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Talent management in Thai cement companies: A study of strategies and factors influencing employee engagement

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This paper investigated talent management strategies and employee engagement implemented in three leading cement companies in Thailand ranged from the largest to smallest ones. In-depth interviews conducted with multi-level employees involved in managing talent including executives, potential employees, and human resources (HR) staff, while 350 questionnaires were also distributed for an investigation of factors influencing employee engagement. The findings revealed that robust talent management planning, well supports of top management, fair salary, good safety and health insurance, training opportunity, career advancement, organizational unity, a balance of work and daily life, and other environmental factors were crucial factors that keep talent rooted to organizations.

Key words: Talent management, employee engagement, succession planning, Thai cement companies, high potential employees.

INTRODUCTION

Talent management is one of the primary management tools for 21st century human assets management (Cappelli, 2008) because the significant resource for firms competing in this century is no longer land, capital, and other tangible assets but the human capital necessary to adapt organizations to global competition and maximize the benefits associated with the current technological boom (Ingham, 2006; Ashton and Morton, 2005; McGee, 2006; McCauley and Wakefield, 2006; Heinien and O'Neill, 2004). Jack Welch, Chief Executive Officer (CEO) of General Electric (GE) once urged his executives to develop and retain the top 10 – 20% of

managerial and professional staff. His idea was that “an organization is only as strong as its top talent” (Walker and LaRocco, 2002).

In fact, a number of surveys reveal that many large organizations are already suffering a chronic shortage of talented employees. To consider the recent survey based on 33,000 employers from 23 countries, 40% of them had difficulty in searching and hiring the desired talent (Manpower Inc., 2006) and roughly 90% of nearly 7,000 managers revealed that talent acquisition and retention were becoming more difficult (Axelrod et al., 2001). McKinsey (2007a) also revealed the global survey concerning the organizational challenges of global trends by asking executives from 93 countries in all main regions of the world, to choose the three trends that will most affect their companies over the next five years. The results reveal that the most significant trend cited by 47% of the executives is the intensifying battle for talented people. Executives in the developed countries of the Asia-Pacific region such as Australia, Hong Kong, Japan, New Zealand, the Philippines, Singapore, South Korea, Taiwan, and in developing countries are even more concerned about the completion for talent that their

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Abbreviations: **SCG**, Siam Cement Group, the largest cement company in Thailand; **MDC**, Management Development Committee, the committee that responsible for people management issues in an organization; **HR**, Human resources, means the function within an organization charged with the overall responsibility for implementing strategies and policies relating to the management of individuals.

counterparts in North America and Europe are (McKinsey, 2007b).

This emerging battle for talent in Asia can be intensified since severe skilled labor shortages in the manufacturing and service sectors. The labor shortages across Asian countries such as China, Japan, Korea, Malaysia, Singapore and Taiwan have been repeatedly reported in the media. As a part of strategies to win the emerging talent battle, many global and local companies often use attractive salary packages to motivate talented people such as managers and professionals from overseas or poach them from competitors (McShulskis, 1997; Frazee, 1998; Racz, 2000; Fuller, 2005; Boyd, 2006). Is this an effective strategy in the world's economic turbulence?

Thus, talent management is easier said than done and it is time for a fundamentally new approach to talent management that takes into account the great uncertainty business face today (Cappelli, 2008). For this reason, this study aims at following points:

1. To investigate talent management strategies implemented in Thai cement companies;
2. To investigate factors influencing employee engagement in Thai cement companies.

This study should prove to be valuable and benefit scholars in terms of talent management concept expansion in Thai business context and also assist and illustrate human resource practitioners and managers at all levels how to establish and implement talent management system effectively in order to gain competitive advantage in fierce global competition.

Literature review

Definition of talent

Goffee and Jones (2007) define talent as handful of employee whose ideas, knowledge and skills give them the potential to produce the disproportionate value from the resource they have available from them. Tansley et al. (2006) point out that talent can be considered as a complex amalgam of employees' skills, knowledge, cognitive ability and potential. Employees' values and work preferences are also of major importance. Whilst, Ingham (2006) considers people who are in the key position, the leader team, the individual who has the scarce capability or make particular contribution to the organization is talent.

At the same time, talent means the total of all the experience, knowledge, skills, and behaviors that a person has and brings to work. Talent therefore, is used as an all-encompassing term to describe the human resources that organizations want to acquire, retain and develop in order to meet their business goals (Cheese et al., 2008).

Talent management

Lewis and Heckman (2006) conducted a critical review of the talent management literature both in the professional and academic publications, and concluded three primary conceptions of the term. Firstly, talent management is comprised of a collection of typical human resource department practices such as recruiting, selection, development and career and succession management. Secondly, talent management more specifically focuses on predicting the flow of human resources throughout the organization, based on such factors as workforce skills, supply and demand, and growth and attrition. From this perspective, talent management is considered more or less synonymous with human resource or workforce planning, particularly if automated and connected with other organizational databases and systems. Lastly, talent was defined as individuals who have the capability to make a significant difference to the current and future performance of the company (Morton, 2004).

Talent management is therefore, defined here as both a philosophy and a practice. It is both an espoused and enacted commitment – shared at the highest levels and throughout the organization by all those in managerial and supervisory positions – to implementing an integrated, strategic and technology enabled approach to human resources management (HRM), with a particular focus on human resource planning, including employee recruitment, retention, development and succession practices, ideally for all employees but especially for those identified as having high potential or in key positions. This commitment stems in part from the widely shared belief and explicit recognition that human resources are an organization's primary source of competitive advantage; an essential asset that is becoming in increasingly short supply. In addition to contributing to an effective talent management, an organization's talent management strategy should also contribute to employee engagement which refers to a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that in turn influences him/her to apply additional discretionary effort to his/her work (Gibbons, 2006). For this research, employee engagement means a measurement of the energy and passion that employees have for their organizations. Engaged employees are individuals who take action to improve business results for their organizations. They stay, say, and strive-stay with and are committed to the organization, say positive things about their workplace, and strive to go above and beyond to deliver extraordinary work.

METHODOLOGY

Qualitative method

An in-depth interview was employed in order to achieve the first objective of the study. Key informants were HR practitioners such

as head of talent management, HR managers, and plant managers in three leading cement companies in Thailand ranging from the largest to smallest ones which were (1) Siam Cement Group (SCG) (ranked #1 in Thailand); (2) Siam City Cement (ranked # 2 in Thailand); (3) Asia Cement (ranked # 4 in Thailand), respectively. The authors experience that it is necessary to adopt an interpretivist methodology to discover what Remenyi et al. (1998) called 'the details of the situation to understand the reality or perhaps a reality working behind them' – the social constructionism. In accordance with his argument, it is necessary to explore the subjective meanings motivating companies' actions in their actual working environment. Two types of triangulations which were data and methodology were employed for investigating some hidden data. Data triangulation was used to make a distinction between time, space and persons concerning the phenomenon at different dates and palaces and from different persons, whilst at the same time, methodological triangulation in terms of documentary analysis and in-depth interview were employed to cross check data derived from the field (Denzin and Lincoln, 2000, 2003).

Quantitative method

In addition, a structured questionnaire was also employed in order to investigate factors influencing employee engagement. A structured questionnaire was disseminated to 350 employees working in two Thai cement companies, ranked from junior engineers to executives such as plant managers, department managers, production managers, and other positions involved. A questionnaire was divided into three parts: Part one concerns demographic data which consists seven nominal questions asking about demographic data, covering personal independent variables—age, gender, status, education, position level, working experience—and optional questions, including salary and working period at current company; Part two comprises was divided into three subgroups of measurement which were: (1) Fourteen Likert's scale questions asking respondents to rate the level of transformational leadership factors; (2) Thirty-four Likert's scale questions asking respondents to rate the level of perceived organizational culture; and (3) Twenty-five Likert's scale questions asking respondents to rate the level of quality of work life. Whilst, part three was designed to measure organizational engagement consisting of eleven Likert's scale questions asking respondents to rate the level of organizational commitment, feeling, and sources of engagement. For the reliability of the questionnaire, the questionnaire had been distributed to 30 respondents for a pilot test before actual sample collection process started. After analyzing all the Likert's scale questions, the result showed overall Cronbach's Alpha of 0.8586.

RESULTS AND DISCUSSION

Qualitative results

Every organization defined a talent as a high potential employee. Talents were managed by using a traditional HR process consisting of recruiting, selection, development and career and succession management. In talent recruitment, it is viewed the most important stage of managing talent. Most companies believe in a concept that good input, great output. Thus, they contribute resources in hiring top talents from prestigious universities.

Employees are treated equally but their performances rarely meet the company. The study endeavor to employ new high potential engineers but it is so difficult. 'We are going to establish our own process but there are many limitations [Interview: HR manager in a Thai cement company].'

'We believe in the value of the individual. We hire, develop, and drive them continuously because we believe they possess excellent knowledge and skill. So, recruitment is one of crucial processes. This is not only HR responsibility but everyone [Interview: SCG Head of Talent Management].'

Aptitude test is a primary instrument in selection but interview of an applicant is also intensively emphasized. An interview panel is not only viewed as a selection method but the most important long-range HR planning particularly in succession planning. Top management representatives usually attend an interview panel officially in order to evaluate a person fitting with an organization both physical and mental characteristics.

One of the key mechanisms that drive HRM system of SCG is a committee called "Management Development Committee (MDC)" which comprises of SCG President and CEO and Business Unit Presidents. MDC responsible for people management issues that is, human resource policy, SCG senior management's development. There are three MDCs in SCG: Corporate, Business Units and Company to look after different levels of employees. This shows how SCG really belief in the value of individual [Interview: SCG Head of Talent Management].

'Candidates need to pass the competency test. We do not look at their profiles solely. We give a priority to their unseen characteristics. We do not believe that having geniuses is capturing competitive advantages. If they cannot work as good team members, we cannot let them go without doing anything. So, we have committees for various positions [Interview: Training manager in a cement company].'

Promotion from within is extensively used in all interviewed companies. Whether Thai or multinational companies, all employees are generally identified as talent or high potential based on assignments both individual and team. Identifying talent makes companies effectively manage employees classified in each level. A good example is talent identification in SCG which classifies talent or high potential employees into 4 levels: (1) STAR – High Performance and High Potential; (2) Youngster – High Potential but low Performance; (3) Performer – High Performance but low potential; and (4) Need Improvement – Low Performance and Low potential.

Campus or university recruitment is another effective activity in talent recruitment. Every interviewee agrees

that this recruiting method is very successful in turbulent time because top talent graduates usually have few solutions for their life after graduation. They have to select between work and study in a higher level. The companies make them easily decide by illustrating and encouraging benefits received from companies which also have a positive effect on their educations in the future. However, this method cannot be accomplished within a day or month. It needs long-term relationship and intensive public relation through many channels such as sponsor program and customized career camp.

SCG Career Camp is mechanism for screening. By taking part in many activities, candidates will be assessed their capabilities and proficiency such as Test of English for International Communication (TOEIC), the Personality test, Team Synergy. It is one of successful recruiting fresh graduates. A result shows that SCG recruitment center attracted more than 2,000 high achievement students, including numerous 1st and 2nd class honors from leading Thai universities and successfully hired 871 employees in 2007 [Interview: SCG Head of Talent Management].

In talent training and development, companies generally divide development programs into two types: in-house and institutional training and development. The largest company prefers to use both programs, whilst medium and small size firms more prefer an in-house program than another one because budget limitation. However, all interviewees point out that in-house approach is more flexible and cost saving but it needs a well need analysis.

In SCG training courses are designed in accordance with employee classes which are: (1) Class O (Operator) –Lower level employees, that is, industrial workers, clerical recruited from vocational schools. They work according to certain rules and regulations set by the company; (2) Class S (Supervisor): Middle level employees, that is, supervisors, professional staff (Financial Officers, Accountants, etc.) and technical employee (Engineers, Chemists, etc.) They are recruited from universities. They work according to the general rules and also have some room for their own discretion: and (3) Class M (Manager): High level employees, that is, management staff. They are responsible for the formulation of policy and its implementation in accordance with the concurrence of the company Board of Directors. [Interview: SCG Head of Talent Management].

In talent retention, performance based pay, career development and give before demand are practices done by all firms interviewed. They annually conduct salary survey and also use social network in investigating employment amount. For example, SCG is considered to be one of the market leaders in compensation and benefits. However, talent purchasing or hunting is usually not employed by Thai cement firms as mentioned by a senior management in a mid-sized firm but there is a signal in some other particular areas such as electrical

engineering and financial investment.

“From my 15 years of experiences in this industry, we usually do not hunt talent from another because we know our position. It is also a tradition of Thai cement industry. We prefer to grow our own talent rather than buying them from our competitors. As I know there are not many cases in the Thai cement industry [Interview: Plant manager in a cement company].”

“We do not only give them money but provide good opportunities for them such as prestigious scholarship studying in top ten universities in the USA and UK. Importantly, every talent always realizes their career paths and understands how to go that point [Interview: HR manager in a cement company].”

Quantitative results

1. Respondent's demographic data: The number of samples was 350 respondents. The majority was males in a number of 199 persons or 57%. Respondent aged between 25 - 35 years old was ranked the majority, 147 persons or 42%. A number of 218 persons or 62% had been married. 174 persons or 50% graduated bachelor degree. 298 persons or 85% had worked in operational position. Most of them had worked with the companies more than 7 years.

2. Factors influencing employee engagement with Thai cement companies (Figure 1):

i. Demographic factors: There were 4 out of 7 factors that influence employee engagement with Thai cements companies at statistically significant level of 0.05. They were age (significant=0.000), marital status (significant =0.000), educational level (significant = 0.02), and current salary (significant = 0.03).

ii. Transformational leadership factors: All 4 factors that influence employee engagement with Thai cement companies at statistically significant level of .05. They were creative power (significant =0.000), inspiration (significant =0.000), rationale (significant =0.000), and individual-oriented (significant =0.000).

iii. Perceived organizational culture factors: There were 4 out of 8 factors that influence employee engagement with Thai cement companies at statistically significant level of .05. They were uncertainty avoidance (significant =0.000), collectivism (sig. =0.000), masculinism (significant =0.000), and feminism (significant =0.000).

iv. Quality of work life factors: All factors that influence employee engagement with Thai cement companies at statistically significant level of .05 were fair salary (significant =0.000), good safety and health insurance (significant =0.000), training opportunity (significant = 0.000), career advancement (significant = 0.000),

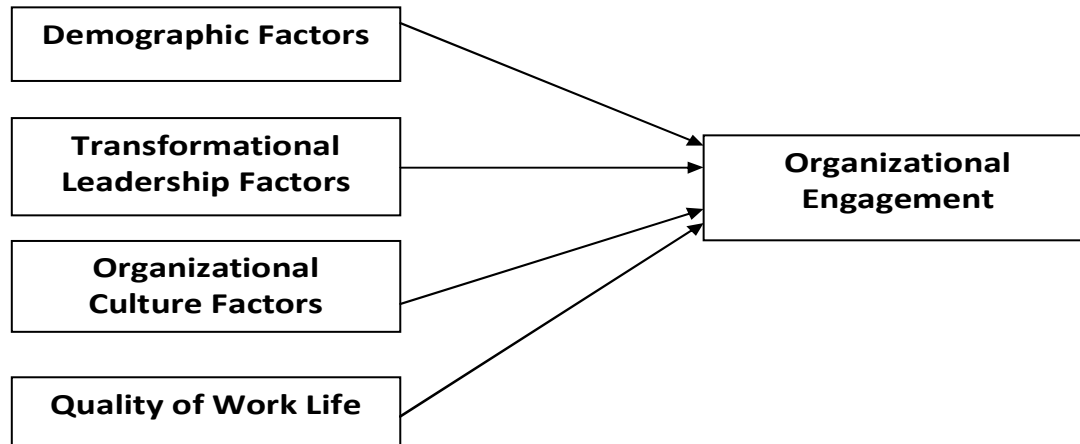


Figure 1. Conceptual framework.

organizational unity (significant =.000), and a balance of work and daily life (significant =0.000).

DISCUSSION AND CONCLUSION

Talent is identified as a high potential or performance of employee. Every Thai cement firms have their own approaches to identify talent. Recruitment of talent is heavily emphasized as the most significant process in managing talent because firms believe in a concept of great input-great outcome. Campus recruitment or marketing is widely employed and considered as an effective approach for recruitment in turbulent economic conditions. Management board members usually pay more attention on talent recruitment, so, some firms invite them to participate in a final interview panel because a new employee will familiarize with his or her direct superior, while an executive can also realize attitude and expectation of an employee wisely. This technique also encourages effectiveness of succession planning which is the most popular approach in retaining talent in Thai organizations. Undoubtedly, the findings is supported by a concept of Lewis and Heckman (2006) who view talent management as a new term of succession planning, hence, many firms usually concentrate on recruiting or cloning talent.

However, talent retention depends on many factors found in the study. A management team is recommended to make efforts to build effective, practical and holistic talent strategies that are not only able to attract talent but also address employee engagement and retention of key skills thus, boosting the productivity and business performance. Talent management should be taken up as a business priority and not alone a HR intervention. An implication for HR practitioners lies for first building a robust human resource management system. Talent management to be successful has to be built upon a robust performance management system. Managers

should strive to create an environment which induces passion among the employees about their works and leads to the behaviour that organizational need to drive better results. Additionally, top management has to ensure an organization remains a political system by institutionalizing transparent round table discussions once talent is identified.

At the same time, quality of work life factors such as flexible work hours, work-life balance, health insurance, training opportunities and scholarship should also be announced as one of main organizational policies in order to show that an organization believes in the value of individual. According to the results emerged from in-depth interviews, building an employer brand of choice has a high impact on recruiting talent. In developing this strategy, a firm would be well advised to pay attention to the key factors associated with employee recruitment and successful retention for example, competitive based pay and benefits, learning, skill development and career advancement opportunities, work/life balance, a long term strategic orientation, and appropriate decision making authority.

RECOMMENDATION FOR FUTURE RESEARCH

Focus group technique and in-depth interviews of employees affected or involved in talent management are strongly advised to conduct in order to polish perspectives emerging from case studies as well as exit interviews should also be employed in order to investigate some reasons of a person or talent who leaves a company. Snowball technique can be considered as one of effective strategic research instruments for difficultly accessible data since a talent management is a sensitive issue in leading companies in Thailand both Thai and international firms.

Importantly, an evaluation of talent development programs should be organized for assessing transfer of

talent development programs. An organization should realize how its talents use and apply what they have learned from the programs. A satisfactory survey is insufficient because satisfying does not mean applying. An evaluation will enhance knowledge of key success factors in talent management. In this case, both qualitative and quantitative approaches should be conducted simultaneously.

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