



## Talent management and career development: What it takes to get promoted



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### ABSTRACT

Based on the talent management literature, this paper investigates managerial skills that are essential for managers' job promotion. Using arguments from the human and social capital literature and following tournament logic, we claim that a manager's own experience, expertise, and network size positively affect promotion odds, while strong colleagues decrease promotion odds. Studying 7003 promotions to middle management and 3147 promotions to senior management, we find broad support for our hypotheses, but find also that network size no longer predicts promotion to senior management. Our findings have implications for individual career development and talent management programs.

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### 1. Introduction

In recent years, talent management has seen increased attention from both managerial practice and academic research (Capelli, 2008; Scullion, Collings, & Caligiuri, 2010; Tarique & Schuler, 2010). While talent management was initially seen as summarizing a broad range of human resource practices (Lewis & Heckman, 2006), a recent definition by Collings and Mellahi (2009) claims that strategic talent management describes an organization's identification of key positions and, subsequently, the development of a talent pool to fill these positions. Following this definition, the staffing of a firm's key positions is a major element of talent management. In this paper, we adopt a job promotion perspective on talent management, questioning which managerial skills impact a manager's promotion odds.

There have been several studies investigating firms' promotion decisions (e.g., Breaugh, 2011; Waldman, 2013). Most of these studies focused on explaining promotion tournaments, that is, they study how managers compete among each other in order to be promoted to the next job hierarchy level (DeVaro, 2006b). While this literature has provided important insights into the mechanisms of competition in promotion decisions, it lacks insights about specific managerial skills that are important to promotion

decisions (e.g., DeVaro, 2006a, 2006b). Yet the identification of such skills is essential from a talent management perspective (Collings & Mellahi, 2009). Only if one knows the underlying skills and characteristics of a promotion decision, can firms tailor their talent management systems in accordance with these insights.

Investigating managerial skills and characteristics, we rely on the basic distinction between human and social capital arguments, which have both been found central to a manager's job performance (Becker, 1975; Nahapiet & Ghoshal, 1998; Seibert, Kraimer, & Liden, 2001). Human capital refers to the knowledge, skills, and abilities embodied in managers (Coff, 2002), and is considered a key factor in explaining firms' competitive advantage (Crook, Todd, Combs, Woehr, & Ketchen, 2011). We distinguish between managers' *experience* (e.g., Schmidt, Hunter, & Outerbridge, 1986) – defined as their work tenure (Fisher & Govindarajan, 1992) – and managers' *expertise* (e.g., Dutta, 2008) – defined as their focus in a specific work domain. Social capital, on the other hand, is understood as the goodwill engendered in social relationships (Adler & Kwon, 2002) and was found to foster innovation (Gabbay & Zuckerman, 1998), intellectual capital (Nahapiet & Ghoshal, 1998), and – eventually – company performance (Collins & Clark, 2003). We focus on a manager's *network size* (Collins & Clark, 2003) – defined as the number of colleagues a manager has previously worked with.

To gain more fine-grained insights into promotion decisions, we further distinguish among promotions at different hierarchical levels – middle vs. senior management. We argue that senior and middle management positions require different skills and characteristics and, hence, differ in their promotion decisions. Finally,

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we also investigate the importance of a manager's skills and characteristics in comparison to those of his or her colleagues. We follow tournament logic (Lazear & Rosen, 1981; Sheridan, Slocum, Buda, & Thompson, 1990), claiming that promotion odds rise with a manager's increase in experience, expertise, and network size, relative to his or her colleagues.

We test our arguments on a sample of 32,418 managers in the global video-gaming industry. Observing 7003 promotion decisions to middle management positions and 3147 decisions to senior-management positions, we find support for most of our hypotheses. While we find evidence for the importance of human capital (i.e. *experience* and *expertise*) for promotion decisions at the middle- and senior-management levels, social capital's role seems more idiosyncratic. We find support for networks' value for promotions to middle-management positions, yet this effect disappears with regard to senior-management promotion decisions. Finally, our analyses indicate that promotion decisions are based on a peer comparison, that is, a manager's absolute level of experience, expertise, or network size does not account for his or her promotion, while these aspects as compared to those of his or her peers do account for such promotion.

This study makes three contributions to the talent management field. First, given the disparate effects of experience, expertise, and network size on promotion odds at different hierarchical levels, we claim that talent management should be a tailored and unstandardized practice. Talent management systems should account for the specifics of different hierarchical positions as well as the development of managers' unique skills. Our work stands in contrast to previous work that suggested that talent management should be understood as a standardized and uniform practice that follows the logic of integration and standardization (Farndale, Scullion, & Sparrow, 2010; McDonnell, Lamare, Gunnigle, & Lavelle, 2010). Second, we introduce and test the importance of specific human and social capital-related skills for talent management systems. While it seems obvious that human capital related skills should be developed throughout a manager's career, it seems counterintuitive that a network's benefits do not apply for promotions to senior management positions. Finally, our large-scale quantitative research design provides a strong basis for developing theory on talent management. In line with Tarique and Schuler (2010), we see managerial skills and characteristics as the underlying basis in talent management literature. Without an understanding of these underlying constructs, it might be hard to theorize about specific practices or processes that should be part of effective talent management systems.

## 2. Theory and hypothesis

The importance of human resource management (HRM) as a source of competitive advantage (e.g., Lado & Wilson, 1994) or superior company performance (e.g., Becker & Gerhart, 1996; Huselid, 1995) has repeatedly been stated in academic literature. The debate about talent management is situated within the broader field of HRM (Lewis & Heckman, 2006), yet differentiates itself with a focus on a particular group of highly talented managers designated to fill a firm's key positions and, hence, to contribute to its sustainable competitive advantage (Boudreau & Ramstad, 2007; Collings & Mellahi, 2009). Central questions in talent management include the identification of "key positions which differentially contribute to the organization's 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: 304). Talent management thereby

takes a strong focus on filling firms' key positions and shifts the attention from vacancy-led recruitment to "recruiting ahead of the curve" (Capelli, 2008; Sparrow, Brewster, & Harris, 2004), where corporations proactively develop future organizational leaders.

In recent years, the number of talent management publications has strongly increased, and studies have investigated not only the filling of top-management positions, but also the staffing of key positions at lower hierarchical levels (Collings & Mellahi, 2009). When filling a firm's key positions, managers' underlying human and social capital have been regarded as important antecedents to company performance (Collins & Clark, 2003; Crook et al., 2011), yet they differ in their underlying mechanisms. The human capital argument takes an 'individualistic' perspective and claims that a manager's individual knowledge increases his or her cognitive abilities, which eventually leads to more productive and efficient work performance (Davidsson & Honig, 2003). Social capital, on the other hand, takes a 'collective' perspective and argues that a manager's involvement with social networks enables this manager to extract benefits from them, eventually improving his or her work performance (Davidsson & Honig, 2003).

We now describe hypotheses on the importance of human and social capital-related arguments to a manager's promotion odds. Previous literature indicated differences in talent management practices across different hierarchical levels and highlighted the importance of selecting and educating the most promising managers within a firm's talent pool (Farndale et al., 2010; Hartmann, Feisel, & Schober, 2010). Following these arguments, we distinguish among promotions at different hierarchical levels and investigate the importance of a manager's human and social capital relative to that of his or her colleagues.

### 2.1. Human capital: job experience and expertise

In our first set of hypotheses, we argue that job experience and expertise are important prerequisites for managers' overall job performance, raising the odds of their being promoted. We claim that the value of experience and expertise is important at different hierarchical levels, that is, promotions to middle and senior management positions.

Referring to human capital theory (Singer & Bruhns, 1991; Strober, 1990), we argue that experience and expertise improves managers' job performance by different means (Quinones, Ford, & Teachout, 1995). Concerning job experience, experienced managers ran through more critical decision situations (Littlepage, Robison, & Reddington, 1997; McEvoy & Cascio, 1989); developed cognitive structures that assisted them to attend, encode, and make inferences about new information (Walsh, 1995); or developed sophisticated habits and routines (Dokko, Wilk, & Rothbard, 2009). Applied to the video-gaming industry, experienced game developers can handle critical programming decisions better, can make cross-inferences from previous game projects, can learn from mistakes in previous developing projects, or can develop routines that help them work more efficiently (Feldman & Pentland, 2003). We think that these effects not only apply for tasks at lower hierarchical levels, but also for tasks at higher levels. While experienced managers at lower hierarchical levels make inferences about a video game's specific technological and design elements, managers at higher hierarchical levels benefit from their experience through transferring project-management experience (Lalonde, Bourgault, & Findeli, 2010). Managers at higher hierarchical levels might benefit from choosing the most promising projects, promoting and supporting a project team, and transferring knowledge from previous game-developing projects. We hypothesize:

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