent approach in Damco. This is important, as it shows an awareness that talent management needs to do more than simply drive individual development (and assuming that improved business outcomes will follow). It needs to drive an organisational agenda and reinforce a strategic agenda. This indicates that the focus on individual development is not necessarily due to any assumption that this is the best or right way to practice talent management. Rather, it seems to be for historic reasons and simply due to a lack of alternative

understandings and practices, as the concept of individual management is ingrained into the practice of talent management. Thus, both business leaders (Chapter 5) and HR professionals attempt to work in new ways, interact in new ways and develop business and HR in new ways. Nevertheless, it remains challenging to apply a different mindset based on the introduction of the customer focus and the underlying value assumptions and translating it into practical implications. Past forms of rhetoric and mindsets based on value understandings associated with a GD Logic mindset and assuming organisations as closed systems (Thompson, 2003) dominate current practices. For example, as we have seen, when business leaders are asked to consider which business challenges talent management should address, their answers are characterised by a rhetoric in which talent management addresses the historical problem of people resources (growth as a generic term, people pipeline, lack of people resource). HR has an intention of using business challenges as a starting point for talent management, but it remains challenging to translate business changes and input from the business into fundamentally changed talent practices.

The mismatch between intention and reality, and the difficulty in translating one into the other, is found at an HR forum. At the HR forum (Appendix A, Global HR Forum 2), the customer focus is incorporated into the agenda with the intention of setting the scene for the subsequent discussion of a future HR strategy and for a subsequent discussion on talent management initiatives as part of the people strategy. Below an extract from the field notes:

*'A senior leader explains the intention with the people strategy: – it is to bridge business challenges with HR priorities, and the people strategy should align global priorities with regional priorities as well as combine basics with HR and leadership. He continues by pointing out that it is complex to create the link between business challenges and what we [HR] do. A regional HR manager comments on this by saying, 'How much can we as HR add value?' For example, we may encourage a culture, but it is difficult; much training is functional training and driven by the function, so we can mostly create the culture. Another continues by pointing out [what HR can do]: for the whole industry there is no such thing as a senior sales person. Looking at CVs across regions, two strong positions within sales and then move on to general management. Then a third person contributes to the discussion about the role of HR and what kind of value HR can add by*

saying, *'I always say, let's go back to the individual and ask what you want to give back into the job.'* (Appendix A, Global HR Forum 2).

The above excerpt from the discussion is followed by a discussion of the people strategy, which only remotely addresses the customer focus. Rather, the discussion maintains the same rhetoric and focus areas (individuals and pipeline management) that have historically dominated the talent management discourse (section 1.1.1 and Chapter 4). This example is, first of all, another illustration that in HR there is an attempt to work on driving a strategic direction in which the customer focus is essential for business success. Further, it illustrates that there is an attempt to link HR priorities with the outside where business challenges arise, as we also saw earlier in this chapter. Third, it illustrates that it becomes very challenging when the awareness is to be translated into a practical discussion on how the business direction translates into changed ways of practicing HR and talent management. For instance, as expressed in the above example, *'most training is functional, so we can mostly create a culture'* and in the comment on *'let's go back to the individual and ask what you want to give back into the job'*. Both these quotes show that despite the focus on linking HR to the outside and business challenges, the discussions immediately come to focus on concepts of individuals and the traditional reference points within talent management. Thus, the discussion reflects and rests on traditional value assumptions of talent management, which are more transactional and as reflected in the GD Logic. Fourth, the example illustrates that within HR, the mindset is one of the biggest challenge for rethinking talent management as a driver for an organisational agenda.

HR has traditionally been very strong in people development (under the label of talent management) and process planning (see also section 1.1.1), thus solving the problem of a lack of people resources. When past ways of working and past purposes (what talent management should drive) are questioned by changed value assumptions, it becomes challenging to rethink one's own practices – despite good intentions. Therefore, reframing both the potential and the problems within talent management remains a challenge, and as we have seen, there seems to be a tension between the intention and the actual practice of talent management. This is also evident in the design purpose of talent management and in the follow-up and measurements of talent management. This will be explored in the following section.



## 6.2 Design purpose and follow-up

This section explores how talent management initiatives are organised, both with regard to their design and in the follow-up on what success looks like. It will be clear that the initiatives are, to a large extent, organised around and focused on individuals rather than organised around driving the strategic agenda of the organisation. At Damco, a number of talent initiatives exist or are under development. Talent management is high on Damco's agenda:

*'Talent Management is very high on the Damco agenda and is listed as one of six strategic priorities for 2011. It is indeed the responsibility of each and every manager to highlight, recognise, and nurture our talents. A number of talent management activities such as IMPACT, PSS, and Performance Management are already in place and some important talent management programs are under development.'* (Appendix A, Intranet 7)

This internal communication emphasises the importance of talent management at Damco. Simultaneously, it highlights and makes a clear reference to *the talent*, the individual, by emphasising that talent management is the responsibility of the manager, and that it is about nurturing the talents of the organisation. Talent management acts as an umbrella term for several talent initiatives, most of them are organised along principles of individual development, thereby linking the value purpose to concepts of management of individuals (e.g. the visibility of individuals, pipelines for individuals and retention rates for individual employees). This is evident in one of the most established talent initiatives in Damco, the people strategy session, which is also described in Chapter 2 and section 1.1.1:

*'People Strategy Sessions are a key pillar of Damco's Talent Management framework (see illustration). It allows our leaders to assess if we have the right people in the right jobs. It identifies the organization's talents i.e. those who are high performers and have high potential. PSS makes it possible to see the organization's strengths, and increases our abilities to take necessary actions to deliver the business strategy'* (Appendix A, Intranet 7).

The PSS primarily addresses leadership talent, and the purpose of the PSS is to create visibility of the potential leaders. When the PSS was implemented in 2009 across the APMMsk Group, it was intended to be applied at the leadership level only. Damco subsequently chose to apply the process at lower hierarchical levels and in certain functional areas. The PSS was originally designed to take its point of departure in the company strategy, which would subsequently structure and guide talent discussions, thus linking strategy and people decisions more closely. The PSS is an approach that is very similar to the approach suggested by Collings and Melahi (2009). Despite the intention in the design phase to use business strategy as a starting point for discussing talents, there seems to be a missing link in the actual application of the talent process. The emphasis in the PSS on making talents visible and on the role of managers in nurturing the talents shifts the focus to the individual level rather than business strategy. Thus, the focus is removed from the intention of the business strategy to structure talent decisions and discussion. Thus, some confusion in terms of the value purpose of the talent initiative seems to co-exist, as to whether the PSS is intended to drive individual development or driving the organisational agenda (the value purpose). This is reflected in a difference between the intention in the design phase and the practical implementation of the process. It is evident both in the organisation's communication about the PSS, as we see above, and in the actual PSS process, where the discussion on business strategy (which is intended to guide the talent discussion) receives surprisingly little attention, given the stated purpose of the PSS (Appendix A, fieldnotes PSS 2).

Since the leadership conference, where the business challenges were discussed, Damco has developed and implemented other talent initiatives. These talent initiatives include an entry-level programme (ELP) and a global talent programme (GLTP). The purpose of these programmes differs. The purpose of the ELP is to build a pipeline of logistics providers and to train them within the field of logistics. The purpose of the GLTP is to make the next generation of leaders visible to the organisation; an objective that is very similar to the purpose of the PSS. The GLTP is similar to a typical HIPO programme, except that it has a stronger focus on self-awareness/self-developments and has no formal classes. Instead, it is individualised and facilitated by psychological assessment tools and guided by a mentor (Appendix A, HR professional 1)

The associated key performance indicators (KPIs) of the ELP and the GLTP are also linked to concepts of individual development, primarily related to retention rates of high performers and retention within selected focus areas (Appendix A, Strategy document 7). In this way, the PSS, the ELP, and the GLTP may differ in their specific design and articulated purpose, as they represent talent initiatives designed to address different hierarchical levels of talent within defined structures of the organisation. However, in their design purpose (the value they are expected to deliver), they are all organised around concepts of individual development, which rest on a (common-sense?) assumption that talented individuals lead to increased company performance, as we also saw in Chapter 4. For example, it is emphasised that the success of these talent initiatives is about making potential leaders and specialists visible to allow the leadership team to make the right people decisions (training, development, etc.) and thus build a people pipeline in Damco. In this way, talent management serves as a management tool that ensures that leaders know their people and are able to make the right decisions on these people. Thus, to a large extent, talent management becomes similar to succession planning.

Two additional talent initiatives exist in Damco, which has a different purpose than individual development and which more closely reflect business challenges: the IMPACT programme and the customer PSS (CPSS). They differ from the other talent initiatives in their design purpose, and both have been described in Chapter 2. These initiatives are interesting, as they are to a larger extent organised around addressing the organisational agenda. The CPSS is basically about applying the PSS process to a selected group of Damco employees who are working with a specific customer. The CPSS originates out of a need in Damco to show a key customer that Damco is taking their business seriously by ensuring the capabilities of the Damco people who are working on that account. It was a result of a promise from the CEO to the customer (Appendix A, HR professional 2). In this sense, little reflection on the purpose took place in terms of designing the purpose. The purpose was given, as the CEO had made a promise to the customer and wanted to send a strong signal to this particular customer. Therefore, the initiative merely applies the process and design that already exist (the PSS) in a different context on a customer account. The CPSS addresses all hierarchical levels of the organisation, as *'The customer does not care about region, title or function – they are interested in who creates value to them, and that could be anybody'* (Appendix A, HR professional 2). Interestingly, it is pointed out that

value to the customer might be in contrast to what potentially constitutes value to Damco. Region, function or title are highlighted as elements that might be of value to Damco, and which typically take up a central position when deciding who is a talent, who to invest particular resources in, etc. The function or the level is often the first qualifier or disqualifier. These parameters are all internally oriented, that is, focused on Damco's internal hierarchical structure, and thus has little or no focus on creating customer value. This means that it has no relevance to the customer. Instead, what matters to the customer is the key players, the people, who ensure continuity in the customer's business or who have specific knowledge about the customer's business. Thereby the understanding of value in the CPSS is more closely related to a SD Logic, which emphasises value (co-)creation to the customer and as defined by the customer.

Arguably, there is a tension between the intention of being customer-focused and the actual talent management practice. The specific CPPS process is similar to the PSS, only with modifications. For example, it takes its point of departure in the customer strategy rather than the Damco strategy. However, the 'normal' PSS and the CPSS differ in their design purpose. The CPSS is carried out as a way of building the relationship with the customer by signalling 'we take your business seriously' and 'we want to ensure that our employees are equipped to handle your business challenges properly' (Appendix A, HR professional 2). Thereby an increased focus is put on the outcome/value to the customer rather than the actual process design. Since the CPSS is more or less a copy of the PSS, it too is organised around driving individual development. One important dimension is added, however, as the CPSS is concerned with sending a signal to the customer by seeking to ensure that customer value is created. Thus, the purpose of CPSS becomes closer linked to driving the organisational agenda of being customer-centric. By discussing *Damco people* with the customer in relation to delivering on *customer business targets*, the value purpose is increasingly expanded towards driving the organisational agenda of pursuing a customer focus and creating value to the customer. In the previous chapter (Chapter 5), we saw that customer-centricity is about understanding the customer and their business; it is about being an extended arm of the customer's business, and the CPSS partly supports this, as we have now seen. It further entails that value creation happens inter-organisationally, which will be further elaborated in Chapter 7.

As a final remark on the CPSS, it is an interesting example, as it illustrates that a talent management initiative that is carried out beyond the traditional frames and understandings of the usual stakeholders in talent management represents an opportunity for creating business value by building relations and by creating value to the customer. It requires shifting the focus from process optimisation of processes that process (people) resources, towards potential outcome (value to the customer), thus shifting the assumption of resources from operand to operant resources as reflected in the SD Logic. Depending on which of the two has the highest priority, it will be reflected in dominant value understandings and in the associated thinking and practice. Whether value is understood in narrow economic terms with a rational and closed-system logic (Thompson, 2003), in which value is internally found and defined, is tangible and can be optimised through control and measurements, or whether it operates within a natural and open-system logic (Thompson, 2003), in which value is relational and could be found and created throughout the entire system including the organisation itself, its context or the intersection of the two, as is the case with the CPSS.

The second talent initiative, which differs in its design with regards to the value purpose, is the IMPACT programme. IMPACT was designed to help Damco deliver on the Damco strategy and has been updated on an ongoing basis to accommodate for changes in the market and in Damco's strategic focus areas. Already in its design phase it differed, as part of the design phase included interviewing a number of key customers to allow to understand drivers in the market to be built into the design of the programme – taking an 'outside in' approach (Ulrich, 2013). The result was a programme design that aims to deliver 1) Organisational change – by building a customer-centric culture from the bottom up, creating a commercial mindset and capability and developing a pipeline of future commercial leaders. 2) Business development – by strengthening customer relationships through the involvement of customers in the program, generating new business opportunities through the action learning projects (ALPs) and delivering ROI in terms of CM1 contributions from ALPs. 3) Accelerated individual development – e.g. with regards to strategy ownership, a customer-centric and collaborative mindset and a global network (Appendix A, Strategy document 8)

It is evident from the articulated purpose of IMPACT as a talent initiative that it differs from other talent initiatives in what it is intended to drive. IMPACT differs

in value purpose, as it is not (primarily) organised around concepts of individual development. Rather, from the very design phase, it is organised around driving an organisational agenda in which the customer focus has a central position (e.g. organisational change, delivering ROI, commercial mindset). It is reflected in the decision to interview customers in order to identify opportunities, where Damco has the potential to differentiate in a commoditised market. It is reflected in the three defined design criteria, which have a very strong emphasis on driving the organisational agenda – ranging from creating organisational change to delivering return on investments. It is worth pointing out here that rather than completely abandon the focus on individual development, the focus is expanded to include the organisational agenda. Individual development and creating pipelines are just deliverables amongst others.

Thereby IMPACT becomes interesting as a talent initiative, as the value purpose of IMPACT provides an alternative to the more traditional programmes, which rest on past value purposes. Thus, it holds a potential for alternative views on what talent management can actually deliver in an organisation that introduces a customer focus. As we have seen, IMPACT is only partly organised around driving individual development, and is driven more by concepts of organisational development by enforcing the organisational agenda of being customer-centric and facilitating change in the organisation towards becoming more customer-centric. The way, in which IMPACT assists in driving the organisational agenda, is framed by a senior stakeholder in the IMPACT programme, as he shares his perception of IMPACT's purpose:

*'..if you perceive our organisation as a circle, then it is maybe 10 degrees out of the 360 degrees that we have historically allowed the customer to be part of ... and we need to change this and let the customer be a larger percentage. Whether that is 60 percent or more I don't know, but it is our way of organising, our way of driving talent management, our operation, the products we develop, the way our IT systems works, and how we develop them. And we are working on all this; we need to include the customer perspective, it's a commercial mindset, because at the end of the day, the customer pays our bills and salaries and ultimately also create shareholder value. And in this, I basically believe IMPACT is about a mindset, in which the customer becomes central for the way we think, the way we make decisions, the way we prioritise and manage projects etc.'* (Appendix A, HR leader 2)



From the above perspective offered by a senior stakeholder, as well as from the design criteria for IMPACT, it is evident that IMPACT to a large extent is organised around driving an organisational agenda, both in terms of what is actually defined as expected deliveries, such as change, ROI and customer-centricity, and in the way it is perceived by stakeholders. Thereby, the value purpose of IMPACT differs from many of the other talent initiatives in Damco and strongly suggests that there is a possibility to rethink what talent management could be in terms of the value it provides to the organisation by directly supporting the strategic agenda.

So far, we have seen that talent management is a priority in Damco, and there are a relatively large number of different initiatives and attempts at dealing with the issue of talent management. Together, the talent initiatives in Damco cover the majority of talent management approaches described in Chapter 4 and illustrated in the talent management onion layer in Figure 3. Despite the differences between the initiatives described here, they all operate under the same label of talent management in the same organisation. The problems they are each designed to address differ in the sense that some of the initiatives address a lack of people resources and the need to build pipelines, while others address an organisational problem of seeking to compete by building customer relations. Thus, the initiatives have two different value purposes of either managing individuals or driving an organisational agenda (the first value dimension as illustrated in Figure 4), and they rest on two fundamental value assumptions. Thus, the purpose of talent management in the practice field is almost as ambiguous it is within academia (Chapter 4).

Practicing talent management with two different purposes and thereby with two different underlying value assumptions might lead to confusion and possibly tension, as it implies that the different talent initiatives rest on different assumptions and logics of value. For example, what talent management is expected to deliver, how this can be articulated in the organisation, and how it should be measured. Most of the initiatives are designed based on a logic similar to the GD Logic (Vargo & Lusch, 2004), which is comparable to the logic originally represented in talent management as represented by McKinsey in the 90s (Chambers, Elizabeth G. et al, 1998), which in summary is assumed to be value-adding when people resources (individuals) can be considered and managed

within the organisation. This perception of value-adding activities and resources is not necessarily aligned with the business challenges (an outside in approach) (Ulrich, Younger, Brockbank, & Ulrich, 2012), where value becomes relational, as we have seen both in this chapter and in the previous chapter. The different purposes of the talent management initiatives also lead to confusion when evaluating and discussing talent management in the organisation. It leads to a degree of uncertainty in terms of understanding the value of the different talent initiatives, as past and (emerging) future success criteria co-exist. Talent management comes to act as an umbrella term, in which success (value) is considered both as transactional (GD Logic) and as relational (SD Logic). As we will see in the following, this leads to challenges at a practical level.

Talent management in the organisation thus addresses a variety of different problems, and in this sense it aims simultaneously at creating visibility and people pipelines and at creating change and a competitive edge. Having talent management initiatives with two different value purpose assumptions represents a tension, not only because they are based on two fundamentally different understandings of value, but also because these understandings have certain practical implications for evaluating the value of talent management. This is reflected more practically in considerations about how to follow up and decide whether the initiatives are successful or not, and thereby is value-adding or not. An example is the evaluation of the IMPACT initiative. Initially, when the success of IMPACT was to be evaluated after two years, the usual success criteria of talent management were discussed. How were the retention rates? They did not seem overly convincing. Strictly in terms of retention rates, it seemed that IMPACT had not been successful as some of the participants had left the organisation, for example to join customers. There were indications of a problem with retaining commercial talents at that particular level. This could potentially have implications for the ability of the organisations to drive change further up in the organisation (Appendix A, Strategy document 8). Despite the lack of success as defined by retention numbers, the IMPACT initiative seemed to be a success. Customers were excited and willing to participate, and they provided very positive feedback. So did HR, managers and the participants themselves (Appendix A, Strategy document 8, HR professional 5, 6, Commercial leader 2, Global customer 1,2,3). How could it be that the general perception among a variety of internal and external stakeholders was that the initiative was a success?

When starting to explore alternative and additional success criteria beyond individual development, a different picture emerged. When success also was defined more qualitatively, broader and closely related to the design purpose of driving an organisational agenda (organisational change, business development), IMPACT seemed to be very successful. Below some illustrative examples of the perceived value of IMPACT:

*'After the first module in India I went back, and said [to my boss] you know what, what we are doing is totally wrong ... so I went back to him and said what we are doing is wrong, we are killing the customers, we are actually the perfect example of what an operational procedural company is instead of a customer-centric company, and he actually listened' (Appendix A, Talent 5)*

*'I think there are things that I perceive in a different way. Not really that I change what I do every day, but in terms of mindset. I think it helps me to have the right direction in what a commercial leader should be, so that also directs me in my daily activities' (Appendix A, Talent 4)*

*'...but then also the greatest value that I see there is what 33 people here. it's the learning that IMPACT gives us, and then the company has 33 advocates to go out there and spread it. So it's almost going through a Christian convention and then going back home and saying 'do this and do that,' I think the company is almost like we're these buttons on a board game and then we are going to be put in the middle of the rest of the organisation and kind of radiate the ability to think globally and the ability to think about the customer' (Appendix A, Talent 7).*

*'I can see that the development opportunities that IMPACT provides really help with employee motivation and engagement. In Russia, I already see the IMPACT participants being role models to the rest of the organization, and they are helping energise their colleagues' (Appendix A, Email 3).*

The above examples illustrate how participants and their managers describe how change is happening as a mindset change, and how that translates into everyday life. One participant refers to an example where he realised that what they did in his country was the exact opposite of a customer-centric approach, and how they have changed it accordingly. Another participant describes how things are perceived differently now, basically a changed mindset, while a third participant

describes how they return home and begin to act as role models in their organisation, driving change bottom up. A manager of one of the participants explicitly highlights how the participants become role models for the rest of the organisation and help drive change from the bottom up. Thus, IMPACT triggered organisational change from the bottom up by creating an increased commercial mindset with the participants, and the participants had begun to drive the changes in their home region and country (Appendix A, Strategy document 8). The participants come to act as change agents for a more customer-centric mindset and approach in several ways both by explicitly challenging the status quo and by implicitly changing the mindset. If value indicators reflecting traditional value assumptions had been used, this change would not have been identified as an outcome.

Further, IMPACT as a talent initiative proved successful in terms of delivering business development, which was the second key deliverable (purpose) from the IMPACT programme. Talent management, as business development, had delivered both in terms of strengthening customer relations and in terms of generating ROI through the action learning projects. The feedback from the participating customers at the workshops was that they were clearly interested in participating, they were impressed by the participants' dialogue and energy, and they saw IMPACT as a rather unique initiative within the industry. The customers viewed IMPACT as an opportunity to engage with DAMCO and as a mutual learning opportunity (Appendix A, Strategy document 8; Customer 1,2,3). The customers say:

*'They were very articulate about the concepts they are learning; I think their consciousness has been raised. That I don't see happening in a lot of companies, and I think DAMCO is different in this way (...) It's not all about the operations, it's about how to approach people, create a relationship, the right relationship, understand the customer'* (Appendix A, Customer 1).

*'I could see the connectivity in their eyes, I can see in people they agree with you, and then reach out. What it's he gonna come out with, you know. I can see oh shit, it was something new, something different. I felt very good, I definitely felt connectivity, and I saw how many reaching out to me afterwards, and see this as a good sign. There is always something to learn'* (Appendix A, Customer 3).

*'I wanted to come for a variety of reasons other than for Peter is a good friend. I wanted to, some of these case I've been looking for, I can see what you are planning, what you are thinking , how you look at some of these things , and the course you are planning for..I want to see what is running through your mind, what are you thinking. It again goes back to the area, where are you investing. Some of these things tell me what is top most of your mind. If it is top of the mind, there must be a reason for it, and maybe it is something I should look at too. So there's a lot of learning we do across' (Appendix A, Customer 2).*

From these examples, it is clear that seen from a customer's perspective, the relationship with Damco has been strengthened in various ways, by a better understanding, an increased feeling of engagement or by additional learning (opportunities). The customers have taken it as an opportunity to engage with DAMCO and build a relationship that provides a mutual learning opportunity. Thus, the examples also clearly illustrate that talent management holds a potential beyond individual development, a potential to be a strategic enabler in an organisation that has introduced a customer focus as a way of competing in the market. Thus, talent management becomes business development creating new opportunities by building relations with key customers. Another business development opportunity that serves as a success criterion for IMPACT is the ROI generated through the action learning projects incorporated into the initiative. Exploring success based on these parameters, it seems that IMPACT has delivered value to DAMCO. A significant impact on the bottom line is evident as an outcome of the action learning projects (Appendix A, Strategy document 8) (Yonger et al., 2013). This is illustrated in the table below, which indicates both short-term potential and realised revenue gains:

**Table 3 - Financial impact of IMPACT**

Project	Potential revenues (estimated)	Realized revenues (estimated)
Food	1.2M USD	215K USD
NAM	200K USD	TBD
Non-profit	1.5M USD	1M USD
Children's	3M USD	120K USD
Trade Lane 1	1.5M USD	TBD

Source:(Yonger et al., 2013)

From the table above, it is clear that the objective of business development through IMPACT is very successful. The different projects have had a financial impact to the Damco business. Finally, accelerating individual development was identified as a success criterion of IMPACT. Individual development as an outcome is more similar to the traditional purpose of talent management initiatives. However, it seems that individual development is closely linked to the business strategy and the objective of being customer-centric. The objective of accelerating individual development delivered in a number of areas (ownership of strategy, customer-centricity and implications for commercial leaders). However, when we apply the more traditional success criteria, the results are less impressive (Appendix A, Strategy document 8). It proved difficult for IMPACT to meaningfully impact retention. Nonetheless, like other talent initiatives, overall, IMPACT matched the firm's general retention data but did not improve the retention rates for high performers (Yonger et al., 2013), as several top performers were successfully targeted by competing firms. The discussion of the success (value) of IMPACT as a talent initiative illustrates that it is essential where and how value is measured and defined (individual level or organisational level), when we set out to determine the value of talent management. If the value of IMPACT was measured purely at an individual level (e.g. retention rates or lead time to fill positions), it would have been measured on a parameter that actually differs from its design purpose. Second, value would have been evaluated in places where it does not create value.

Thus, although business leaders and HR consider talent management essential for meeting business challenges, competing, generating profit and achieving business growth, (as we saw business leaders presented as the business case for talent management earlier in this chapter), talent management is in its design largely organised around concepts of individual career progression and pipeline management. Only implicitly is it linked to business strategy, with the few exceptions of CPSS and IMPACT. This means that there is a disconnect between intention and reality in the value purpose of talent management (what it is designed to drive). The value assumptions reflecting intention are closer to the value assumptions in the SD Logic, than the value assumptions reflecting reality, which are closer to the value assumptions reflected in the GD Logic. This represents a value tension, which potentially leads to challenges for the discussion



about the relevance of talent management, the design of talent processes and, not least, evaluating the value of specific talent initiatives. The respective dimensions of individual and organisational dimensions that are reflected in the value purpose (Figure 4) of talent management co-exist both in the organisation and in talent management practices.

Despite the awareness and intentions of linking talent management practice to business challenges, talent management design at Damco is dominated by a GD Logic in its value purpose, and value-adding practices are characterised by concepts of individual management and development. The implications are challenges both at a conceptual level and at a practical level, for example when evaluating whether an initiative is a success or not. When talent management design criteria and the design emphasise past understandings of value purpose and implicitly rely on past success criteria (pre-customer-centricity), it becomes challenging to move the field of talent management forward conceptually. It becomes challenging to cope with and meet business challenges through the practice of talent management, and it becomes difficult to see how talent management can provide the company's competitive advantage, which it is generally assumed to do (Chapter 4). If basic assumptions about the value purpose of talent management are not rethought, the success of talent management is evaluated on the basis of criteria developed to match other challenges (lack of people resources) than the current challenges (e.g. customer-centricity). The IMPACT programme, whose design purpose is more aligned with business-related value assumptions and more clearly aimed at driving an organisational agenda, provides interesting insights for a rethinking of talent management. It moves beyond individual development, and as we have seen, the discussion of the value of talent management is expanded beyond the so often used categories of retention rates and succession planning. It is expanded to include the potential of talent management to drive a certain organisational agenda. In this expansion, new concepts of customers, change, ROI, and relations emerge as part of the talent management discussion and set a new agenda for discussing how talent management is a value adding activity that potentially can provide a competitive advantage.

### **6.3 Value as a leadership pipeline or value as a competitive edge in a network business**

Historically, talent management was introduced in the APPM Group during a period when the company experienced rapid growth, as described in section 1.1.1. The organisation grew rapidly, and consequently, it lacked leaders and leadership pipelines. Therefore, originally, talent management addressed the lack of people resources, particularly leadership resources. Back then, the organisation was structured differently, had a different size, and faced other challenges than today, where the Group is a global conglomerate. Nonetheless, history (still) plays an important role for what is perceived as valuable talent management today and for what is considered possible under the label of talent management. This involves what is considered the reason and need for talent management, what kind of organisational problems talent management is able to address, and how talent management is designed and subsequently followed up on.

Over the years, business units in the APMM Group, such as Damco, have become increasingly independent. They operate independently, they have their own P&Ls, and their competitive edge in their respective markets and industries vary significantly. Despite the relative independency of the business units, talent management largely remains a matter to be dealt with at a Group level. One of the challenges for talent management as a value-adding activity that actively drives a competitive edge for Damco lies in the fact that talent management at Damco is not only a Damco matter. It is also an APMM Group matter. Talent management at a Group level and at Damco might be driving different kinds of value. As we saw in section 1.1.1, talent management has historically been driven by the Group and from a Group perspective. The focus and purpose of talent management has been to develop and secure leadership pipelines. Talent management at the Group level and approach has gone through a transformation similar to what was described in Chapter 4 – from originally being perceived as part of a ‘war for talent’ to more recent approaches reflecting fundamental assumptions such as ‘the position approach’. In the APMM Group this was introduced as the group-wide rollout and implementation of the PSS in 2009.

The very purpose of talent management in the Group has been to drive talent across business units from Damco to Maersk Oil, and the common nominator in these business units is mostly leadership. Hence the focus is on talent as leadership in a traditional sense. Seen from a Group perspective, the PSS therefore adds

value, as the success criteria is to provide a leadership pipeline across the business units (value purpose) to promote generic leadership capabilities. In this sense, talent management has many similarities with succession planning; however, tensions arise when this perspective interacts with the perspective of separate business units, which may have a different perspective (or additional perspectives) on what is needed to succeed in a particular industry or market. Below is an example from the field notes from the third year Damco runs the PSS, which highlight the at times conflicting interests with talent management in the Group and Damco. The leadership team discusses the strategically important positions:

*‘ Few positions are discussed, and a brief discussion on long-term versus short-term focus begins. It seems to be extremely difficult for the team to prioritise the positions. One of the leaders seems to be rather aggressive and is clearly opposed to the process for discussing strategically important positions. He says that the only reason we [Damco] is doing this is that it has been requested from a Group level – in many ways, the discussions and the focus in them are similar to the ones they had two years earlier’ (Appendix A, PSS 2).*

In this example, we see that the Group intention, priorities and approaches are not necessarily aligned with Damco’s, or at least not with the Damco leadership's perceptions, and each of the parties associated different outcome as valuable. Therefore, the talent process is received with some resistance, and one of the leaders indicates that the process is, in some regards, worthless to Damco. Many of the talent initiatives in the APMM Group are developed at a Group level, and then implemented across the business units. This means that the initiatives are designed to address talent challenges, as they are experienced and identified at the Group level, and which are seen to be relevant to *all* the business units, operating in very different industries, which also means that success criteria become very generic, e.g. high employee turnover and consequently lack of ROI (Groysberg & Abbot, 2012), as well as leadership pipeline issues (Appendix A, HR leader 3). Addressing the issues of high employee turnover and leadership pipeline issues might not provide Damco a competitive edge in their market (the argument in favour of talent management) and has little relevance, if any, in relation to a customer focus. In this way, talent management assumptions (e.g. lack of people resources), talent management rhetoric (e.g. referring to talents as generic leadership capabilities) and talent management processes (e.g. processes that only

address the top layer of the organisation) are anchored in history – despite intentions of providing a means to tackle future challenges in a particular business.

In this sense, history sets the agenda for what is possible within the practice of talent management and for the focus of talent management initiatives. As we have seen, this leads to a strong focus on the individual. As explored previously in this chapter, several talent initiatives exist in Damco, each with a different stated purpose. Most of these initiatives are intended at driving individual development (with the implicit assumption that this will increase company performance). However, looking at the two talent initiatives that are more customer-facing/including and thus explicitly aimed at driving an organisational agenda of customer-centricity and in many ways breaking with traditional ways of practicing talent management, we see that they point towards a potential within the practice of talent management. The potential for talent management lies in the possibility of clearly driving an organisational agenda. By actively driving a customer focus in the organisation and building customer relations. When the customer perspective is included, it is clear that talent management has a potential for creating a competitive edge in the market, which is pointed out in different ways by the customers. One customer points out that it is rather unique to have this approach to people within the logistics industry:

*‘It’s pretty damn unique what you’re doing, I don’t see that happening in many other companies’* (Appendix A, Customer 1). The customer continues by emphasising the impact on the participants, which is also perceived as unique within the industry: *‘They were very articulate about the concepts they are learning; I think their consciousness has been raised. That I don’t see happening in a lot of companies, and I think DAMCO is different in this way (...) It’s not all about the operations, it’s about how to approach people, create a relationship, the right relationship, understand the customer’* (Appendix A, Customer 1).

Another customer also emphasises the engagement in building the relationship: *‘I would much rather that people came to me on regular basis, you know what, could I have five minutes, could we discuss this and this, and I loved that, cause that’s that sense of energy you get from the business and makes you feel important, because people are thinking, people want to engage – and I got that sense in there’* (Appendix A, Customer 3).

The above examples show that the customers are highly interested in participating at these talent sessions, they have been impressed by the conversation and energy the participants have displayed, and have expressed that they see IMPACT as rather unique within the industry. Thus, this talent initiative illustrates that talent management can actively act as a mechanism for driving a customer focus as a competitive edge, not only in training the skills and mindset of the individuals participating in the workshop, but also by building the customer relationship understanding into the actual workshop structure, and by ensuring relationship building with customers at the workshop. For example by positioning the Damco approach to people and customers as unique within the industry. Further, what is evident from above is that the customers have clearly embraced the workshop as a chance to engage with Damco that offers a mutual learning opportunity, an opportunity that is rather unique within the industry, and which holds a potential for creating unique relations. As we saw in Chapter 5, these relations are essential for business success. It is interesting that these learnings of uniqueness and the possibility to build relationship are backed up by a similar trend, which is evident in the CPSS. In this talent initiative, the customer is also included and is an active participant in a talent management initiative. HR reports on a similar response from the customer when participating in a CPSS:

*'It has been received super positively from the customer side. It is very unique that we sit down with the customer and do something with them, which is very different compared to what others are doing. It makes us unique, and it makes the relationship unique and close, and that simply implies that we are different – in a positive way. And to be honest, it was almost an out-of-body experience to see it become such a success' (Appendix A, HR leader 1)*

These examples illustrate that both the customers and Damco experience the talent initiatives in which the customers are involved as unique and as an opportunity to build the relationship. The relationship is prerequisite to do successful business, and it represents a mutual learning opportunity. For Damco, it further represents an opportunity to differentiate in the market by being customer-focused, also outside the areas where one would normally expect it, such as in the customer service function. These actions are all developed, implemented and executed under the label of talent management. Since this has been part of the design criteria, it is natural to expect an outcome along these lines. However, despite the different intentions, outcomes were expected to be similar to typical talent

initiatives, and many in the organisation, including leaders and HR, were somewhat surprised by the extent to which it was been possible to achieve these outcomes that are clearly linked to customer value under the label of talent management. With these initiatives the value of talent management rests on underlying value assumptions similar to the SD Logic, where value is (co-)created, considered in-use and defined by the beneficiary (Vargo et al., 2008).

The examples of IMPACT and CPSS are interesting, as both initiatives include different types of customers, different industries and different focal points, yet they confirm the same trends. This indicates that what is important in talent management is not necessarily the actual process design, definition or execution, but rather the articulated purpose, what talent management is aimed at driving, which subsequently is translated into actual practice. It makes a difference what the initiative aims to drive, and it has the potential to add value in different ways than talent management (or for that matter HR) has typically done. Thus, talent management holds a potential for creating value that is closely linked to actual business challenges. This expands the value purpose of talent management from driving individual development towards driving an organisational agenda. In this sense, there is indeed a potential for talent management to drive an organisational agenda of customer-centricity by reinforcing the relationship with customers, differentiating in the market and achieving the desired competitive edge.

In summary, the underlying *raison d'être* for talent management is that it creates a competitive advantage for the company. Until recently, talent management has largely been organised around concepts of individual development, both in terms of the kind of problems managers and HR perceive talent management as capable of addressing to solve, what talent management is designed to solve, as well as in terms of how measurements and success criteria are defined. The value purpose of talent management has thus explicitly been centred around driving individual development and only implicitly seen as necessary for business, and that talent management will assist the company in achieving a competitive advantage. This traditional perception is very similar to what is reflected in the talent management literature and in this dissertation described, respectively, as the 'war for talent' approach, the practice approach and, to some extent, the position approach. These approaches are all characterised by a transactional value understanding (as illustrated in Figure 3) with echoes from history and Taylorism and with an underlying logic of value as reflected in the GD Logic. Value is assumed created



when optimising (people) processes or practices; hence, this is how the value of talent management has traditionally been defined.

A problem for talent management in an organisation that introduces a customer focus as a way of competing in the market is that this new focus fundamentally changes the understanding of value and thus the value purpose of talent management. There is a tension between fundamental assumptions of the value purpose of talent management and the way this assumption translates into practice. The tension between different assumptions is evident both in the contrast between business priorities and talent management thought and practices, as well as in the contrast between HR intentions and actual HR practices. As we have seen, new understandings of market and value emerge in Damco with the introduction of a customer focus, which fundamentally changes the understanding of value. Therefore business practices are increasingly organised by an underlying assumption of business value as relational. Rethinking the value purpose of talent management to reflect business challenges, and how this is translated into strategy and practice is apparently very challenging. It represents a completely new mindset and logic which is in contrast to past ways of thinking and working.

As we have seen, history plays a very important role and sets the scene for current practices, as talent management historically, both in academia and in the APMM Group, emphasises the need to address the people problem. Past success within talent management and among HR professionals has been based on this understanding of talent management, and it may only be natural to expect a certain tension between past success and the need to address future challenges. Nonetheless, there is an emerging awareness of change and an expectation that it will have implications for talent management. It does, however, remain challenging for HR to implement these changes in talent management, and a tension between past and future logics and value understandings is reflected in the design and in the way value is considered and measured. There is as a discrepancy between an intention of wanting to look forward and addressing business challenges (e.g. strategy) and the actual practice, which seems designed to address individual development. Despite the awareness in HR of a need to focus on strategic business challenges, there seems to be a simultaneous uncertainty when working outside the traditional sphere and value purpose. The two respective assumptions lead to two very different focus areas and contradictory approaches to talent management.

With the shift in value understandings in business from transactional (GD Logic) towards relational (SD Logic), which more closely reflect business conditions and direction, provides an opportunity for talent management to drive an organisational agenda of customer-centricity actively and directly. The potential of talent management lies in understanding value from a different perspective, and here the customer occupies a central position. This requires a rethinking of the value purpose (what to drive) of talent management and translating this new understanding into practice and organised around concepts of *organisational* development. In practice, this implies that talent management will be centred around creating a competitive edge in the market, for example in terms of building customer relations by changing how customers perceive and engage with Damco, creating mutual learning opportunities for Damco and customers, and becoming a change management initiative and an opportunity for business development. Similarly, success and value are increasingly identified and measured through these concepts of organisational value, for example change, relationships, ROI. Thus, when the value purpose is redefined, relevant measurements of success and value similarly need to be redefined to include organisational parameters, qualitative as well as quantitative. This implies that many current measurements of success offer little guidance on actual value creation, and talent managers and HR professionals therefore need to take up the challenge of rethinking not only what the value purpose of talent management can be, but also how this value can be identified, measured and followed up on.

Having explored the first dimension of the talent management framework, the value purpose, the next chapter explores the second dimension of the value framework. It will take up the question of where value is created – internally, as it is largely assumed and reflected in both theory and practice, or externally, in the intersection of multiple organisations.

## 7 Talent management – an intra-organisational or inter-organisational matter?

*‘That’s not strategic thinking, it’s tactical. You’ve got to look at the customer and understand the customer, and that’s the point I made about knowledge. Don’t come and talk to me about shipping schedules; they don’t care, they’re not bothered with if Maersk owns 40,000 TEU, and the next vessel is 80,000 TEUs. They really couldn’t give a monkeys. What they’re interested in is that you come back to them and said, ‘Can I share something with you about my business?’ (Appendix A, Customer 3).*

In the previous chapter, we saw how talent management practices largely are organised around concepts of individual career progression rather than around driving the organisational agenda, and that a value tension existed in multiple ways between past and current value logic. As the previous chapter, this chapter takes its point of departure in one particular dimension of value, which in this chapter is *value creation*. It does so by exploring where the value of talent management is created and assumed to be possible to create: within the boundaries of the formal organisation (*intra-organisational*), or in the intersection of organisations, Damco and its customers (*inter-organisational*). The chapter first addresses this topic by exploring the relevance of the outside (the customers) as well as addresses how the outside (e.g. customers) translates into talent management practices, what implications the outside has for who becomes a talent, and how talent is accomplishment and rewarded. Second, the chapter will

do so by discussing problems and possibilities for talent management when the shareholder understanding of value creation is expanded to a stakeholder understanding of value creation, thus moving from a pure transactional perspective on value creation as reflected in the GD Logic towards a relational perspective on value creation as reflected in the SD Logic.

As we saw in Chapter 4, talent management theory is largely dominated by a rational and closed-system logic (Thompson, 2003) as a people process to be controlled and optimised within the boundaries of the formal organisation. Talent management has little or no relevance in terms of creating value outside the organisation or for that matter between organisations. Despite the emerging attention in Damco HR to the importance of a customer focus when articulating, defining and designing talent management issues, talent management practice remains an internal matter, organised according to a past logic of value creation (GD Logic), aligned with the closed-system logic. This is reflected both when the customer focus is translated into talent management work and in deciding who is a talent, and how being a talent is rewarded. The outside in approach entails a different logic in terms of value creation, where value creation is to a larger extent considered in-use, co-created and defined by the beneficiary (Vargo et al., 2008). This represents a potential tension, as this logic conflicts with past logics on value creation. Further, when adopting the customer focus as a way of competing in the market, a largely internally oriented talent management practice stands in contrast to the way of competing in the market. In the following sections, this point is further unfolded.

## **7.1 Lost in translation - the relevance of the ‘outside’**

This section explores how the outside is relevant to the inside of the organisation. More specifically, it explores how the relevance of the outside is lost in the translation into both HR strategy and talent development strategies – despite other intentions. Clearly, the outside is perceived as relevant in the organisation, as represented in the articulated customer focus, and as we have seen in the previous chapter. We saw how the outside is relevant, as creating value for the customer is considered an essential part of creating a sustainable competitive advantage (Chapter 6). Below, this is specifically articulated in an internal communication:

*‘Our starting point is: If we don’t create value for our customers, we have no right to win or retain them. Identifying how we create value for our customers – not just*

*in lower prices but also in what can we do with our service to really create value for them – is our competitive advantage. This is about understanding the customers, their industry, their challenges and finding out where we position relative to the competition so we can come up with something that is different'* (Appendix A, Newsletter 3).

In this example, a senior leader stresses that creating customer value is *the* source of the company's competitive edge in the market. Needless to say, this is more easily said than done, and another senior leader describes the organisational situation in the following way:

*'We are on a journey, and we are still at the airport; today we are very operational. A commercial organisation is an organisation that is able to interact with customers and understand what constitutes value-add for the customers.'* (Appendix A, HR leader 2)

This leader describes the organisational challenge of becoming customer-centric. He describes the organisation as being on a customer-centric journey – a journey that has only just begun, and which the entire organisation is required to engage on. This simultaneously imply that value creation for the customer (while also creating value for Damco) becomes as a business premise that expands understanding of *where* value creation takes place and can be found (ref. the value creation dimension in the talent management framework, Figure 4).

Describing the customer focus as a journey that the organisation has set out on seems an apt description. As we have seen in previous chapters, the journey has begun, and both business and HR focus on and employ a rhetoric that emphasises customer value. However, the difficulties arise when this focus is to be translated into practice, and when past ways of thinking and working need to be changed. In HR, creating customer value is often lost in translation, which is evident for example in the formulated HR strategy, which will be elaborated on below. The HR strategy is relevant to discuss in this context, as it serves as an overall frame for the organisation's talent management strategy and initiatives. The organisation's HR strategy is developed with intentions of ensuring clear links to and promoting the overall business strategy. Below example illustrates this focus in the HR strategy and highlights the three basic HR principles:

## 3 HR Principles

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### Support function:

HR must support the Business Strategy.

The business/front line are our customers. We need to:

- Demonstrate HR functional expertise that add value to business decisions
- Challenge and provide perspective to business decisions
- Translate business challenges and objectives into people and organisational deliverables

Source: Appendix A, Strategy document 1

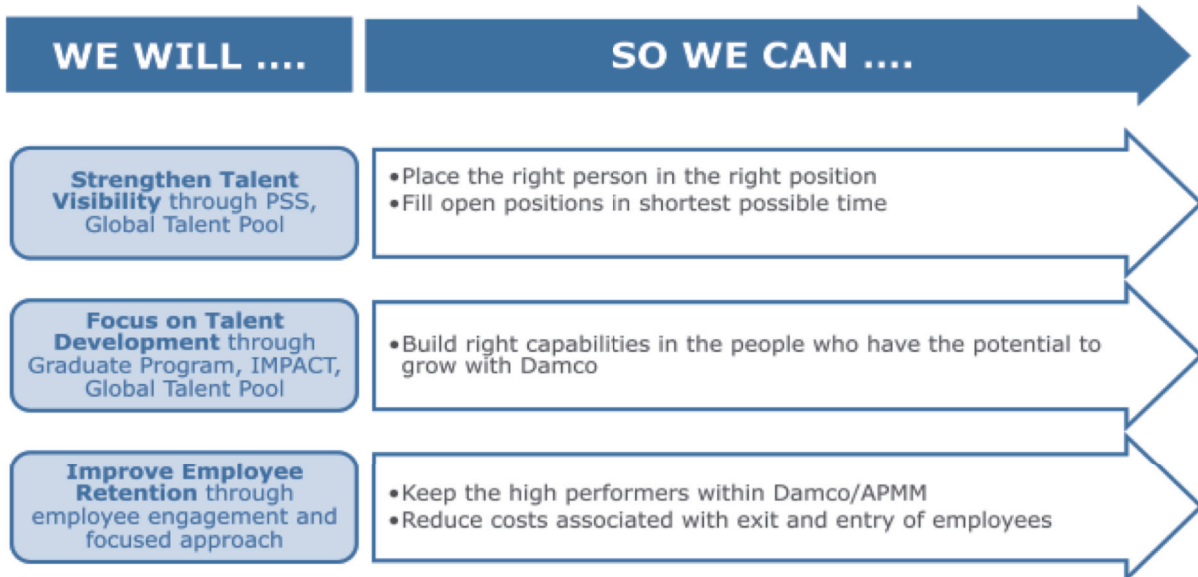
The above statement from the HR strategy frames HR as a support function that is intended to support the business strategy as well as challenging and adding value to business decisions and translating business challenges into people and organisational deliverables. This statement represents a clear and articulated ambition of using HR efforts to drive value for the business, and actively translate business challenges into people and organisational deliverables. The rhetoric that is used enforces this ambition. However, the exact translation of business challenges into people and organisational deliverables is a challenge for HR. The translation seems to take place within existing frameworks and logics of value creation, which do not reflect the focus on creating customer value. The business challenges are understood and interpreted within the traditional understandings of organisations as closed system (Thompson, 2003) and in accordance with value understandings reflected in the GD Logic (Vargo & Lusch, 2004). This makes it challenging to translate business challenges into people and organisational deliverables in new ways, and thereby challenging for HR to support the business strategy as stated in the above example. This is an example of how traditional understandings of organisations and value set the scene for what HR is about. Here, the definition of the customer, for the HR work, is the business and frontline. One could argue that if a company is organised around creating value for



the customer (ref. Chapter 5), HR should also be organised around the customer and fundamentally focused on driving customer value. However, defining the business itself and the frontline as the customer of HR instead leads to a focus on driving value internally (implicitly assuming that this will lead to value for the organisation) rather than focusing on (external) customer value directly. In this way, HR translates business challenges from the inside out, not outside in, and is not concerned with value outside the organisation, instead leaving this concern up to the line managers. Consequently, HR can only create value internally in the organisation, and the value of HR work can only be defined from the inside. Thus, not only will the HR efforts be somewhat detached from the business agenda; HR also potentially misses out on an opportunity of driving actual value for the business through, for example, talent management practices. Further, as a function, HR remains in a responsive position and may over time, at best, come to be seen as superfluous.

As we have seen in Chapter 5, the business focus is on the ability to work in an inter-organisational capacity and to adopt a value-in-use perspective (Vargo et al., 2008). HR discusses the business focus and attempts to include the customer in the HR work. However, the underlying value assumptions of the HR work reflect past business conditions, i.e. working intra-organisational, and are mainly represented as a value-in-exchange perspective (Vargo et al., 2008). As we also have seen, this perspective dominates most talent management discussions. This is specifically evident in the talent development strategy at Damco, which is following elaborated on. When articulating the need for, and the intention with, talent development as part of the HR strategy, an underlying assumption of talent management as an intra-organisational matter exists. Value creation is thus considered, understood and captured internally – despite intentions of translating business challenges into talent management and adding value to business decisions. Below, a glimpse from the HR strategy concerning talent development:

# Talent Development



Source: Appendix A, Strategy document 1

In the above glimpse, we see that the intention of talent development is to strengthen the visibility of talent, to focus on individual development in order to enable individuals to grow within Damco, and to improve employee retention. These points all have an intra-organisational orientation, and they are all points that are exclusively relevant to the inside of the organisation, not linked to any kind of customer value creation, or for that matter value outside the organisation. The implicit assumption is that these are the people issues that need to be dealt with to support the business. However, they do not differ significantly from the issues at play of any other kind of organisation, and there is no translation of how these issues translate into creating customer value. Naturally, the retention of employees in customer-facing roles would translate into business continuity for the customer, which should, all things being equal, create value for the customer. However, business continuity for the customer is not the stated intention or articulated purpose of improving employee retention. Rather, the stated purpose is based on relevance to Damco, as a way of retaining (controlling ref. Chapter 8) high-performers and reducing recruitment costs. Thus, the talent development strategy has an obvious intra-organisational orientation.

Similar principles are reflected in the HR strategy overall (Appendix A, Strategy document 1), which is focused on supporting business needs, although it is purely internally focused and lacks any outside in orientation. In this way, the intentions of the talent development initiatives are all articulated and presented as being relevant and value-creating for the inside of the organisation. Thus, the translation of business challenges into talent development becomes a matter of intra-organisational value creation rather than the (co-)creation of customer value. In practice, it becomes detached from the creation of customer value, which has otherwise been articulated as essential for creating a competitive edge – both by Damco’s leadership and by Damco’s customers.

Translating the customer focus into specific talent management initiatives thus represents a problem. The commercial mindset and the customer focus are articulated on several occasions and sought to be included in the talent management work. It does, however, often remain merely an attempt due to internal resistance. For example, the PSS process is adjusted to ensure that people and positions are not only discussed in relation to the business strategy. However, before the people and position discussions can begin, a brief presentation aims to set the stage for business-oriented discussions. The presentation focuses on the collaborative and commercial mindset that is needed in the business, emphasising issues such as *‘customer-driven; adding customer value; unity of purpose; strong healthy relationships outside the span of control’* (Appendix A, PSS 2). It is challenging to incorporate this initial presentation into the subsequent discussion of people and positions. This set-up makes the process more difficult and less successful, as we will see in section 7.2.

In summary, the translation of business challenges and priorities that takes place is based on past logics of value creation, and is to a large extent reflecting assumptions of value and value creation similar to the GD Logic (Vargo & Lusch, 2004), which assumingly needs to be altered by the introduction of the customer focus. A different articulated intention and rhetoric is required. In practice, however, the fundamental assumptions about where the value of talent management is created remain unchanged, and to a large extent, talent management remains an internal process or practice to be optimised. As we saw in Chapter 4, the assumption of talent management as a source of intra-organisational value creation is so ingrained in the history of talent management (both in the general concept and practice of talent management and in the HR history at

APMM) that it hampers our ability to understand how talent management can lead to inter-organisational value creation. The labels, terminology and possibilities associated with talent management are closely associated with intra-organisational value creation, and replacing the associations and the taken-for-granted may require new labels.

## **7.2 Deciding who is a talent**

We now move on to the issue of who is a talent, and how this is determined. This is relevant to explore in the context of value creation, as individuals who are defined and selected as talents are, presumably, expected to generate more value for the company than other individuals. Therefore, the company is willing to invest additional resources (time, money, attention, etc.) in these individuals, and in this sense, these individuals become more privileged than other employees. Naturally, the rationale for the investment is that the company's investment is expected to deliver a higher outcome than if same investment were made in other employees. There is an expectation that talents create more value for the organisation, and therefore the decision about who is a talent highlights the assumptions about where value creation takes place. However, determining who is a talent is no easy task, as there is, evidently, no clear definition or perception of what constitutes talent. A business leader describes talent and value as contextual:

*'...it [value] is something you have in this specific role, in this context, with this manager, with this team, with these challenges. That means that you have some sort of additional value because you stand out, so you do not have the right to expect, but we as a company have an interest in paying special attention to you'* (Appendix A, Executive 8)

If talent is something that exists in a particular context, talent includes more than 'just' performing well on the task one is responsible for. Then it also includes the way one is perceived by one's leader and team, and thus, the 'something more' in talent includes a relational aspect. One will always be a talent *in relation to* something and someone, a task, a team, a leader, an organisation. As we have seen, the relational aspects have traditionally been defined as relations *within* the company (intra-organisational), and since the managers (typically) are the ones who decide whether one is a talent or not, talent has often been defined in a relation with the manager. The customer focus may potentially change this relationship, as another important stakeholder is included in the talent relationship;

for example, one may be a talent in relation to a customer. This point will be discussed later in this chapter, which shows that determining who is particularly valuable to the inside of the organisation is not necessarily aligned with who is valuable to the outside of the organisation.

Decisions made about who is a talent, and therefore warrants increased investments of some sort, are mainly based on who creates value for the inside of the organisation, rather than who creates value from the outside in, for example the customer-facing roles. As it has been discussed, the perceptions and assumptions about where talent management can create value are highly influenced by history. It is, consequently, very difficult to go beyond value creation outside the traditional sphere of the formal organisation and to view value creation in an outside in perspective, for example, value to customers or in the intersection of Damco and its customers. Value is typically determined on the inside of the organisation and according to internal relevance criteria in terms of who is a talent and thus particularly valuable to the organisation. Basing these decisions on internal criteria implies that talent (value) is primarily defined either as leadership talent or as individuals who are particularly successful in managing their managers and other internal stakeholders.

As we saw in the previous chapter, most talent initiatives target leadership talent, which potentially represents a contrast to the customer focus. As we also have seen, history emphasises the view of talent as leadership talent, as do talent processes, and this view is also largely reflected in conversations with business leaders:

*'... because talent is a person who has not yet reached the 'full potential', and is a person you can get out of as a company...in my book a talent is someone who is still capable of taking a bigger job in the Group (Ed. the APMM Group)...'*  
(Appendix A, Executive 7)

*'... it sends a signal that if I'm part of that group, something good is waiting for me, an expectation of a bigger job, a bigger salary. If you have the right people, energised people, ambitious and so on. I think their performance is pretty hardcore, no matter what. Personally, I don't think it makes a difference whether I'm part of an aggressive bonus scheme or not. It's the thought of the possibility to be promoted and win an even bigger position, moving forward, that's more than*

*enough to motivate me – and I think it is for most other people as well. It is the potential that matters.*’ (Appendix A, Executive 10)

Above, we see the leaders considering the potential of something bigger, such as a bigger job or a bigger salary, to be the key matter in defining who is a talent. When discussing talents, the potential is automatically included in the discussions. For example, they mention an employee who is clearly a high-performer, but who does not have the potential to take on additional responsibility (Appendix A, PSS 1) – and therefore is not defined as a talent. This implies that talent remains *leadership* talent. Another leader defines talent as someone who can still grow within the organisation: *‘...so there are lots of opportunities for jobs in the organisation, and then we can define them as talent.’* (Appendix A, Executive 9). This statement implies that if a person is no longer able to move up in the organisation (to bigger jobs), that person cannot, by definition, be a talent. Thus, talent remains to be about leadership potential. In the organisation there is a bias for viewing talent as leadership potential, which has historically been the approach, both at APMM and in theoretical field of talent management (Chapter 4).

In the discussions about people, high-performers, and talents, there is a tendency to focus primarily on leadership (which is what is relevant at the APMM Group level, but not necessarily at a business unit level). It seems much more difficult both to describe and figure out what to do with the employees who do not fit into the ‘leadership potential frame’, for example, supply chain specialists or strong salespeople (Appendix A, PSS 2). Interestingly enough, however, these are often the roles that have the capacity to drive and create value for the customers actively and directly. Despite the difficulties in describing talent outside the framework of leadership potential, and despite the fact that the talent management process rarely addresses talent outside this category, both HR and business leaders recognise talent as more than leadership, and they reflect on the inherent challenges presented by the persistent focus on leadership potential:

*‘The nice lady in customer service, who has been here for 10-15 years and knows all our customers. She doesn’t have a problem spending an extra hour, because this is personal. It has something to do with her being a talent, she does not fit the way we define talent.’* (Appendix A, Executive 7)



*'He is outstanding with customers; he took ownership of a very unpleasant case, where we were about to lose [Ed. a very substantial amount of money]. We are talking about doing the right things, delivering, and how good this person is commercially; is this a person who can help us attract new customers, retain customers and develop the business we have with existing customers?'* (Appendix A, Executive 9)

*'Talent is not just a general management type. Curt is definitely not a general management talent, but he is absolutely a talent within his area of expertise. His knowledge is unique, he does something unique, his method of working is unique, his interest and passion are unique.'* (Appendix A, Executive 10)

These leaders express a view of talent that goes beyond leadership talent. It is about being good or having a unique skill. This skill is not necessarily leadership, but could involve many other types of functions that are of value to the organisation and the customers. Thus, we have seen leaders expressing the view that a talent can be a person who is exceptional with customers, who is a great leader, who delivers, and who offers outstanding customer service. This implies that in the organisation a double logic is at play between intra-organisational and inter-organisational value creation. An intra-organisational logic applies when talents are seen as those who create (perceived) value for the inside, primarily represented as leadership potential. An inter-organisational logic is also at play, since despite the prevailing perception of talent as leadership, leaders do display an awareness of value creation outside the organisation, which is difficult to ignore completely, for example being excellent with customers. These two perceptions of value creation may represent a tension, since what represents value to the inside might not constitute value to the outside. The dominant perception of value creation is the intra-organisational view, in which value is framed by the traditional shareholder understanding of value, as something that should be controlled and optimised within the boundaries of the organisation. This view is compatible with the rational and closed system logic (Thompson, 2003), as also reflected in the GD Logic. In order to be a talent, the person needs to be defined as a talent by someone, and generally, this is in the hands of management. In other words, internal stakeholders are the ones who evaluate and define what is value and what is not, which is contradictory to value being defined by the beneficiary (Vargo & Lusch, 2008a). Thus, there is a dominant perception of value creation through talent management practices as an intra-organisational matter.

When the leaders evaluate who is a talent, for example in the PSS process, they seem to feel that the process is somewhat arbitrary, influenced by team dynamics and power aspects. This view is highlighted in the excerpts below:

*'Ahh ... to be frank, it was a bit of a lottery the way we did it, right. In terms of the timing. It was a tap on the shoulder and if you knew someone and could get them in your team. I'm not talking about the PSS process itself but what immediately proceeded it and influenced it.'* (Appendix A, Executive 6)

*'If it was a democratic process, it certainly had a low participation rate.'* (Appendix A, Executive 4)

*'If you get a cue from him, then, eh ... it matters... it's black or white, nothing in between, and if you're black, you're doomed. It's not that I disagree, but maybe the decision is a bit too rash, it can actually change a man's life... And at the end of the day, he risks being sacked. It's a pretty big decision.'* (Appendix A, Executive 5).

The above examples illustrate the perception that the decision about who is a talent, who creates value for the company, is fairly arbitrary and highly characterised by an intra-organisational perception of where value is created. It implies that in order to be a talent, one needs to be excellent at creating value, as value is perceived *on the inside* of the company, for example, being good at managing upwards. Thus, the decision about who is particularly good at creating value for the organisation is made internally, largely based on internal success criteria and is implicitly assumed to lead to value for the customer – if customer value is considered at all. As we shall see later in this chapter, that is not necessarily the case.

However, the understanding and underlying assumptions of value creation is gradually being expanded. Legitimacy for talent decisions are increasingly found also on the outside of the organisation, for example by giving the customer a say in who is a talent (what is value), as we saw in the CPPS in Chapter 6, or by referring to external success criteria in internal discussions on talent decisions, e.g.

by determining who is a talent based of who creates value for the customer. An example of this was when the PSS was introduced in 2009. The talent process was highly influenced by team dynamics and power games, which played a vital role in determining who came out as a talent (Appendix A, PSS 1). At this point in time, no reference was made to the outside, and no one was evaluated/decided as a talent because he or she created value for the outside of the organisation, or if even he/she was good with customers. Two years later, when both the talent process and the leadership structure were more established, the dynamics changed. There was a stronger emphasis on the customer, both in the talent discussions and in the eventual decisions. For example, there was discussion because a person had been moved from one job to another without the customer being notified. The management team predicted that this would be a problem that had to be taken care of. Further, when there was disagreement about the performance of individuals, and thus disagreement about who would be a talent or not, the ability to act and think commercially, to have strong customer relationships and to command credibility within the industry was used as leverage for a particular decision about who was a talent (Appendix A, PSS 2). In this sense, talent decisions increasingly reflect an expansion in understandings of value creation, moving from an intra-organisational to an inter-organisational understanding. This further implies that what is considered valuable to the outside of the organisation suddenly comes to have an impact on internal talent decisions. The ability of a person to connect externally has consequences within the organisation, and vice versa.

It is, nevertheless, interesting that when the customer perspective is included in the talent evaluation and decision-making process, a somewhat different picture emerges, than if the process only is concerned with an intra-organisation perspective. The experience from one of the CPSS illustrates this, and it is clear that there is a difference between what is considered value (talent and key positions) on the inside of Damco versus what is considered valuable on the outside of the organisation, to the customer. An HR professional explains:

*'The customer PSS works across functions, as the customer doesn't care about region, title or function – they are interested in who creates value for them. And that could be anybody.'* (Appendix A, HR professional 3). The same informant continues later by telling about the CPSS structure and practical implementation: *'Damco has prioritised the top 30% mission critical positions, in total 22 positions, which the customer was to confirm the prioritization – and the*

*somewhat unexpected happened, that they choose only 11 positions to be mission critical.*' (Appendix A, HR professional 3).

Above, an HR professional describes the difference between the inside and the outside understanding of what is value creating. Unlike Damco's internal perspective, the customer does not care about, for example, region, function or level. Even more interesting, the customer actually sees value creation as taking place in different positions than Damco does. In a different context, a similar picture emerges in a customer presentation on doing business with Damco:

*'We need flexibility from a service provider in our company – just need the solution, not the problem. Be careful not to run everything so god damn rigid, so it is not flexible: you all want to perform to your managers, put in to high numbers, with all these great people in this company you can do much more, don't listen to the managers, they do make wrong decision. Don't go against them, but ask why, does it work, make sure you know.'* (Appendix A, customer presentation 5)

This example illustrates a contrast between internal (as represented by evaluation) and external value (as perceived by the customer, the beneficiary). The customer points out that in his experience, there is too much focus on performing internally (e.g. running things in a 'rigid and bureaucratic' manner, in systems that are viewed as valuable by management), rather than performing externally, with a focus on the customer business (e.g. listening to the customer's needs for flexibility). Linking this customer perspective to a people process, as talent management, inside the organisation, it becomes relevant as if people processes are centred on *intra-organisational* value creation, they reinforce individuals to focus on *intra-organisational* value creation. At least if they want to be considered successful and achieve associated benefits. The examples illustrates that what is considered, evaluated and rewarded as valuable internally might differ from what is considered and evaluated as valuable externally. For a company, the only way to realise this may be by actively engaging with the customer about what is valuable to the customer, also when it comes to people decisions.

As we saw in the examples above, talent management rests on certain underlying assumptions about value creation. These assumptions are largely compatible with the GD Logic that assumes organisations as rational and closed systems, in which value is internally found and defined, resources are considered tangible and

possible to optimise through control and measurements (Thompson, 2003; Vargo et al., 2008). As we also saw in the previous chapters, a customer focus naturally implies understandings of value creation that are compatible with a SD Logic that assumes organisations as natural and open system, in which value can be found and created throughout the entire system (Damco, customer etc.), resources are dynamic, infinite and produces effects, and value emerges in-use (Thompson, 2003; Vargo et al., 2008). Therefore, the strong focus on intra-organisational value creation represents a contrast to the intended way of competing in the market by employing a customer focus and achieving a sustained competitive advantage. This contrast further appears when we explore what is considered valuable on the inside of the organisation, as this might not equal what is considered valuable on the outside. This implies that talent management does have a potential for being a value-adding activity if we rethink *where* it can create value and includes the inter-organisational perspective.

### **7.3 Value from a shareholder perspective or value from a stakeholder perspective**

Stakeholder value and shareholder value are not necessarily in opposition to one another. However, including the stakeholder perspective invariably challenges established ways of doing business, as we saw in Chapter 5. Similarly, including a stakeholder perspective on value beyond the traditional sphere of the company in the practice of talent management invariably challenges fundamental assumptions about value creation within talent management. When the customer perspective is included, value creation is increasingly being displaced and expanded from an intra-organisational perspective towards an inter-organisational perspective. The value of talent management is thus, to a large extent, characterised by conflicting views of value that co-exist inside and outside the organisation. This is expressed, as we have seen for example, in the different perceptions of the value of talent management amongst leaders and customers, respectively.

Exploring the value of talent management from the inside and from the outside, as represented respectively by Damco's leadership versus Damco's customers, brings forth two different perspectives on value, which respectively are characterised by a transactional view and a relational view. Internally, talent management is mostly seen as value-adding in terms of being a management tool that, for example, it

provides the leadership team with important information and benchmarks on high-performing employees. When managers and HR professionals are queried about the value of the most established talent processes, their answers consistently reflect a focus on value creation internally:

*'... and it creates a way of thinking to see how your people stack up to some of the other people you know. Am I being too generous or am I being too tough here? And this discussion you will get here.'* (Appendix A, Executive 1)

*'Then we discuss three people reporting to Sam, where Sam provides us with a review of the three people. I'll go, 'Okay, I'll note that chap – it would be great to have him take up the position in this or that country.'* (Appendix A, Executive 3)

*'It provides me with a benchmark and some insight into a broader population of people. It provides me with more knowledge about the individuals than what I have, based on just a few interactions with them, so in that way it gives me a better benchmark for what it means to be talented, what are the issues, what strengths do the talented people have? And if I'm going back to have feedback sessions with my direct reports, it gives me a more solid foundation for providing this feedback.'* (Appendix A, Executive 4)

*'I think, overall, the good thing about PSS is that it facilitates building a management team. I think it can help build teams.'* (Appendix A, Executive 2)

The above statements indicate that the perceived value of talent management in the organisation, at least with leaders and HR, is that talent management to a large extent is a matter of having a leadership forum for information sharing to discuss high-performing employees. It provides the leaders with benchmarks for evaluating their own direct reports, and in general, it helps the leadership team align perceptions and become a more cohesive team. Particularly in terms of creating internal visibility of people resources, which is a stated purpose of the PSS, as we saw in Chapter 6. Naturally, having visibility, sharing knowledge and establishing a leadership team offer clear advantages to the inside of the organisation – and in particular, it helps the leadership team become confident about their own people decisions, among other issues. In this sense, the value of talent management is mainly created and considered on the inside of the organisation and thus implies a shareholder perspective. Strategically, the



customer focus involves a stakeholder perspective; in practice, however, the stakeholder perspective takes up a minimum priority. Presumably, this poses a potential tension, as rhetoric and reality might counteract each other, instead of supporting and building on each other.

In extension of this issue, in a conversation about the value of talent management, an HR leader highlighted the internal value perspective, and when queried about the link to the customer focus by the researcher, he paused for a moment but then continued to highlight internal value. Below are examples from the field notes of this conversation:

‘The leader reflects, *‘In itself, the PSS is extremely valuable, just the peer pressure, having to stand there and being able to argue whether your team is strong enough, you are being held accountable’*, I mention that it’s interesting when we are talking about customer-centricity, what kind of link to talent management actually exists in this sense. I mention an example that I heard in the organisation about the CPSS, in which I was told that the customer does not care about level or function. I mention that it could be interesting what the customer sees of value in this type of talent management. He pauses, smiles and continues to talk about value along internal lines.’ (field notes, 2012, meeting on talent challenges).

The HR leader’s response in the example above illustrates that there is a contrast between past ways of creating value and future ways of creating value in a customer-focused organisation. As we also saw in Chapter 4, ever since talent management was introduced, it has continued to evolve and develop. Over the years, however, it has typically been redefined and optimised within existing frameworks and within the boundaries of the formal organisation. Therefore, when taking a value-in-use perspective, where value is defined by the beneficiary it challenges current ideas of valuable talent management. When including the customer perspective (value to be defined by the beneficiary) into the discussion about where talent management creates value offers an opportunity to rethink talent management –and for talent management to create value in new ways. Particularly since what the customers perceive as value is not necessarily aligned with what has typically been considered value created by the practice of talent management. Naturally, customers benefit from the more traditional outcomes of talent management, such as business quality and continuity, but as we saw in

Chapter 6, new outcomes (value) of talent management come to the surface when introducing the customer into talent management practices. These include amongst others learning opportunities and opportunities to build relations. Exploring talent initiatives in which the customers participate in (IMPACT and CPSS) provides an opportunity to understand the value creation of talent management from the outside in (Ulrich, 2013), thus broadening the understanding and logic of the value of talent management to include a stakeholder perspective.

As we saw in Chapter 6, the customers highlighted their participation in IMPACT as a rather unique initiative within the industry. They perceive talent management as value-adding in terms of generating understanding for what is important to them, creating an industry knowledge sharing forum and serving as a mechanism for engaging and building relationships. This is further supplemented with the learnings from the CPSS. Here, customer value has been documented by Damco, as illustrated below:

*'1. Business Continuity Planning and Risk Management: Achieved by highlighting the organization set up, key positions, and the bench strength/nominee for those positions. This gives confidence to the customer that we as an organization are ready to face any 'people' situation to ensure business continuity.*

*2. Opportunity to influence the skills and capabilities needed in the team: By discussing capabilities required for successful delivery on this account, we identify capabilities and skills that are needed in the people that we hire new, and this also helps us in identifying training needs of our existing people.*

*3. Opportunity to align skill set required for upcoming focus areas - either projects or locations: During the discussions we also come up with skill set and capabilities needed in the future, this ensures future readiness and then better delivery to client in new projects and/or locations.*

*4. Opportunity to engage customer in hiring for key positions and aligning annual objectives of key people.*

*5. Opportunity to focus retention and development efforts on the key people in the team.'*

(Appendix A, Email 5).

The above outline of the customer value created, as documented by Damco, includes value creation for the customer in terms of business continuity (by ensuring people pipelines and a focus on retention) as well as business quality (by

ensuring that the Damco people working on that particular account have the necessary skills and capabilities). These customer values are articulated by Damco, and interestingly enough, the value that is highlighted is discussed within the existing frameworks of individual development and retention that already are used *within* Damco. Now, these points of reference are per default moved to the *outside* of Damco to indicate value creation from an outside perspective. Yet another indicator that fundamentally changing the mindset for what, where and how talent management creates value is one of the most difficult aspects. It should, however, be noted that beside these more traditional parameters of value creation, there is another, more relational outcome of the initiative, this is however not mapped in a similar way. By actually carrying out this talent initiative in cooperation with the customer, the talent initiative becomes a mechanism for building trust. For example, Damco shares what has previously been kept within the boundaries of the organisation, such as people going on leave, new jobs etc. Nevertheless, this outcome is considered an ‘add-on’ outcome and is not formally noted as an outcome (Appendix A, HR Professional 3).

Looking at value creation from, respectively, an internal and an external perspective on talent management it is evident that each offers different and possibly contrasting perceptions of value creation. As such, they represent two different types of value creation, which rest on two fundamentally different assumptions about value creation. Considering the customer perspective in the value creation in talent management may provide an alternative model of talent management; a model in which internal value creation is not the primary driver of organisational activity. This fundamentally changes assumptions about talent management, and could lead to a rethinking that goes beyond the normal parameters of value creation as something of exclusive relevance to the internal organisation (value-in-exchange perspective), but where value is also considered in relation to the outside and with the outside (value-in-use perspective). When a stakeholder perspective is included as a premise for value creation, many current talent management practices will be seen to fail to create value, as they are unitarist in their assumptions (Thunnissen et al., 2013a).

Fundamentally changing ways of thinking and working is, however, no easy matter and it is associated with multiple challenges. As we have seen, the business is redefining its ways of doing business and adjusting to the market to meet ambitious growth targets. Understanding how the customer focus impacts the

business is challenging, as the customer has traditionally been left out of many business decisions, and including the customer is slightly intimidating, as there is some degree of uncertainty involved when things are to be handled outside the traditional interactions. Taking an outside in approach and including the customer into what has previously been handled within the closed system of the organisation itself leads to uncertainty and insecurity and represents a potential contrast to the typical value perspective. It also represents a contrast to typical talent management practices, and as a result, a number of tensions in the understanding and practice of talent management arise, including how to follow-up, the loss of control and a general uncertainty in terms of how to handle the involvement of a new stakeholder.

When including the customer into talent management, attention is directed at other parameters, and new questions arise. The follow-up actions subsequent the talent discussions become more urgent and important. In terms of the information sharing that takes place, it is necessary to consider what can be shared, and how, when an external party is included. An HR professional explains:

*'The difficult part for Damco is commitment and follow-up. You can not not deliver on your promises when you go external. What you commit to the customer, and then following up on that, exactly the difference we do internally and externally. Internally you can afford to fail on promises; you can't do that externally, everything has to be concrete and time-bound.'* He continues, *'Internally, there is ambiguity for the people being discussed at the session: what to share, and what is the context for being discussed internally and externally. It becomes a question of whether it is sensitive information or not.'* (Appendix A, HR Professional 3)

The above example illustrates some of the perceived difficulties of including an external stakeholder in a previously internal people process. Apparently, the customer (the outside) makes commitment to talent decisions more valuable and urgent. Clearly, Damco wants to engage with the customer, and there is an intention of building a relationship, but there are simultaneously concerns about what types of information can be shared with the customer. The question of how to commit to the decisions that are made, and the question of what kind of information can be shared are both new types of questions that Damco needs to relate to, and that Damco struggles to find answers to. One problem in this is

evident in the fact that the introduction of the new stakeholder (the customer) has made value creation more complex. Previous concepts and assumptions about value creation are questioned and can no longer be controlled within the existing frameworks. Therefore, inviting the customer to participate in the talent workshops gives rise to many problems and concerns internally for Damco. For example, there are cases where Key Account Managers and other Damco stakeholders close to the customers have been very protective of the customers and have actively worked against further engagement with the customer (Appendix A, HR Professional 3). That is similar to the experience I had when I was setting up the interviews for this PhD project (Chapter 5). Including a new stakeholder in talent management, and thus externalising a process that was previously internal, makes the practice of talent management more challenging to handle within the organisation, as it alters the responsibility and ownership of talent management. Previously talent management was owned by HR, with involvement from business leaders. Including the customer means involving a third key stakeholder, which may lead to confusion about ownership and a higher degree of complexity. This is evident when an HR professional talks about the customer PSS and the stakeholders involved in the preparation process and the actual session:

*'I sit in, the CEO, the global account director, the P&L responsible, as he shares the problem, and then the customer (in the actual session, Ed.)...'* (Appendix A, HR Professional 2). He goes on to explain the ownership of the talent initiative: *'HR is the process owner, we currently have multiple roles. The key account manager owns the process; it's part of his job, and this is a tool for managing his account the best way possible.'* (Appendix A, HR Professional 2) The HR professional adds that the business leaders cannot shy away from the responsibility, as they are the ones meeting with the customer every day; this means that the business leaders cannot say that this was simply an HR exercise (Appendix A, HR Professional 2).

The above shows that including the customer in talent management has an impact on the distribution of responsibility. It becomes unclear, and the talent process also become more interlinked and dependent on the value it creates (HR becomes dependent on the business, the business becomes dependent on customer, etc). In this sense, the ownership and responsibility of talent management becomes hard to nail down in a traditional sense within the hierarchical structure of the internal

organisation (intra-organisational). Instead, customers, leaders, and HR (inter-organisational) all have a share in the ownership. As a result, the boundaries between the outside and the inside become (more closely) interrelated in regards to the people processes, as talents are suddenly discussed according to external success criteria. The external criteria might differ from the internal criteria. For example, internally, the organisational level decides who will qualify for being discussed in the process, and individuals receive one ranking based on the performance/talent/value they deliver at their specific hierarchical level. In contrast, the same individual might receive a different ranking in the CPPS, as the internal hierarchy is of little relevance to the customer. This may lead to confusion:

*‘Internally in the organization, it creates an ambiguity. On one hand, we can’t share everything, so internally, people find it difficult to put it into context if they are part of several PSS.’* (Appendix A, HR Professional 2).

This HR professional points out the difficulty and complexity that may arise when individuals are assessed and ranked according to both internal and external criteria, and when these might differ. The example further illustrate that what is considered value creation internally may differ from the customer perspective, which again leads to increased complexity. Despite the challenges of increased uncertainty, difficulties in handling the follow-up, uncertainty about what to share, loss of control over the process, changes in ownership and responsibility, talent management does hold a potential for value creation by including the customer, and considering value as co-created instead.

As should be evident by now, including the customer is clearly outside the comfort zone for HR – most likely for historical reasons, as it represents a very novel approach – and therefore it naturally leads to uncertainty and even resistance. What is interesting, however, is that the business in general seems to be more excited about customer involvement than the HR community. As one sales representative (who is not part of the IMPACT programme) expressed it, when he learned about the programme: *‘its fucking brilliant’* (Appendix A, Global talent workshop 3), referring to the fact that customers were invited and actively participated in talent management and that the participants were able to contribute specifically to the P&L via their action learning programmes, this linking HR efforts directly to the business results.



Taking an outside in approach (Ulrich, 2013) and including the customer in talent management provides a window of opportunity for expanding the value creation potential of talent management. It requires a change of mindset *throughout* the organisation if wanting to focus on creating customer value. This entails recognising that past ways of delivering value through people processes needs to move away from past concepts about where and how value creation can take place. As we have seen, when that happens, talent management acts as a strategic enabler, moving away from the individual focus of talent management.

Simoultaneously, it represents an opportunity to deal with some of the inherent problems in talent management practice (Appendix A, HR leader 2) concerning entitlement and how to control people investments within the boundaries of the organisation. Below, a noteworthy outcome from the IMPACT programme based on an excerpt from an evaluation report on the IMPACT initiative:

*'A common concern with talent programs in general has been the 'entitlement culture'. One thing important to notice reviewing how successful the individual development has been, is that when participants are being prompted about the ultimate success story of participating in IMPACT none of them mention a personal promotion as the number one goal. Every single one of the interviewees highlights first their ambition of making a difference for the organization, e.g. landing a particular customer, growing a certain account/vertical, or making the customer centric mindset come alive in their part of the organization. As such it seems that the 'entitlement issue' is close to none existing compared to previous talent programs.'* (Appendix A, Strategy document 8).

The above emphasises that talents are concerned with organisational issues and development rather than with their own development. In this sense, the outside in perspective provides an opportunity to qualify and provide direction in the uncertainty that the customer focus simultaneously creates. As we have seen in this and the previous chapter, the customers are very engaged and excited about being involved, and so are the talents who engage with them:

*'A key learning from working customer centric with the program inviting customers in, is that it is the most popular aspect of the workshops (ten out of ten participants mentioned this as a key takeaway). They are extremely engaged in the*

*presentation and discussion, and following promote it as 'the real thing'. This is what they are looking for.'* (Appendix A, Strategy document 8).

As we see above, the talents also highlight the customer interaction as 'the real thing', and the customers were engaged. In this sense, talent management creates value both internally at Damco by enabling the customer focus in different ways, and for the customers by creating learning, engagement and understanding. In this sense, talent management acts as a catalyst for the customer focus as a business priority and thus creates inter-organisational value rather than merely creating intra-organisational value in terms of pipelines and leadership potential.

In summary, talent management remains a remarkably internally oriented process (exceptions are IMPACT and CPSS). Talent management is primarily organised and focused around creating value internally and primarily rest on an underlying value assumption similar to the GD Logic. There are good intentions of translating the customer focus and the customer value into new talent management practices. Nevertheless, the good intentions are often lost in translation. This is reflected, for example, in the process of determining who is a talent. The selection of talents largely depends on who creates value internally. Thus, value creation is determined, perceived, articulated and captured as value *within* the organisation. The problem is that what is determined as valuable within the organisation may be in contrast to, or not reflect, what is considered valuable to the outside of the organisation. As such, there is a potential tension between how value is created and by whom *internally* (the shareholder perspective) and how value is created and by whom *externally*, for the customers (the stakeholder perspective).

The potential of talent management to be a value adding initiative lies in its capacity to expand the understanding of value creation to more closely reflect value assumptions within the SD Logic. Value creation must be understood in a relational and interdependent context, in which the customer perspective occupies a central position. Therefore, previous assumptions of talent management as internal value creating are challenged in terms of how this is translated into strategy and practice, and how to determine who is a talent. A new understanding of value creation also offers an opportunity to eliminate some of the inherent challenges in the more traditional talent management programmes in terms of controlling people from leaving the organisation and in terms of the entitlement culture that typically accompanies talent programmes. This requires an expanded

understanding of value creation (where value is created) within talent management as well as an expanded translation of talent management into practice. That, in turn, requires an understanding of what value is to the external stakeholders, for example by engaging with the customers to understand what value is to them. As one customer points out,

*‘There is an opportunity for Damco; we have recognised the skillset you have, otherwise we would not have this conversation. You just have to get out of the shadow of looking at what the competitors are doing. You have to listen to what the customer tells you, if you want to get ahead.’* (Appendix A, Customer presentation 2).

Essentially, what this customer points out is that businesses need to engage with their customers in order to figure out what value is to the customers, that is how it is defined by the beneficiary. Understanding what value is to the customer, and acting accordingly in business and people processes, is where the potential for creating a competitive advantage lies – and where the potential for talent management lies. The same holds true for other people processes: It is not possible to create value outside the traditional sphere of HR (the internal organisation) unless the company engages with the outside sphere. With growing familiarity, engaging with the outside is likely to become less and less frightening and will have the effect of facilitating the translation of customer needs into people processes. Conversely, not engaging with the customer makes it increasingly difficult to create value for them. What is interesting here is that although there seems to be a need for change and development with Damco, and a clearly stated preference for being close to the customer and building a customer relationship, there is an uncertainty about how to proceed, and it seems almost unthinkable to address value creation outside the traditional sphere of the organisation in people processes.

The next chapter will explore the third and final value dimension represented in the talent management framework. It will explore the dimension of *value practice*, that is, how to practice value-adding talent management – through control or connectivity.

## 8 Talent management – controlling or connecting?

*'It is all about relationships, relationships, relationships'*  
(Appendix A, global HR forum 2)

This is how a Damco Key Account Manager describes the only way the Damco operation can be profitable (Appendix A, global HR forum 2). Repeatedly, different Damco leaders and employees highlight relations as essential to being a successful business. Relations have become part of business, and success depends on the ability *to connect* internally as well as externally. This chapter addresses the third and final value dimension in the talent management framework, which regards *value practice*. This is how talent management is practiced to be a value adding activity and the underlying assumptions of how value is achieved - through control or through connectivity.

Even though the business (Damco and customer) emphasises the relational aspect as essential for doing business, with an underlying SD Logic, the relational aspect is difficult to incorporate into the work of HR and the practice of talent management, as we saw in the previous two chapters. As explored in Chapter 4, in most cases, talent management instead becomes a process, in which talents are inserted, processed and a certain output (value to the company through high performance) is expected. In this sense, talent management to a large extent is (still) characterised by a production-oriented logic where talent management is perceived as a programme or a process organised around the development of individuals within the boundaries of the organisation. This way of conceptualising talent management reflects assumptions of resources and value that are aligned with the GD Logic (Vargo & Lusch, 2004), and which regards resources (also people) as operand resources that can be acted upon to achieve a certain outcome, hence they can be controlled and optimised. As discussed earlier in Chapter 3, this understanding of value creation and resources represents a contrast to the customer focus and the associated value understandings as represented within an SD Logic (Vargo et al., 2008), which emphasise value creation within a relational context. Thus, there is a fundamental tension between the business dependency on relationships (connectivity), i.e. assumptions of value creation similar to the SD Logic (Vargo et al., 2008), and the fact that talent management practices are

largely organised around concepts of control, i.e. assumptions of value creation similar to the GD Logic (Vargo et al., 2008).

First, this chapter explores how the (unrealistic?) assumption that individual potential can be captured, measured and controlled by the company is built into the practice of talent management. Second, it explores assumptions of control and objectivity within talent management processes. Last, it discusses talent management implications of applying the customer focus by suggesting to introduce ‘connecting’ as a new label and organiser for how to practice value-adding talent.

## **8.1 Managing people potential**

As we have seen, many resources are devoted to the process of talent management under the assumption that it is a practice that creates value for the organisation. The resources are spent on managing, controlling and optimising the potential of individuals for the future benefit of the organisation. This implies that talent management is a practice in which value is supposed to be anchored in an organisation’s ability to control and optimise its (future) people resources and processes. Thus, the fundamental assumption of the necessity of control permeates talent processes and programmes, and in this sense resources are largely considered operand and static as described in the GD Logic. Interestingly enough, individual potential is very hard to control, as it is a future quality that may or may not provide value. Second, individuals do not necessarily act in the interest of the company’s needs. Thunissen et al. (2013) point out that assuming that total control of human capital (your talent) is possible based on an unrealistic assumption that individual actors ignore own interest and goals in favour of the interests of the organisation, *and*, further, that they act in the interests and goals of the organisation.

In talent management practices in the APMM Group and at Damco, this is evident, for example, in (different approaches to) succession planning. Succession planning is a practice that operates under the label of talent management (for further limitations see e.g. Somaya & Williamson, 2011). The basic principle is that beyond a certain hierarchical level, no job or assignment is random. Everything has to feed into learning opportunities and competency building that enable a person to take up a certain executive job within a given timeframe (field notes, 2012, informal meeting with HR profesional). This approach clearly rests

on assumptions that it is possible to control and predict individual behaviour and preferences, and that individual interests are aligned with those of the organisation. However, experience shows that this is rarely the case (Groysberg & Abbot, 2012), and as a result, individual interests may jeopardise the talent management plan that is assumed to create value for the organisation. This might occur, when someone has no interest in moving upwards in the hierarchy, for personal or professional reasons, even though he or she has been identified as having the potential for an executive position. Even if the individual and corporate interests are currently aligned, that may have changed five years later, when it is time to make the move. Given that the perceived value of succession planning is to be able to fill people pipelines, the interest, motivation and opinions of the individuals involved receives surprisingly little attention in the talent equation aimed at ensuring that the next executive leader is in place at the right time. The perspective of the individual receives little or no consideration, which is interesting, given that this factor may actually jeopardise the entire thought and assumptions of the succession planning as a value adding process. This risk is not merely a theoretical concern, but has been documented in the APMM Group on several occasions (Groysberg & Abbot, 2012).

The succession planning approach is not the only talent management practice that rests on assumptions of control. Another talent management practice that reflects similar assumption of control of the individual potential is the PSS (see Chapter 2). The basic principle behind the PSS is to bridge gaps between positions and people. The gap-closing exercise assumes control over resources: There is an open strategic important position, and this individual matches the opening. The ability to ensure such a match may be based on an unrealistic assumption, however, since individuals, again, generally seek to optimise own situation (Collings, 2014; Thunnissen et al., 2013). As we saw in previous chapters, the PSS merely serves as a legitimate framework for leadership decisions and thus enforces their leadership role. In the process, little attention is directed at the perspective of the people inside the process: the talents. One note should however be added to nuance the picture of control. There are examples observed where talents have been discussed as having the potential to move upwards, but where their direct manager has pointed out, for example, that they are not mobile due to family reasons. Thus, the attention to and inclusion of the perspective of the talents very much depends on the participating leaders' view on and knowledge of their employees, but is not predetermined by or build into the talent management



process. This simultaneously implies that the underlying assumption of control is more or less depended by the leaders involved in the process and their personal and managerial maturity.

Obviously, the interest of individuals and organisations are rarely completely aligned, although that is the underlying assumption in most talent management practices (Collings, 2014). Thus, many talent management practices rest on unrealistic assumptions. Nevertheless, HR functions and managers continue to base their work on control assumptions and invest both time and money in this relatively resource-demanding practice of talent management, assuming that this is the way to solve the (people) problem. This occurs despite the fact that we actually do know that we cannot control individuals (Thunnissen et al., 2013). Therefore, it seems appropriate to ask the question why this practice continues. The answer may simply be the lack of superior alternatives that match current business needs and customer requirements of relational dependencies. Basically, the decision-makers are uncertain what to replace control with, and how and to do it. As we saw in section 4.1, HR as a field is highly influenced by history, a history in which a certain echo from Taylor is present in terms of a prevalent production-oriented logic (Taylor, 1911). Today, this history influences the conceptual understanding of talent management, and the key challenge may therefore be continuously to conceptualise and practice talent management within the existing framework (of past business conditions), which fails to address current business conditions. Business conditions more closely reflecting a SD Logic than a GD Logic (Chapter 3).

Therefore, even if the challenge of trying to control something that is actually uncontrollable is in fact recognised in the HR community, it is often ignored, because it is difficult to address. Consequently, attempts at improving talent management practices often take place within existing understandings of value creation through control, as evident, for example, in the strong focus on retention rates. The emphasis on retention represents a way of controlling people investments within the formal boundaries of the organisation. As we saw in the previous chapters, one of the most common expected outcomes and forms of added value of talent management is high retention rates, which are often used as a measurement of success (value indicator) within talent management (Somaya & Williamson, 2011). Measuring success and value through retention rates is based on the (unrealistic) assumption that it is possible to control investments in people.

The most important implication of this misconception is that attention is directed at places where value is not created under the current business conditions, and that value is measured and defined in places detached from business challenges.

In the talent initiatives at Damco, retention is used as a measure of success, both in the more traditional talent initiatives (ELP, GLP and PSS) and in the more customer-oriented talent initiatives (IMPACT and CPSS) (Appendix A, Global HR forum 3; field notes 2012, informal talent management discussion). The basic rationale is that people investments provide return on investment (ROI), if they ensure that people stay within the organisation. The assumption of being able to control the investment, and the assumption that success and value lie in the fact that people do not leave the organisation, reflect talent management's original focus on alleviating or avoiding a shortage of people resources, which makes it meaningful to focus on retention. Second, this focus fails to reflect the fact that individuals seek to optimise their own interests and needs (Collings, 2014; Thunnissen et al., 2013), which implies that they cannot be controlled and optimised like other (non-human) resources. Thus, the underlying rationale of focusing (exclusively) on keeping employees within the company conflicts with the statement that '*it is all about relationships*' (Appendix A, global HR forum 2), as articulated by both Damco and customers.

Naturally, there is an interest in capitalising on investments in people; however, that does not necessarily mean that ROI exist 'just' because people remain within the organisation. There might be other ways of capitalising on investments beside controlling individuals. In IMPACT, for example, there is an interest in retaining individuals from the programme with a view to drive the organisational agenda of change in the organisation, which is formulated as part of the purpose of the programme. In the evaluation report on IMPACT, it says:

*'Part of creating organizational change is to create a pipeline of future commercial leaders who can drive the customer centric mindset. Looking at retention rates, they indicate that we have a perceived problem in terms of retaining our commercial talents at this level in the organization, and this could have implications for our ability to drive change further up the organization'* (Appendix A, Strategy document 8)

From this perspective, retention is used as *one* amongst other measurements to indicate whether the organisation is facing issues in terms of driving the organisational agenda of change. This is a broader purpose than the commonly stated retention rates, which reflect the assumption that it is necessary to prevent talents from leaving the organisation and taking control of the human capital investment to ensure a leadership pipeline. Further, as a result, focus shifts from controlling individuals to focusing on topics of strategic importance for the organisation, focusing more on business value than necessarily on ‘controlling’ individuals. A senior HR leader expresses this perception in this reflection on why talent management is worthwhile:

*‘It is different when the assets are ships; there is some kind of security for your investments. When the key asset is people, they can walk out the door anytime, and what is the cost of that?’* (Appendix A, HR leader 4) He elaborates on this point by talking about his participation in a talent management conference, where the key focus was that it is not enough to talk about it; the company also needs to act on it: *‘The problem lies in the raising of talent; it’s expensive with education etc., and when the economy is good, there’s always someone who is willing to offer a higher salary, and then they are gone’* (Appendix A, HR leader 4)

What this leader highlights is the perception of the necessity and ability to calculate investments in individuals and to control them similar to other (non-human) resources and investments, for example ships. People resources need to be optimised, and talent management is a means to increase productivity (for example, it is more efficient not to have to hire and train additional people, to receive ROI on the investment from, for example, an executive MBA). Simultaneously, he recognises the inherent problems involved, most essentially that you can not control these people. Thereby he highlights a problematic that is interesting - continuously, organisations seek to control investments and increase productivity of (talented) people resources by optimising processes. At the same time continuously organisations are in fact faced with a problem of impossibility, controlling people similar to other (non-human) resources. Nevertheless, many of them continue to do so. Implications are that, as existing practices are repeated in pursuit of the same purpose, trying to tackle the same problems and driven by the same underlying assumptions. However, when keep repeating, the key issues of business challenges are changing are not necessarily addressed. The prevailing perception is that the focus needs to be people resources, when it is, in fact,

ultimately about creating a competitive advantage for the company, and in this endeavour, people resources are one element amongst others needed to connect and build the relationships needed to run a successful business. Consequently, there is a strong focus on processes that ultimately rest on (unrealistic) assumptions of being able to control individuals through these processes. Instead, it might be beneficial to focus on processes that create connectivity between individuals and organisations. A former HR colleague articulated it this way, when I shared and discussed my tentative talent framework with some colleagues:

*'I participated in an event where one of the authors of 'War for talent' did a presentation. He emphasised that too much focus on the process moves the focus away from what really matters. And that is what we do, when we tweak the process or the design slightly and think that we've solved the problem'* (field notes 2014, presenting tentative findings to colleagues)

Here, he points out exactly the strong focus on process optimisation as a (presumed) value-creating solution to the lack of people resources. He further points out that this focus shifts attention away from what actually adds value, which is the focus on how to drive value to the business. In an organisation that introduces a customer focus, the problem is escalated even further, due to the strong emphasis on relations as essential to business.

The relational aspects of value are hard to capture with the existing understandings of value, as they reflect a transactional understanding of value. They rest on fundamentally different assumptions and hence differ in focus and in their assumptions about what value is, where it is found, and how it can be created. In this way, talent management value practices do not necessarily reflect where value creation actually takes place or what kind of value is to be created.

An important task for HR is therefore to start exploring alternative approaches to talent management. The focus of the business and the business strategy provide inspiration for a different approach that more closely reflects the business situation. Following this line of thought, connectivity represents a more suitable and realistic guide of direction for how to practice of value-adding talent management in an organisation that introduces a customer focus. Using connectivity as a guideline and an underlying organising principle reflects a logic that is compatible with the natural and open system model (Thompson, 2003) and

the SD Logic, where value (co-)creation is based on mutually dependent parts, and which considers variables that are beyond the complete control of the business. In the case of the Damco system, these variables would include, for example, employees and customers. Employees cannot be controlled; neither can customers – and both of these stakeholder categories have a significant impact on the business, and are active participants in the value creation process. Accepting and embracing this fact in the company's talent management practice would mean conceptualising talent management differently to support business challenges and priorities more closely, and in this sense HR would take an outside in perspective (Ulrich, 2013).

Taking an outside in perspective (Ulrich, 2013) in relation to talent management offers an opportunity for talent management that is particularly relevant for an organisation that has a customer focus. It offers an opportunity to take a relational perspective in regards to talent practices and investments, in which access through relationships is embraced as a way of growing the business. A relational perspective and a customer-focused agenda implies that current value indications of 'lead time to fill positions' and 'retention rates' need to be broadened. New and relevant value indicators of talent initiatives could, for example, be improved relations with customers and competitors, or how many former talents have moved on to relevant stakeholders (e.g. suppliers or current or potential customers) outside the organisation, which potentially provide a critical network for Damco. In the example of the IMPACT programme, it seems that Damco has become a 'leader feeder' (Smallwood & Ulrich, 2003), as some of the IMPACT participants have left for significant promotions with competitors or customers (Yonger et al., 2013). With a GD mindset reflecting transactional understandings of value and assuming control as the way to practice talent management, it would present a problem that the talents left for competing, as they would be viewed as investments leaving the company, no longer representing a resource. On the contrary, with a SD mindset and with a relational perspective, it might be viewed as improved business opportunities that some key people leave, since these key people are now working with customers and competitors, which might improve business relations.

This is one example of a possible way of rethinking the *value practice* of talent management – taking it from an HR initiative that controls people and processes to a different approach that attempts to rethink the focus and value add to the

business. This is done by expanding the value understanding, by moving the focus beyond the people pipelines and by exploring how talent management can be a mechanism for connecting people, organisations and processes. Hence, talent management comes to act as a platform for business strategic priorities.

## **8.2 Optimising processes**

As we have seen so far in this chapter, the value practice of talent management is largely based on assumptions of being able to control the people potential. In this section, it is explored how assumptions of control also are evident in the focus on how talent processes are optimised – and typically objectivity in processes equals value. In the APMM Group, the value and quality of HR work and talent management have historically been associated with the degree of objectivity. Further, the HR focus is often on process optimisation through control. The optimisation of the talent process through control has been considered a success criterion, an indicator of how valuable the talent initiative is.

The perception of value as equal to objectivity was evident when the PSS was introduced. From an HR perspective, the process seemed to be very clear and well-defined, but on closer inspection, it proved to be characterised by a high degree of ambiguity. In the initial roll-out of the process, the HR team pays much attention to finding the ‘right’ process for talent management (Appendix A, HR leader 3; Executive 4; HR professional 7). Here, ‘right’ means factual, process-oriented, controllable – and preferably objective. This seems to be the point of departure for HR, and when interacting with leaders in the organisation, both formally and informally, the leaders seem to conform to this idea of talent management as a preferably objective process (Appendix A, Executive 1-6) To a high degree, this preference is evident in the ‘ways-of-working’ (e.g. HR processes such as performance scores and distribution, succession planning approach, initial introduction of the PSS as a ‘talent machine’) (Appendix A, Global HR forum 1) but also in more explicit ways, for example what is communicated internally as important by leaders at all levels, as well as in the organisational logic, such as how leaders seek clear definitions to work from in the process, and what is considered right and wrong behaviour. However, the objectivity in the talent process and in talent decisions is merely an illusion. In fact, both are highly subjective, as will be illustrated in the following section. Similar to the illusion of being able to control people potential, there is an illusion of objectivity and control prevalent in talent process and decisions.



Below is an excerpt from the field notes from a PSS with the leadership team. The session was planned in great detail, and all the participants had been prepared carefully (Appendix A, PSS; field notes 2009, participation in preparation phase) to ensure the best possible process and an objective outcome, as that is what is considered valuable. Ultimately, value is the output of the process in terms of having the right talents who can deliver value to the organisation. However, as the example below illustrates, the process turned out quite differently. The process was far from controllable and objective – despite the many resources spent on making it thus to ensure value creation. Instead, the process was influenced by politics, team dynamics and power issues, which challenges the assumption of value as an outcome of a controllable and objective process. The example is relatively long, and therefore selected key phrases are highlighted in bold face to direct the reader’s attention to phrases that illustrate where assumptions of a controllable and objective value practice are challenged. Further, the highlights illustrate the preference for an objective logic – even though the leaders continuously deviate from it. The key phrases will subsequently be summarised. For now, an excerpt from the session:

*‘According to the schedule (a very well-prepared one), the actual session begins at 8.30 am. However, **the leadership team has other unplanned subjects to be discussed, so leader A decides to postpone and shorten the People Strategy Session by 2 hours.** The session begins at 10.30 am instead. When the session is kicked off, the participants seem tired, but overall, there is a good atmosphere – many of the participants verbally express their excitement to the facilitators (...) Facilitator A uses a PowerPoint presentation to introduce the purpose of the process: making high-performers visible, sharing knowledge about key positions and players, discussing leadership and performance and exploring how to develop leadership talent. Shortly after the facilitator has begun to introduce the purpose, **the facilitator is interrupted by one of the participants, who asks if the purpose isn’t to agree on how performance is understood.** The facilitator confirms this, **although this is not listed as a purpose** in the PowerPoint presentation. As agreed with leader A the night before the session, and in accordance with the distributed time schedule, the facilitator asks leader A initially to spend ten minutes recapping the strategic priorities for the company (this is intended to frame and direct the*

discussions during the day). **The leader does not recap the strategic priorities but states that people are an important asset. He also says that he is actually not that 'hooked' on the concept of ranking people** (which is a clearly articulated part of the process), as long as the leadership team knows how to differentiate. He briefly mentions that **he has trouble relating to one of the position categories** (three different categories are listed for the positions), and he concludes his ten-minute introduction by stressing that the people who are discussed in this session cannot be told their relative ranking, as he fears it will not create a constructive outcome (...). The facilitator introduces what will happen next, and questions are asked about what basis this should be evaluated on. Leader A points out very clearly that the evaluation should be based on recent performance, not past performance or performance in 2020. It is about the here-and-now. The various people up for review are discussed, and positive and negative aspects are highlighted by the direct manager. **Gradually, the discussion evolves into a debate about how to set objectives, and once the objectives are set, how to score them in terms of performance** – does this [particular performance] qualify for a 3, a 4 or a 5? **Most of the participants seem to be very keen on having a clear definition of both the objective setting and how to score performances relative to the objectives** [Ed. in a discussion where this is assumed to be already in place]. During this discussion, a **participant interrupts again** to ask what the annual cycle is for this process. [Ed. This is elaborated on in a subsequent discussion] (Appendix A, PSS1).

This session unfolded in a somewhat different manner from what had been planned and communicated to the participants. As we see in the snapshot from the field notes above, not all the intended steps were carried out, the time schedule was jettisoned, and overly long and unscheduled discussions took up significant time. Despite the effort to control the process, challenges regularly emerged. From the outset, we see how unanticipated subjects unrelated to the process required the leaders attention, which jeopardised the agenda and influenced the course of the event. The purpose of the process was apparently not clear to all the participants, and when questions were raised about it, the purpose proved to be negotiable, in contrast to the initial statements prior in the session. Similarly, stating and clarifying strategic priorities are an essential part of the event in order to set the scene for the subsequent discussions – however, these statements were not

highlighted, and instead the introduction highlighted the emphasis on people due to the leader's personal opinions about what is important and unimportant, including the preference for a certain terminology. Likewise, the intention was to discuss people in relative terms based on existing performance scores. However, a parallel discussion emerged about how to set objectives and subsequently score performances, and at one point this topic was allowed to dominate and derail the discussion. Finally, in the example, another parallel discussion emerged and took over in terms of what the annual cycle is for this process.

It is uncertain how these unscheduled events and changes to the process actually influenced the outcome of the process. However, in the example above, it is clear that the process was difficult to control according to what was planned for, and that the process was hardly objective. The point of this example is to illustrate that there is a value practice within talent management that assumes that control is possible, and consequently, substantial resources are spent on attempting to control not only people but also processes. There seems to be a preference for objectivity and an assumption that value is created precisely through control. However, as we see above, in reality many other things than what is immediate controllable and objective influence the process, and presumably, so is the output of the process. Yet, it was considered a success. In Chapter 7 we saw that the leaders are aware of this influence and articulate it when they are interviewed about the process. They highlighted the 'randomness', team dynamics, and power aspects in the process as factors that also influenced the outcomes. They called for a higher degree of objectivity in the process. The leaders' perception is that who comes out of the process as a talent is therefore to some extent arbitrary. This indicates that value is not necessarily created as we expect it to be: through the ability to control people or processes. No matter how much we seek to optimise the process by making it controllable, it is unlikely that it will ever be fully objective and controllable, and that the value is not necessarily created in the ability to control and predict the process.

Nevertheless, we as HR continue to base our work on the assumption that this is the way to create value, and thus the success and value of talent management is tied to concepts of control and determined on the basis of same. The tension lies in the fact that although the value of talent management is tied to concepts of control and objectivity, it is in practice not the reality as we saw in the excerpt above. Instead a number of intangible, subjective elements influence the process. The

lack of control and objectivity is not only evident in the PSS, as illustrated above; it is a consistent pattern throughout the talent processes, talent discussions and talent decisions explored in this dissertation. As an example, in a different discussion about the talent process, a senior HR leader offered his unsolicited reflections on the subjectivity of talent and performance decisions (which are closely linked in the PSS). He presents a seemingly honest and somewhat critical point of view on the attempt to objectify everything through systems and what he calls the ‘Excel spreadsheet approach’:

*‘I think there’s an element of putting on a show here (...) and I don’t think we’ll be able to get rid of that subjectivity. We can do highly structured KPIs etc., but like, I’ve been looking at some of these ‘Group HR deployments of objectives’, and sure, we’ll do it, and so will Mr. X [Ed. the senior executive], but at the end of the day, Mr. X’s appraisal next year and this year is going to be based on a gut feeling that these four or five lads, they’re my top-performers, and then there are these four or five lads, and they’re my okay-performers, and these two, well, I’m not that crazy about these two. Then he’s going to tailor his appraisal around that, so whether we had set some stupid objectives, KPIs for Peter Hansen, and he’d only really met half of them, he’s still going to get a 4 or a 5, that’s for damn sure, anything else would be inconceivable, he’ll make it fit’ (Appendix A, HR leader 4)*

This leader points out the fact that subjectivity is part of the talent and performance game, and no matter how structured the process is, for example with objectives and key performance indicators, at the end of the day, it is the leader’s perception of certain aspects that ultimately decides the outcome. If that happens to differ from what the system dictates, the system, which is intended to ensure objectivity, will be modified and adjusted. What he describes here is that reality is not objective. He elaborates on his perspectives in a slightly sarcastic tone of voice by sharing his own experience, and how he has dealt with it himself. Not only within talent and performance management but also within other HR processes, such as job grading<sup>3</sup> :

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<sup>3</sup> Job grading is a systematic process for identifying differences between positions throughout an organisation based on ten analytical points. This results in position categories that express the relative value of a position to the organisation. The system is used for internal and external comparisons (Ericsson, 2008).

*'It's like a job grade, whether it needs to be 58 or 59, I can make it that, and that is always going to be the case with performance appraisals too, I'm certain of that. Mr. X might say that there's something wrong with the KPIs, I don't think they've been updated. For example, when I had my interview with him, something wasn't right, so he raised one of them, and just like that, now the average is like this, and if we round it up, then... And that's the way I think it is, I'm sure many people won't admit it, but I think that's how it is. I do it that way myself, and in fact I think it's the right way to do it. I think that this thing where we're surrounded by Excel spreadsheets and systems... well, I don't really like systems, I know that business unit X really loves Excel spreadsheets, so some twelve-year-old is going to sit down dictate that if you get a 5, you get a 3.9 % bonus, and if you get a 4, you're up for 2.9%, it's just so stupid ... I think that these systems produce results that don't feel right, and I think in many cases, that's the leader's advantage. I mean, my brain's capable of handling more than 4 parameters, so when I decide on a bonus, I'm able to include things that don't belong under the 4 parameters ... I mean, I'm happy to be guided by it, and of course it's a problem if someone fails to meet their KPIs, but I don't like the idea of doing this on autopilot'* (Appendix A, HR leader 4)

This leader shares his personal experience with navigating in the requirements and preferences for objectivity and control within the talent process and the associated task of performance management. His perception is interesting here, first of all, because it highlights, in a rather honest way, what actually goes on, despite common assumptions of an intended focus on objectivity. It highlights the fact that, despite a clearly articulated preference for objectivity, in practice, the contradictory forces of objectivity and subjectivity are reflected side by side in the leaders themselves, and they all seem to find individual ways of coping with the desire for objectivity and the simultaneous need to balance objectivity with reality. Secondly, it is not the norm to hear HR people expressing and recognising this point of view on the processes that HR is responsible for. Thirdly, his contribution is interesting, because his perception and picture of what really happens is, to some extent, characterised by ridicule (referring to 'a twelve-year-old' - that is, a young and inexperienced person with no real-life experience) dictating how decisions are made. Instead, he argues that these kinds of decisions, e.g. talent, performance, bonuses, can only make sense when they are aligned with the 'gut feeling'. The 'gut feeling' is, of course, highly subjective, its only claim to



legitimacy being that 'it feels right'. He simultaneously argues that even though the processes and systems dictate one thing, if that decision does not make (subjective) sense, another action is legitimate than what the (objective) process or system dictate as the appropriate and valuable action.

With this statement, the leader highlights that in fact, there is little objectivity, despite well-defined and carefully planned processes and systems that seemingly control decisions and people. Instead, talent practices are very much dependent on other factors, such as gut feeling and team dynamics, as we saw both in the actual PSS (above), in leaders' perceptions (Chapter 7), and now in the reflection of this senior HR professional. This is interesting, since in practice, an incredible amount of resources are spent on designing and executing processes to ensure (and control) a certain and preferable objective outcome. In the examples above, the observed actions, processes, discussions and perceptions clearly illustrate that there is an assumption of talent as something objective and controllable, which is reflected in talent management practices. Reality proves to be quite different, as illustrated in these examples, which show that the potential of individuals, processes and decisions are little controllable and objective. Thus, practice continually challenges the assumption of control, despite the stated preference in the practice field for a manageable, objective, and factual logic within talent management. In practice, HR and leaders consistently introduce intangible and uncontrollable factors into the talent process. These intangible and uncontrollable factors seem to be characterised by subjectivity, rather than objectivity, and many leaders say that the process will always have a subjective element to it. Talent management comes to include a subjective element, which is reflected in the way the actual process unfolds, in the way leaders reflect on talent, and in decisions about who is a talent. Thus, the empirical data shows that value practice in talent management through control is merely an illusion, rooted in past perceptions of value creation as reflected in the GD Logic (Vargo et al., 2008).

Nonetheless, the practice field seems to cling to an illusion of talent management as an objective practice, in part by designing processes, in which value is determined on assumingly objective criteria in a controlled process. Hence clinging to a strong focus on control when practices are to be improved, which removes the focus what could potentially add more value to the business. In this context, it is worth pointing out that the purpose here is not to criticise a process as the PSS in itself. The PSS is simply an example, where the focus on the process



(how it can be optimised and controlled) removes the focus from the actual outcome (value creation). It means that the *focus* in the value practice enforces a certain type of value creation. In this sense, it is debatable whether any other designed processes aimed at assessing people, performance and potential would produce significantly different findings compared to the PSS. Based on my current and previous practice experience, there might be small variations, for example, a given process might have a stronger focus on potential, potential might be defined differently, the process may or may not take its point of departure in strategy, or it might be separated in two separate processes, such as an organisational review and a talent process. Nevertheless, in all likelihood, the process remains the focus, and little attention will be directed at the value, whether or not it is defined differently in business terms. It is in this context, that the dissertation suggests that it is time for HR to take a step back and rethink potential outcomes and the added value outcomes of talent management, as well as how these are best achieved.

Many resources, money, effort and time, in both business and HR, are put into maintaining a talent management practice, which at least to some extent rests on an illusion of how talent management is a valuable practice. The question to ask is whether these resources could have been spent better elsewhere, creating more value in a different manner? As we have seen in examples of talent management (and, for that matter, many other HR processes), talent management is not an exact science, as it is intended to handle resources that cannot necessarily be calculated in a similar way to other resources. That does not imply that is not important to focus on effective and efficient processes. It might, however, imply that the problems that talent management is capable of addressing have changed, since it was first conceived as a way of addressing shortages in people resources in the late 1990s (Chambers, Elizabeth G. et al, 1998). It might also imply that talent management has the potential to offer value to the business in a different manner than what is currently practiced. In an increasingly interconnected, digitalised and service-based world (Lusch & Vargo, 2009), talent management holds a potential for adding value in new ways.

### **8.3 Past success criteria or future performance criteria**

One of the key problems for talent management, in an organisation that introduces a customer focus as a way of competing in the market, is that the historical and current preference for control of people and processes is preserved and continues to be practiced (Chapter 4). However, as we have seen throughout Chapters 6, 7,

and 8 control and objectivity are merely an illusion, which rests on an assumption of talent as something that can be calculated, optimised and controlled. This indicates a need to rethink talent practice and conceptualisation as to reflect current business conditions, and thus increase the added value it produces. It is therefore time to move away from the control paradigm and find a new direction that can supplement the assumption of value gained through control, and it is here that connectivity seems to be a more suitable label, which is the focus of this chapter.

At Damco, it is widely highlighted and emphasised that ‘people are the only asset’, which implies that with the people lies the knowledge, skills and relationships that are essential for business success. This is what makes the people resources special in an organisation, which has no other resources (for further discussion see e.g. Bowen & Greiner, 1986). In fact, most talent management programmes and process are based on assumptions that reflect a GD Logic, according to which human resources can be handled in processes based on principles of control and optimisation. For example, as we saw in the previous section in the assumption that individuals generally tend to disregard their own motivation, interests and needs in favour of those of the organisation. Little evidence is needed to illustrate this is rarely how things work. Thus, talent management clings to past success criteria and perceptions of value-adding initiatives, while the future performance criteria for talent management and value-adding activities are yet to be explored and defined. For now, uncertainty and scepticism prevail. For a long time product innovation has been recognised as essential to business competitiveness, but it is time to turn similar thinking towards people and organisation innovation, exploring alternatives to the control perspective. At Damco, we have seen that it is possible to rethink talent management to create value in new ways, although these new approaches are only pursued incrementally today.

The customer focus as part of an organisational agenda and as a strategic priority points towards important learnings that could provide inspiration for new ways of conceptualising and practicing talent management. As we have seen throughout the previous three chapters, relations are perceived and articulated as essential for business. Relations are, however, widely perceived as intangible and as impossible to control; hence, they are disregarded as a topic for specific initiatives, despite the recognition of them as essential. However, they could be embraced as a new

mechanism for approaches to talent management that more accurately reflect business conditions and needs. Embracing relations as a supplementary organiser in talent management is referred to as ‘connectivity’ in this dissertation. Connectivity is to be understood as broadly as control. This means that instead of assuming value practice through control, connectivity is to be assumed as a value practice. A focus on connecting as a value dimension is aligned with the assumptions of value discussed in Chapters 5 and 6, which refer, respectively, to *the value purpose* of driving an organisational agenda (change and customer centricity) and to *value creation* as an inter-organisational process. In this sense, connectivity becomes a more realistic mechanism which holds a potential for talent management, as talent management could potentially be value-adding by enforcing connections between people and processes intra-organisationally as well as inter-organisationally. The underlying assumption of value and resources in the three dimensions of the talent management framework reflect the business strategic reality, in which value assumptions are compatible with the SD Logic (Vargo et al., 2008) as discussed in Chapter 5. Similarly, connectivity as an organiser of talent management practices and thought provides a natural utilisation of the organisation’s collaborative and absorptive competency (Lusch et al., 2007), which helps the organisation build a competitive advantage.

If taking point of departure in connectivity as a new organiser for talent management value practice, new possibilities for creating value emerges. Exploring existing customer-oriented talent initiatives at Damco (IMPACT and CPSS) provides some very interesting insights into, and indications of, how talent management can be practiced in a different way. These ways do not only move away from the emphasis on control and process optimisation, but also moves away from the illusion of objectivity as the basis for talent management. They provide perspectives on how value can be understood, defined and interpreted in new ways. Including the customer perspective in talent management brings out several interesting possibilities that are relatively new to the field of talent management. As we saw in Chapters 6 and 7, the customers emphasise talent management as an opportunity for mutual learning, for building relations and for improving the business, and they perceive it to as something rather unique within the industry. It is unique to invest in people and to have a mindset of focusing on the customer, and it is highly relevant to the customers, as their business depends to a great extent on the skills and competences of Damco’s employees. Thus, the relational approach to talent management also has a branding effect within the industry, and

become part of an organisational capability (Lusch et al., 2007). If we take a closer look at the customer perspective, there is no doubt that the customers (at least the strategic key accounts) request interaction, partnership, connectedness and dialogue with Damco. There are multiple examples of this; below, are some illustrative examples:

A customer on why he wanted to participate in IMPACT and is very interested in the material that is made available to the participants: *'I wanted to see how you think.'* (Appendix A, Customer 2). This statement is supported by another customer, who is commenting on his reason for joining the workshop:

*'I'm looking for engagement – I want to learn something as well, happy to share my experience; also want to learn from you, that's what excites me.'* He continues by highlighting the relational aspect of joining the workshop, and his PowerPoint presentation includes his expectation for the day:

- *'Debate not a lecture*
- *Question and challenge*
- *Everyone learns'*

(Appendix A, Customer presentation 3)

Above, we see two different customers sharing their thoughts on why they find it relevant to participate in and spend time on the Damco talent initiative, which as such has no relevance for their particular business with Damco. What the two examples have in common is that they highlight the relational potential within talent management that is typically disregarded within the control paradigm. Thus, the examples indicate the possibility of conceptualising, designing and practicing talent management in a relational perspective, labelled as connecting, rather than remain in a transactional perspective, labelled as controlling. In this sense, talent management also serves as a platform for the company's absorptive competency (Lusch et al., 2007; Ulrich, 2013), which is to comprehend important trends and know-how from the external environment, for example from their customers, which will help Damco transform these into resources Damco can draw upon (Lusch et al., 2007; Ulrich, 2013). Below is an example of how the talent management initiative in practice works by creating connectivity. The customer talks about his perception of and engagement with his participation in the talent workshop:

*'I think it's brilliant, I was genuinely excited when I spoke to Angie, 'cause we were both as excited as each other (??), and in my job I talk to audiences as much I've been in front of, I stood, not sat, stood in front of the board at the board room table and presented on a range of subjects (...) I enjoy it 'cause it, it's completely like an anorak, if someone wants to talk logistics to me, come and sit down. It drives my wife mad!*

*I: You love it?*

*R: I love it, so, again, the opportunity to come and speak to like-minded people who wanted to have a conversation, who wanted to engage – knock yourself out! It could have been India. If it had been in India, I would have gone to India. Don't bother me the slightest. And again, when I think about it, from a practical level, you're my service provider, so actually, why wouldn't I come and talk to the people whom I'm paying to do a job of work; it's an opportunity for me to actually to (??); it's an opportunity for me to say, I liked some improvements, here is an opportunity for me to say what are you doing? And I mean it, as I said on the slide, it is much about me learning where you are as Damco, as a company, as it is about me to have an opportunity to stand on a soap opera for an hour or two and talk about something I'm passionate about.'*

*(Appendix A, Customer 3)*

This customer points not only to his own personal engagement and willingness to participate and engage with Damco, as he is very passionate about logistics. He also mentions the very practical element of Damco being his service provider (for which he pays a lot of money), which gives him a business incentive to participate. His point is also interesting because it highlights the contrast between internal concerns about engaging with the customer and the customer's perspective. Although not all customers are that eager and willing to engage, nevertheless, talent management offers an opportunity to engage with key customers, who clearly want to connect, build relations and learn. If talent management as a practice is capable of building on and incorporating this engagement and willingness, it represents an opportunity for expanding its own value practice from control to connectivity. This label is very new and fundamentally rests on different understandings of value than what hitherto has been the norm, and therefore in many ways it is a 'black box' in terms of what it actually looks like. Connectivity could be represented in a number of ways, many of which are yet to be explored. However, as we have already seen, it could take the form of a discussion forum, presentations, working on customer accounts and

maybe even taking it one step further by making it part of action learning programmes, engaging in business development together with the customers customers. The connecting dimension represents a contrast to, for example, discussions about how a specific process has to be designed to perfection to ensure objectivity (under the illusion of control). By focusing solely on the process and on perfecting the process, both HR as a function, but also in more general the organisation miss out on a unique opportunity to create value for the business (and customer).

Connectivity seems to serve well as a relevant value practice when the customer perspective is introduced into talent management. It serves well as it reflects changing business conditions, and seems to represent a new way of doing business under changed economic conditions. It has relevance both to outside of the organisation, but also as a way of working internally. Internal connectivity is labelled as collaboration by the practice field (Appendix A, Strategy document 9; field notes, 2011, ongoing discussions between leaders). The label of collaboration refers to the fact that the organisation needs to work together across functions, regions, countries, etc. to deliver solutions to the customer. Damco therefore decided to do a collaborative health check with the purpose of *'improving the way we work together in order to grow our business'* (Appendix A, Strategy document 9). Collaboration is also identified as a key focus area (Appendix A, Strategy document 9; PSS 2; Newsletter 1; Newsletter 8) and as something that the organisation has not, historically, excelled at (Appendix A, HR leader 2 Newsletter 1; Newsletter 8). Collaboration becomes key to the business, because everything is (inter)connected. Internally, it is relevant due to the nature of the business (network), and the internal perspective is closely linked to the external perspective, as the customer buys logistics solutions, which implies, as we have already learned, that they need the entire Damco organisation to work for them. If Damco is unable to collaborate (connect) internally, the company will not be able to create value for the customer (Appendix A, Customer 1; Customer 2). Being able to connect, internally (labelled as 'collaboration' by the practice field) as well as externally (labelled as 'relationships' by the practice field) is apparently a premise for running a successful logistics business (network business).

There are other examples of potential value creation through talent management practices when the control assumptions of people and processes are expanded to assumptions off value add through connectivity. An interesting example, which



emphasises business development through relationship building is one of the action learning projects from the IMPACT programme. This particular example is interesting, because here, talent management comes to be about business growth and creating brand awareness and builds on a relational perspective at value creation. Thus, the example illustrates how talent management can add value in new ways by working inter-organisationally and building connectivity. Below the examples are further elaborated on.

One of the action learning project groups looked into new business opportunities in the toy industry. Based on data gathering and interviews with potential customers, the group created a value proposition to assist Damco to win new customers in the toy industry (Appendix A, Newsletter 5) and found ‘... *that the mid-sized toy importers and distributors are a great match for Damco, as they need the sophisticated supply chain set-up we can offer them. What's more, the challenges of the toy industry overlap with those of our retail customers, so we already have the relevant products in place*’ (Appendix A, Newsletter 5). Part of the project, then, was to figure out how to get a foothold on the market, which involved in a ‘round-the-world trip’ for toys. The participant further explains, ‘*To engage with customers, we invited them to give us a toy to take on a Damco first Class round-the-world trip. We worked with a PR agency and arranged executive lounges at two toy fairs in Nuremburg, Germany and London, UK where we could meet potential customers and asked them to bring along their toys..*’ (Appendix A, Newsletter 5). The concept was very well received by customers, and fifty toys ended up travelling around the world, ending their journey at children’s charities. While the toys travelled, they could be followed on a blog (Damco Toy Trip, 2012). Not only was the project rather successful in terms of ROI, it also allowed Damco to engage with the industry and receive media attention, which benefited Damco’s future positioning within the industry (Contineo Media, 2012; ToyNews, ).

This example of the toy trip, becomes interesting, first, because it represents a surprising case of what talent development also can be about. It exemplifies how a specific element of talent development (the action learning project) comes to be about actual business development. Second, the toy trip example is a good example, because it illustrates conceptualising and practising talent management (or parts of it) outside the normal conceptions of talent management, fundamentally rethinking how talent management can add value contains many

(unexpected) possibilities for creating more direct business value. In the example, the focus of talent development is expanded from individual to organisational (as talent development becomes directly linked to business development), from intra-organisational to inter-organisational (as talent development engages directly with the customers), and from controlling to connecting (as talent development focuses not on pipeline management but on connecting with customers *and* connecting different part of the Damco organisation facilitated through the talents in order to create business opportunities).

The toy trip example illustrates how action learning projects can be used, for instance, to grow new markets and engage with potential customers when fundamental assumptions and understandings of value and value creation within talent management are expanded from a transactional to a more relational understanding. If one were to pursue this line of thought of the relational and inter-organisational perspective, it would be interesting to explore whether action learning projects could be defined and carried out in cooperation with current or potential customers, for example exploring how to improve current ways of working, expanding a customer's business into new markets, changing a potential customer supply chain, etc. Again, this way of understanding and practicing talent management would challenge the control assumptions in several ways; for example, it would give the customer a say in business priorities; the normal gatekeepers in relation to the customers would have to take on different roles; Damco's internal hierarchy would be challenged, as the participants come from different levels and functions, not necessarily the top leaders; and so on. In this way, talent management clearly holds possibilities for (co-)creating value to Damco and customers. The actual form still needs further exploration in a process that would unavoidably challenge past assumptions and practices of talent management.

In summary, when introducing a customer focus in the business, the outside increasingly has relevance to the inside and vice versa, and understandings of market and value become more intangible and harder to control. The assumption of control permeating talent processes and program is reflected both in how we work and seek to manage people potential and in how we design and approach talent management processes, allowing control and objectivity to define success and value. As we have seen throughout this chapter, actual control and objectivity are hard to identify, both in the management of the people potential and in the

management of the process. Despite a stated preference for control and objectivity, the general perception seems to be that it is not taking place. Nevertheless, both HR functions and managers continue to base their work on this assumption of control, most likely due to the lack of better alternatives.

One of the main problems for talent management in an organisation that introduces a customer focus as a way of competing in the market is precisely that it represents a contrast between past and current ways of working as well as past and current ways of achieving success and creating value. This chapter suggests a new label to direct the attention in talent management from controlling to connecting. Connecting is a new label, which is relevant both to the inside and the outside of the organisation and basically reflect a new logic of value creation, which is in line with the SD Logic. Using connectivity as a guideline represents a relational perspective at talent management, which embraces the possibilities within talent management to create value in new ways. In practice connectivity includes creating mutual learning opportunities, building relations and creating brand awareness, and through this guideline Damco can potentially build an organisational capability, since customers are also in demand of more 'connectivity'.

There seems to be a new talent management reality under changed economic conditions, and that we have moved beyond the war for talent. This move is however only limited reflected in theory and practice. This dissertation has provided some only emerging possibilities with initial insights into how talent management can unfold under new economic conditions. It seems the outside of the company holds a number of (yet to be explored) possibilities for talent management, which gradually unfolds when fundamental ways of thinking and acting are changed.

## **9 Conclusion**

*'How you think, is how you do  
business'*

(Appendix A, Customer presentation 3)

Talent management receives a great deal of attention and resources, both in the practice field and within academia. This is the case because it is assumed to be a value-adding initiative and believed to be a key strategic HR initiative, in particular for large global organisations, to remain competitive. This dissertation suggests that talent management practices are not necessarily as value-adding as is the long-standing assumption. This dissertation argues that for talent management to add a level of value that justifies the amount of attention and resources spent on it, it is necessary to rethink what talent management can achieve, where it can create value, and how this can be achieved. It requires a proactive approach and a shifting attention away from past assumption of value.

The dissertation sets out to explore how a customer relationship becomes a source of value and value creation for a company through the practice of talent management. To explore this, the dissertation includes the concept of value in the talent management discussion. Incorporating the concept of value into the talent management discussion provides an opportunity to connect the dots between talent management and business direction in new ways, as well as it provides an opportunity to connect the dots within talent management in new ways. Conceptually, value is dynamic and ambiguous, and the literature offers multiple interpretations of the concept. So far, management research has largely been dominated by a view that understands value in rather narrow economic terms, implying certain ways of doing business. A view that is also reflected in the talent literature. Within the strategic management literature (and the talent literature), value is however increasingly depicted as a relational process that takes place either outside the company or in the intersection of the company and its environment. The dissertation argues that when an organisation considers the customer relationship a possible source of competitive advantages, current understandings of value and value creation are impacted. Value becomes more relational, less controllable and embedded in a system of interdependent (f)actors. This assumption is the basis for exploring the talent management implications in an organisation that introduces a customer focus as a way of competing in the market.

Historical developments influence what has been, and to some extent still is, considered valuable talent management. This is reflected in the talent literature, which is dominated by past value understandings not necessarily aligned with

current business conditions and practices. It is argued that the historical roots of talent management impact how value is considered, understood and addressed within talent management today. Talent management emerged out of the field of SHRM, an outgrowth of the industrial revolution, where the main focus was on production rather than on delivery to the customer. Therefore, the focus in SHRM is largely on individuals, process optimisation, and increased productivity through control, as issues to be dealt with within the boundaries of the formal organisation. Thereby depicting value as transactional. Exploring how the talent literature has dealt with value, it is argued that the literature has undergone a development since McKinsey declared the '*War for Talent*' as a response to the lack of people resources. It has developed from being concerned with value as transactional with an underlying production-oriented logic towards being concerned with value as relational. This is represented in a move from viewing talent management as a matter of managing individuals and filling people pipelines through selected HR practices towards increasingly considering talent management as a strategic imperative in a dynamic, knowledge intensive, interconnected world. It is in this development there is an increasing attention to the customers of a company. A development, which links talent management to a competitive advantage for the company.

So far, the talent literature has been more or less customer-free, and this dissertation invited the customer perspective into the dissertation through its empirical data and explored talent management in the intersection of company and customer. Interestingly, the analysis showed that when the customer is included in the talent work in an organisation, many of the existing assumptions and practices in talent management are questioned. It seems that neither the actual definition of 'talent' nor the actual structure of the talent management process itself are of great importance for the value created. The empirical analysis explored talent management as a practical and empirical problem in the context of Damco, a business that has introduced a customer focus as a way of competing in the market, and thus has introduced a different way of thinking, a different way of doing business. As the analysis unfolded over four empirical chapters, it was explored how the customer focus changes ways of doing business, fundamental assumptions of value, and assumptions of the value of talent management. The analysis showed that the practice field of talent management reproduces assumptions of valuable talent management from the theoretical field of talent management, and vice versa.

The first empirical chapter, Chapter 5, explored the business context where talent management is supposedly a value-adding initiative. We saw how customers and Damco articulated change in their business context and the need for development in Damco's way of doing business. We also saw that the changing business context and focus required new understandings of market and value, and how these became more relational, co-dependent, and complex. This means that value is difficult to map and address within traditional and transactional value assumptions and practices.

The following three empirical chapters, Chapter 6, 7, and 8, explored how the altered business perspective impacts how an HR initiative such as talent management is a value-adding exercise. Each of these three chapters focused on one particular value dimension within talent management, respectively value purpose, value creation, and value practice. Together, the three chapters showed that talent management is impacted in a number of ways by the customer focus and the new way of thinking in the business.

Therefore the dissertation argues that the talent management field needs to liberate itself from history and move away from an underlying production-oriented logic (GD Logic), which reflects past ways of creating value. The dissertation argues that there is a need for a more proactive approach to talent management, where talent activities and initiatives reflect new economic conditions, which requires that reality reflect intention, a changed mindset and a new terminology. To enable this, the dissertation suggests shifting the focus within three areas of talent management:

- A shift from focussing on individuals towards focussing on the organisation
- A shift from focussing intra-organisational towards focussing inter-organisational
- A shift from focussing on controlling towards focussing on connecting

The three shifts were elaborated in the Chapters 6, 7 and 8, and they respectively demonstrated that key concepts of individuals, intra-organisational, and control that have traditionally organised talent management thinking and practice continue to be dominant. These concepts are closely linked to the perception of how talent management is valuable – they determine what type of value talent management can create, for whom value is created, and how this value is created. We saw how



the focus on individuals is reflected in the business case, in talent management design, and in how success and value are evaluated. The assumption is that this will create value for the company. Therefore, talent management is often about how to create value internally, as talent management comes to function as a visibility tool for management, talent decisions are based on criteria relevant to the inside, and it helps build an internal management team. The assumption has been that the value of talent management is obtained through control over processes and people, and the more control and objectivity is attained, the more value is gained, for example in terms of people potential or process design.

The empirical analysis showed that the customer focus changes the what, where, and how of talent management as a valuable corporate exercise, and value is increasingly found and understood in a relational context. Therefore the shift entails that instead of focussing on individual development, talent management must be aimed at driving organisational development (which includes individual development). With the customer focus, naturally, the customer becomes a key stakeholder, and it becomes important to consider value for the customer or value as perceived by the customer within the practice of talent management. This implies that talent management must be expanded to also create value inter-organisationally and not just intra-organisationally. It has to reflect a stakeholder perspective concerning where talent management can actually create value, and to whom, as well as who gets to define what value is. Finally, talent management must expand beyond the (previously relevant) assumptions of the possibility of controlling people and processes. The customer focus points at 'connecting' as a more appropriate guide for how to practice valuable talent management, a shift that frames an essential way of thinking and working. These concepts offer new labels for how to articulate talent management as valuable and the rethinking of talent management practices, problems, and possibilities. As we have seen, the insights from the empirical data from a customer perspective indicate that the customer focus challenges current understandings of talent management as a valuable initiative. Consequently, talent management is faced with some problems when an organisation includes the customer into formerly internal processes such as talent management.

First, past and current logics of value are at play simultaneously, which creates discontinuity in the organisation. The discontinuity becomes one of the problems for talent management. The customer focus essentially changes the inherent understanding of value in the business. The problem lies in the way this is translated – or *not* translated – into talent management practices. In the analysis we saw intentions and rhetoric within HR representing an attempt to accommodate changes in the business. For the most part, however, the intentions remain just that and are not translated into action, as initiatives continue to be shaped by the existing understandings of value. The translation of customer focus into talent strategy and practice seems to be a very challenging task for HR, because it represents a completely new mindset and logic, which stand in contrast to past ways of thinking and working as well as past ways of achieving success and creating value. As a consequence, the field clings to concepts and practices that are fundamentally based on control, both in the assumptions and associated people practices. The expectation is that being able to control, for example, people potentials and being able to turn non-objective decisions into objective ones through an optimised process will produce value. This perception reflects a transactional understanding of value, and thus stands in contrast to the relational perspective on doing business that has been introduced in the company. This leads to a discontinuity between the business focus and HR practices, as the company continues to think and work with the same success criteria as before, while simultaneously seeking to create value under altered business conditions.

Second, the customer focus leads to increased complexity and uncertainty within talent management. First, the number of relevant stakeholders increases, and as a natural consequence, the number and complexity of problems and relevance criteria (e.g. who judges value, who is a talent) also increase, and thus, value creation becomes more complex. We saw that internal and external perceptions of value represent contrasting notions of the value that talent management has to offer, and thus, the customer focus directs attention to new issues, and new questions arise, e.g. how to follow up and who to share which information with. These developments all lead to an increased degree of complexity. Second, they also imply uncertainty, as traditionally, the customer has been left out of most business decisions and has never been included in HR work. Therefore, when the customer is invited to participate in talent workshops, for example, that causes a great deal of uncertainty, mostly internally in Damco, and issues such as who should engage

with the customer, and how, become relevant. Decisions, interaction, and engagement suddenly take place outside the traditional organisational structures and norms and can therefore no longer be controlled in a traditional sense. As a result, HR professionals, business leaders and customers all have to find new way of engaging, and new ways of making decisions to create the best business results.

The possibilities for talent management lie in understanding value from a different perspective, and in this perspective, the customer and value creation for the customer take up a central position. Internally in Damco, the value of talent management is considered a management tool that provides important information for the leadership on how their employees benchmark against others and helps to ensure that they have the right information on their employees. When one asks the customers, on the other hand, they express a completely different perspective. They see talent management as a valuable mechanism for relationship building, learning, capability building and ensuring that Damco understands the customer. These two different views on value, one internal and one external, clearly represent two contrasting views on what value talent management has to offer. Aligning talent management as a means of achieving of success with the customer perspective on value creation holds a potential for creating a competitive edge. If talent management is rethought and reorganised around value dimensions that reflect the current business direction more closely, it holds a (underutilised) potential for creating business value in ways and contexts that are different from what has typically been considered and practiced. By exploring talent management in the intersection of company and customer, the dissertation partly exemplifies a different perspective at how talent management can create value and partly allows for a more externally oriented, relational and interdependent conceptualisation and understanding of the value of talent management. The analysis showed that when talent management is expanded beyond the individual perspective, beyond the internal focus and beyond the issue of control, several interesting possibilities for creating value directly to the business emerge. These possibilities include talent management as an organisational capability (a unique way of doing business), talent management as a way of creating brand awareness, talent management as a way of generating new business and directly delivering ROI, talent management as a mechanism for relationship-building with customers and within the industry, and talent management as an opportunity to learn about the customer's business needs and change (management). For Damco, it further represents an opportunity to

differentiate itself in the market by being customer-focused, also outside typical means of differentiation in the logistics industry, such as price. These possibilities differ significantly from what has been considered as value and outcome that talent management is able to produce, and it here that talent management holds a potential for creating a competitive edge for the company.

By applying a value lens to the discussion of talent management the project exemplifies and conceptualises a different way of thinking, articulating, and practising talent management and thus connecting the talent management dots in new ways – which has relevance for both practice and academia. Practitioners may find occasion here to reflect on and change their own practice. For academia, the project contributes to the discussion on talent management by arguing that there is a need for a more proactive approach to talent management and that there is a need to move away from a production-oriented logic, while the project also offers a supporting framework through which this can take place. Further, it contributes by representing a specific case and empirical data of an outside in approach to talent management. It does so by including the customer perspective into the talent management discussion.

History clearly influences the possibilities for how we can conceive of talent management today; this leads to difficulties for HR professionals, business leaders, and academic researchers alike. These difficulties, however, should not prevent us from exploring opportunities and trying out new things in new ways. Talent management practice has often informed talent management research, and the two are closely linked. This particular project also contributes to both practice and research, and the implications for the two fields may be difficult to separate, as the two are so closely linked. Nevertheless, in the following two sections, implications for respectively research and practice are attempted addressed separately.

## **9.1 Implications for research**

Limitations of the study aside, the contributions highlighted above suggest new avenues of research within talent management. First, the discussion of value within talent management is underdeveloped. Future research should further explore how a

relational understanding of value impacts talent management. A relational understanding of value is fairly new within the talent management literature and rests on fundamentally different understandings of value than what hitherto has been the norm. Therefore talent management resting on a relational understanding of value is in many ways a ‘black box’. With the increasing focus on the relational aspect of talent management, for example embracing turnover instead of preventing employees from leaving (Somaya & Williamson, 2011), the question is whether talent management as we know it today will remain a relevant initiative, or whether it will become obsolete over time. Looking at practice today, there are indications that talent management will survive changing business environments, including both blooming markets and stagnation, but there is a need for new and alternative models of talent management that moves away from a production-oriented logic. This is an unexplored area of talent management. We know very little about alternative models of talent management reflecting certain business conditions and challenges – hence, we know little about talent management as a contextual practice that adds value to a particular business in a particular setting (Al Ariss et al., 2014). Relevant questions include for example: how do alternative models of talent management look like? Which factors are important in alternative models? and how do the factors influence the outcome of talent management? What does success look like in alternative models of talent management? What are the interdependencies to the context they operate in, and are there any differences in this depending on the context? A more specific example is, this project has explored the talent management implications of a customer focus, where the relational emphasis are more likely and expected to be emphasised, but how would it play out, for example, in a company (assuming) to compete purely on cost?

Second, the dissertation suggests that HR take a more proactive role in creating value to the business, which includes a critical perspective on what the value of talent management is. There seems to be a misconception today, which results in attention is directed at places where value is not created under the current business conditions, and that value is measured and defined in places detached from business challenges. This needs further exploration, which could be done in a number of ways, for example through qualitative studies aiming to explore and capture the (altered) value of talent management. For example understanding what new measures are relevant, identifying the measures and exploring them in detail, as well as trying to link them to other HR initiatives beyond talent management to see

what value they add to the business. Another avenue would be comparative studies exploring the value of talent management across industries driven by different parameters; for example, this dissertation looked at a professional service provider, but what sort of findings would emerge from a production company? What are the similarities and differences – if any? And why? Besides critically evaluating the value talent management has to offer, it also includes further exploring which kind of organisational challenges talent management can address, and subsequently rethink not only the challenges it can address, but also how to identify and measure success of this. By exploring these topics, HR would be able to take up a more proactive role and identify new touchpoints where value creation to the business is possible.

A final suggestion for future research, given the increasing emphasis on relational dimensions, is to explore further how the talent eco-system changes along with changing business priorities: Who are the key stakeholders in talent management? And who should one engage with (for example the customer), and how? Also research on the changing role of HR would be needed. This will include identifying new labels, terminology and possibilities associated with talent management to replace current associations and taken-for-granted. Part of this include further exploration on the outside in approach to HR, which has very little presence in the literature, and contributions on this topic are primarily practitioner-oriented and discussed within the broad range of HR overall, not with a specific focus on talent management. Further exploration is needed to determine the role of the outside in approach in talent management practice; for example, how does it impact talent attraction? Finally, it needs to be explored whether and how the outside in perspective, representing a practitioner-oriented stream with a contextual emphasis might potentially be included in further theory development.

In summary, more research is needed with a relational understanding of *what* talent management actually holds the potential to be, *where* it holds a potential to create value, and *how* it possibly can do it, allowing HR to take up a more active role in driving value to a company. Such explorations would also be relevant and hold implications for practitioners. As talent management research and practice are so closely linked, many of the above topics could, and probably will, be explored and



addressed in practice as well. In turn, the outcome of these endeavours will most likely impact the research agenda.

## **9.2 Implications for HR practitioners**

This study on the value of talent management first of all challenges many current talent management practices. In order to make use of the possibilities within talent management, we need to start perceiving business and HR challenges differently. We have to stop believing that talent (management) can be expressed as an equation, which can ultimately be calculated and controlled to produce a desired outcome that is not necessarily linked to business performance. Instead, we need to apply a more open and explorative approach to what talent management is, what it can be, and how it can be practiced as a means of adding value to the business. Needless to point out, this is no easy task, whether for the organisation, which has certain historically based expectations of HR work or for HR professionals, who are part of a function that has traditionally pursued fundamentally different ways of adding value to the business.

Starting from the outside in makes talent management practices significantly more complex and less controllable. Therefore we need to accept that introducing further control initiatives or improving existing ones as a way of eliminating unpredictability is not the way forward for talent management, particularly not when a customer focus is 'a way of business'. When talent management moves from being internally oriented to including an external orientation, the organisation (HR and leaders) needs to accept a higher degree of uncertainty, embracing the impossibility of controlling, optimising and objectifying people (talent) like other resources, and this breaking with past approaches. The same acceptance of uncertainty applies to the company's relationship with its external stakeholders. This acceptance of less control and predictability also implies an acceptance of change in processes and measures. The problem with the current ways of measuring success is that not only do they not reflect the intention of measuring business value, in many cases they are based on unrealistic assumptions of, for example, measuring retention. Consequently, the measures are a poor reflection of actual business value. If in doubt, one can always turn to history to clarify any uncertainties.

An acceptance of less control and predictability leads to increased complexity in talent management and, thus, increased complexity in the role of HR. This requires a new way of thinking and acting for HR professionals. One of the biggest challenges in changing existing understandings of valuable talent management is precisely the existing HR mindset and understandings of what is valuable. Applying the findings of this dissertation in practice requires courageous HR professionals and leaders to test them out, adjust them, and apply them again, while also sharing learnings on both failures and successes with other HR professionals and business leaders. HR has to dare to do something different, rather than doing more of the same. It requires creativity, courage, and determination to drive the development of one's own function, and the process is likely to involve many new challenges. For example, it will challenge the way that some of today's HR leaders themselves have achieved their personal success, and how others have had functional success in other companies. One note should be made here concerning the need for HR to look outside the normal scope, this is not meant imply that all the past focus areas of HR should be considered redundant and irrelevant, such as, for example, strong leadership and efficient processes. Rather, excellent leadership and extremely smooth processes remain relevant and essential, but they are not the end goal – they are a means to an end.

The vocabulary within talent management needs to be expanded, as today it is largely associated with a default knowledge which assumes that certain processes and tools account for the potential of talent management. For example, there is a clear assumption that talent management is about succession planning. Only if the vocabulary of talent management is expanded can other possibilities arise, allowing the talent management field to move forward and play an active role in creating a competitive advantage for the company. An expanded vocabulary needs to reflect business issues and priorities. This reframing again requires creativity and the willingness and ability to think outside the box. A good place to begin is to look to other fields for inspiration, for example, marketing, which consistently aims at being close to the customer in new ways, including big data, technology, co-creation, etc. instead of maintaining a primary focus on process optimisation. By no means do I argue that process optimisation is not important; however, as we have seen throughout the dissertation, introducing a customer focus calls for additional

initiatives besides process optimisation, initiatives that in every respect have to start from the outside in.

Throughout my work on this dissertation, it has become clear to me that one of the fortunate aspects for talent management, and in this sense also for HR professionals working with talent management, is the fact that the concept of talent management has a broad legitimacy both in practice and in academia – despite, or maybe because of, the vagueness of the concept and the lack of clarity concerning its scope and purpose (Collings & Mellahi, 2009; Koselleck, 1982). The implication is that most CEOs in companies of a certain size believe in the need to make talent management a priority, although the term covers a wide range of different activities in different companies. At a practical level, this implies that HR actually has a tool in the form of talent management to assist in creating value to the organisation. For HR professionals, this implies that instead of spending time and resources on convincing CEOs of the necessity of talent management, they can devote more time and resources to reflecting on how to develop and practice value-adding and useful content under the broad label of talent management. This dissertation suggests that it is time to do just that.

In order to move the field of talent management forward, HR needs to be in the driver's seat and also influence the thinking of executives, CEOs and other internal stakeholders who hold expectations that reflect past practices and conditions. They, too, would at best be puzzled when presented with fundamentally different practices under the same label of talent management. To manage this and successfully move the field of talent management forward it requires HR professionals – be they academics or practitioners – to play an active role in bringing about that change despite the difficulties involved, despite the uncertainty about what should replace the old practices, and despite the heavy pushback and lack of initial understanding that they might likely encounter. As with any new endeavour, uncertainty, lack of clear and straightforward answers, and a high degree of complexity are to be expected. In this process, it may turn out that talent managers need to transition in their role from process specialists to business development specialists. This requires new ways of working in HR, new ways of thinking. Companies have long since realised the importance of product innovations, and it now seems time to apply a similar line of thinking to people and

organisational development. This is where HR can step out of its current role and take a different and more active role, which not only engages with the business but also with the customer in a proactive effort to drive value for the business – by means of talent management. In this way, a customer relationship can become a source of value and value creation through the practice of talent management.

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# Appendix A: observations, interviews, documents

## OBSERVATIONS

A customer's perspective on those skills and attributes required to be the customer's best	Copenhagen	2011	Global Commercial talents, Global commercial leaders, European customers
Changing expectations and what it means to Damco	Singapore	2012	Global Commercial talents, Global commercial leaders, European customers
A perspective on what's important to the customer	Copenhagen	2012	Global Commercial talents, Global commercial leaders, European customers
The leadership skills needed to serve the customer's best	Copenhagen	2012	Global Commercial talents, Global commercial leaders, European customers
1 Providing every customer a consistently outstanding experience	New York	2011	Global Commercial talents, North American commercial leaders, North American customers
2 Global Commercial priorities	Copenhagen	2011	Global Commercial talents, Asian commercial leaders, Asian customers
3 Damco in Asia Pacific	Singapore	2012	Global Commercial talents, Global commercial leaders, European customers
Evaluation and discussion of the talent workshop, and deciding on next steps	Copenhagen	2012	External US based provider and facilitator of the workshop and HR
Evaluation and discussion of the talent workshop, and deciding on next steps	Copenhagen	2012	External US based provider and facilitator of the workshop and HR

## Interviews

12	HR professional 7	PSS process, facilitation, experience	Northern European
1...6	Executive 1...6	The PSS experience	Northern European, Australien, Asia and Latin America
7...12	Executive 7...12	Their experience with talent and leading talents	Northern European, Australien, Asia and Latin America
1	Commercial leader 1	IMPACT and their experience and perception of the customer focus	Northern European
2	Commercial leader 2	IMPACT and their experience and perception of the customer focus	USA
3	Commercial leader 3	Customer requests when signing a tender, experience of what is important to the customer	Northern Europe
1	Talent 1	The IMPACT experience, the relation with the customer	Northern Europe
2	Talent 2	The IMPACT experience, the relation with the customer	Latin America
3	Talent 3	The IMPACT experience, the relation with the customer	Russia
4	Talent 4	The IMPACT experience, the relation with the customer	Asia
5	Talent 5	The IMPACT experience, the relation with the customer	Latin America
6	Talent 6	The IMPACT experience, the relation with the customer	Africa
7	Talent 7	The IMPACT experience, the relation with the customer	Northern Europe
8	Talent 8	The IMPACT experience, the relation with the customer	Asia
9	Talent 9	The IMPACT experience, the relation with the customer	Asia
10	Talent 10	The IMPACT experience, the relation with the customer	Northern Europe
1	Customer 1	What is important to the customer business and the experience of engaging with Damco in the business and in IMPACT	Representative from USA
2	Customer 2	What is important to the customer business and the experience of engaging with Damco in the business and in IMPACT	Representative from Asia
3	Customer 3	What is important to the customer business and the experience of engaging with Damco in the business and in IMPACT	Representative from UK

## Documents

Type of document	No.	Referred to as	Focus of the document	Owner of the message/content	Year
Intranet message	1	Intranet 1	the link between employee engagement and customer satisfaction	HR	2011
Intranet message	2	Intranet 2	Update on the Damco business performance and progress made, Q4	Damco CEO	2011
Intranet message	3	Intranet 3	Update on the Damco business performance and progress made, Q3	Damco CEO	2011
Intranet message	4	Intranet 4	APMM Group strategic priorities 2011 - one of them being customers first	Group CEO	2011
Intranet message	5	Intranet 5	APMM Group strategic priorities 2012	Group CEO	2012
Intranet message	6	Intranet 6	Regional North America intranet on the IMPACT experience of key talents	Regional HR	2011
Intranet message	7	Intranet 7	The leadership capabilities of successful leaders as promoted by top executives in PSS	HR	2011
Intranet message	8	Intranet 8	Recent hosted leadership forum to discuss customers first	APMM Group	2012
News letter	1	News letter 1	The role of HR to support the business	HR/CEO	2011
News letter	2	News letter 2	About IMPACT	HR	2011
News letter	3	News letter 3	Measuring customer loyalty	Commercial organisation	2011
News letter	4	News letter 4	Impact	HR	2012
News letter	5	News letter 5	Output of IMPACT	HR	2012
News letter	6	News letter 6	The IMPACT experience	HR	2012
News letter	7	News letter 7	The customer forum	Commercial organisation	2012
News letter	8	News letter 8	The need for collaborating and knowledge sharing	CEO	2012
News letter	9	News letter 9	Damco talent programmes	HR	2012
News letter	10	News letter 10	the importance of a commercial mindset throughout the organisation	CEO	2012
News letter	11	News letter 11	The introduction of new talent programmes	HR	2012
Internal/strategy document	1	Strategy document 1	Global people strategy	HR	2012
Internal/strategy document	2	Strategy document 2	Damco Company presentation	Damco	2012
Internal/strategy document	3	Strategy document 3	Commercial Strategy	Commercial function	2012
Internal/strategy document	4	Strategy document 4	Damco Strategy	Damco as an org/CEO	2012
Internal/strategy document	5	Strategy document 5	Asien regional strategy	Regional CEO, Asia	2012
Internal/strategy document	6	Strategy document 6	Concluding on the outcomes of the talent workshop at leadership forum	HR	2011
Internal/strategy document	7	Strategy document 7	Talent management objectives and KPIs	HR	2012
Internal/strategy document	8	Strategy document 8	Evaluation report of IMPACT	HR	2012
Internal/strategy document	9	Strategy document 9	Internal survey of the collaborative state of the organisation	HR/CEO	2012
Internal/strategy document	10	Strategy document 10	Damco people strategy 2009	HR	2009
Email	1	Email 1	Questions from a global customer during a tender bit	Global customer	2011
Email	2	Email 2	Communication with internal stakeholders trying to set up interview with customer	Researcher/commercial leader	2011
Email	3	Email 3	Feedback on IMPACT and the benefits from Eastern Europe Leader	Eastern European leader	2011
Email	4	Email 4	Correspondance btw HQ HR and regional HR how to promote outcome of PSS	HR	2011
Email	5	Email 5	A global customer highlights the importance of the Damco people skills and capabilities	Global customer	2012

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