Relationships between Talent Management and Organizational Performance: The Role of Climate for Creativity

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ABSTRACT

Objective: The objective of this paper is to explore the role of climate for creativity in mediating relationships between talent management and organizational performance.

Research Design & Methods: A model relating talent management, organizational performance and climate for creativity was tested using structural equation modelling. Based and data from 326 large organizations in Poland. It allowed the verification of two formulated hypotheses.

Findings: Research results reveal that talent management is a three-dimensional construct (dimensions are: strategic, structural and ideological) while climate for creativity and organizational performance are both unidimensional constructs. Results indicate that climate for creativity mediates the relationships between the dimensions of talent management and organizational performance.

Implications & Recommendations: Research findings suggest that in order to enable organizations to achieve high performance through talent management it should focus on creating an appropriate climate supporting individual creativity of its employees.

Contribution & Value Added: The originality of this work lies in studying unexplored relationships between talent management policies and organizational performance with the mediating role of climate for creativity. It is the first attempt to assess these relationships on the basis of empirical data in Poland.

Article type: research paper

Keywords: talent management; organizational performance; climate for creativity; empirical research; structural equation modelling

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INTRODUCTION

Talent management has received significant research attention over recent years (Boudreau & Ramstad, 2005; Dries, 2013a). Despite numerous contradictions embedded in the field researchers usually agree it is related to the way organizations capitalize on their most important assets—talented employees (Raman, Chadee, Roxas & Michailova, 2013). Numerous research studies focus on the relationships connecting talent management to organizational performance since this link justifies the significance of the issue for management scholars (Coulson-Thomas, 2012). Despite numerous calls for empirical studies (Boudreau, 2013) relationships between talent management and organizational performance still lack solid evidence. This lack of empirical studies related to links between talent management and organizational performance are partly explained by scarce theory about talent management (Dries, 2013a).

Using the dialectical perspective and strategic approach to talent management (Ingram, 2016a) this paper aims at exploring the relationship between talent management policies and organizational performance. As relationships between organizational variables rarely occur in isolation, climate for creativity was used as a contingent variable mediating the abovementioned relationships. Climate for creativity allows organizations to create valuable and novel organizational solutions supporting the innovativeness of a company (Hunter, Bedell & Mumford, 2007). The undertaken problem itself is strongly embedded in human resource management theory as well as entrepreneurship and innovation theory.

To explore the relationships empirical data gathered between October 2014 and January 2015 from 326 large companies located in Poland was used. The analysis was conducted using SPSS and MPlus software, and in particular confirmative factor analysis and structural equation modelling were employed.

In the first part of the paper I briefly review current trends in the field of talent management and outline the dialectical approach to these issues. Next, I conceptually relate talent management to organizational performance with the mediating role of climate for creativity. Further, the methodology presents the sample selection and research procedure as well as variables used in the research. In the following section research results are provided. The paper finishes with implications for theory and practice and conclude the paper with future research directions.

LITERATURE REVIEW

Talent Management as a Field of Research

Within recent years talent management has acquired much attention and has become important vein in the research on human resource management (Tansley, Kirk & Tietze, 2013). From poorly theorized phenomena it has converted into a recognized source of organizational performance and competitive advantage (Reilly, 2008). In the beginning, following calls from distinguished scholars, the research on talent management has mainly focused on the definition of talent (Tansley, 2011) and on the creation of a definition of the phenomenon (Iles, Chuai & Preece, 2010). Following the most prominent definition of talent management it is now conceptualized as “activities and processes
that involve the systematic identification of key positions which differentially contribute to the organization’s sustainable competitive advantage” (Collings & Mellahi, 2009, p. 305) which is based on role definitions and the development of talent pools composed of high potentials and/or high performing employees who are responsible for filling these roles. It is also related to the development of human resource architecture that would facilitate filling pivotal positions and guarantee commitment of key employees to organizational aims.

Studies on talent management are mainly concentrated on its strategic aspects (Harris, Craig & Egan, 2010), however research located in the best practice perspective is also identifiable in the literature (Goldsmith & Carter, 2010). Much attention, both theoretical and empirical, has been put to understand and theorize relationships between talent management and organizational performance, however researchers have not come to sound, empirically confirmed conclusions in this area (Azmi, 2011). Al Ariss, Cascio and Paauwe (2014) suggest that talent management may be discussed on several different levels of analysis – i.e. individual, organizational, institutional as well as national, international and sectoral level.

There is also growing debate on the nature of talent in the literature. Gallardo-Gallardo, Dries and González-Cruz (2013) argue that there are multiple equipollent views on the essence of talent, namely as the characteristics of people, natural ability, mastery in a field, commitment, fit to context, as all employees (inclusive approach) and chosen employees, in particular: high performers and high potentials. Dries (2013b) convincingly claims that there are numerous contradictions embedded in talent and talent management research which constitutes the central argument for approaching talent management from the dialectical perspective presented in this paper.

**Talent Management by The Lens of The Dialectical Perspective**

Dialectical approach to organizational phenomena stems from the assumption that strategic problems within organizations are complex and simple solutions are hard to find. The world of organization is composed of opposing forces – contradictions, dilemmas, tensions, paradoxes (Bratnicki, 2001; Poole & Van de Ven, 1989). Managers are responsible for the identification of contradictions and their reconciliation that allow the development of an organization by capitalizing on positive aspects of each opposing force.

Adopting dialectical perspective to talent management (TM) signifies searching for contradictions in the field and attempting to find a reconciliation and obtaining a balance that crosses the trade-off line between two contradictory forces so neither dominates over the other. Moreover, managers are responsible not only to identify and make attempts to reconcile these forces, but also accept colliding events rivaling for domination and control (Van de Ven, 1992). It also requires adopting a strategic approach accepting that talent management is infused with paradoxes and ambiguity (Sundaramurthy & Levis, 2003). There are numerous contradictions embedded in talent management, namely: individual vs. teamwork, individual effectiveness vs. potential, universality of solutions vs. its specificity, cultural specificity vs. unified global solutions, open vs. closed recruitment, egalitarian vs. elitist approach, formal vs. informal definition, identification, recruitment, selection and evaluation of talents, creating TM by separate departments vs. project teams, focus on individual vs. organizational development, managerial vs. entrepreneurial orientation of a TM program (Ingram, 2016a; Ingram, 2016b).
The theory behind the dialectical perspective convinces that conscious reconciliation of strategic contradictions should lead to improved organizational performance (Bratnicki, 2001), thus, contradictions reconciliations in the field of talent management should also help to obtain satisfactory outcomes. This leads to the first hypothesis:

**H1:** There is a positive relationship between the ability to reconcile strategic contradictions in the field of talent management and organizational performance.

### Relationships Between Talent Management and Organizational Performance in The Context

Relationships between organizational phenomena do not occur in isolation. There are numerous variables that may determine, mediate or moderate relationships between constructs in organizational studies. The link between talent management and organizational performance is not an exception in this regard. According to diverse studies there are numerous contextual or contingent variables that affect, determine or influence the nature of the above-mentioned relationship. Among variables influencing talent management are, *inter alia*, organizational structure (Mohrman & Lawler, 1997), firm’s strategy (Sparrow, Scullion & Tarique, 2014), organizational climate (Rogg, Schmidt, Shull & Schmitt, 2001) or organizational environment variables (Garavan, 2012).

Introduction of talent management, its shape, construction and relationship with organizational performance seems to be strongly dependent upon the climate existing within a company. While talent management is usually realized with the purpose of helping to create sustainable competitive advantage (Ashton & Morton, 2005), and the latter is strongly related to the ability to deliver novel and valuable solutions (innovations) for diverse groups of customers (George, 2007), climate supporting creativity – that affects innovative capability (Yeh-Yun Lin & Liu, 2012) seems to play important role in the relationship between talent management and organizational performance. In particular, following by analogy arguments of (Rogg *et al.*, 2001) I assume that climate for creativity intervenes the relationship between talent management and organizational performance. Therefore, the following hypothesis may be formulated:

**H2:** The climate for creativity mediates the relationship between talent management and organizational performance.

### MATERIAL AND METHODS

**Sample and Procedures**

The paper aims to test the relationship between talent management policies and organizational performance. On the basis of literature studies I formulated two research hypotheses, namely:

**H1:** There is a positive relationship between the ability to reconcile strategic contradictions in the field of talent management and organizational performance.

**H2:** The climate for creativity mediates the relationship between talent management and organizational performance.

Units of observation for this study were randomly selected large companies operating in Poland. Each company in the sample employed more than 250 full time employees.
and the sample was cross sectional. Intended sample size was 500 large companies. In order to gather the empirical data, first two samples of 500 companies each were randomly selected from the database composed of 3217 large companies. In the second step companies from the first sample were contacted if they agree to participate in the research. If a company from the first sample refused to participate in the research the company from the second sample with the same identification number was contacted. In total, 332 companies agreed to participate in the research. Therefore, sample realization level equalled 66% (33% in respect to all randomly selected companies). To every company that agreed to participate in the research an interviewer was sent. Respondents in the research were human resource managers or managers responsible for talent management. The study was carried out in the end of 2014 and beginning of 2015 by the specialized market research company.

**Variables**

Talent management policies were assessed using self-created scale (Ingram, 2016a, in press). It is composed of 28 items, evaluated on a 7 point Likert scale, forming 14 strategic contradictions (Cronbach’s alpha = 0.746). The exploratory factor analysis revealed contradictions form three dimensions that were labelled strategic (Cronbach’s alpha = 0.702), structural (Cronbach’s alpha = 0.823), and ideological (Cronbach’s alpha = 0.654), one contradiction was dropped because of low loading level (below 0.4).

Organizational performance was measured with a modified 5-item scale elaborated by Antoncic and Hisrich (2001). The scale was used to measure subjective organizational performance in relation to competitors. Exploratory factor analysis shows it is a unidimensional construct (Cronbach’s alpha = 0.887). Climate for creativity was assessed using a previously prepared scale (Hunter et al., 2007). It is composed of 7 items evaluated on a 7 point Likert scale. Exploratory factor analysis indicates it is a unidimensional construct with Cronbachs’ alpha equal to 0.848. All of the constructs are reflective which means constructs determine the level of observed variables rather than are determined by them. For exploratory factor analysis and Cronbachs’ alpha coefficients SPSS for Mac was used.

**RESULTS AND DISCUSSION**

In the first step of analysis confirmatory factor analysis was carried out for identified in EFA three dimensions of talent management. Root mean square error of approximation (RMSEA) as well as Tucker-Lewis Index (TLI) and Comparative Fit Index (CFI) were satisfactory accounting for 0.039, 0.957 and 0.967 respectively, which means the model is well fitted (see Ingram, 2016, in press).

In the next step relationships between talent management contradictions and organizational performance with the mediating role of climate for creativity was assessed using structural equation modelling in MPlus for Mac ver. 7.2 software. The model was well fitted (RMSEA = 0.049, TLI = 0.935, CFI = 0.943) indicating the relationship between talent management and organizational performance is moderately strong ($R^2 = 0.237$). That means that organizational performance changes are explained in nearly 24% by the independent variables. Model estimation results are presented in Figure 1.
Interpretation of Figure 1 leads to several observations. Firstly, all dimensions of talent management are interrelated. Secondly, relationships between structural and strategic dimensions of talent management and climate for creativity are significant. Also, relationship between climate for creativity and organizational performance is significant. Thirdly, none of talent management dimensions is significantly related to organizational performance. Thus, ability to reconcile strategic contradictions in talent management dimensions does not affect, by itself, organizational performance. Hence, hypothesis H1, stating there is a positive relationship between talent management policies and organizational performance does not receive support.

Fourthly, ideological dimension of talent management is unrelated to climate for creativity as well as to organizational performance, hence, it does not influence neither of these variables. Analyses of mediation effects are presented in Table 1.

Figure 1. Model of relationships between talent management dimensions, climate for creativity and organizational performance
Source: own calculations in MPlus for Mac 7.2.
Results presented in Table 1 prove climate for creativity is an important mediator of the relationships between strategic and structural dimensions of talent management and organizational performance. Especially important are relationships between strategic and structural dimensions of talent management, climate for creativity and organizational performance while these are significant and prove there are links not to be missed in interpretation of changes in the organizational performance levels. Thus, it brings support to hypothesis H2 stating that climate for creativity is an important mediator of the relationship between talent management and organizational performance.

<table>
<thead>
<tr>
<th>Effect</th>
<th>Coefficient B</th>
<th>Confidence intervals – 95%</th>
<th>Is the relationship significant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct effect of strategic dimension</td>
<td>0.139</td>
<td>(-0.098; 0.377)</td>
<td>No</td>
</tr>
<tr>
<td>Direct effect of structural dimension</td>
<td>0.043</td>
<td>(-0.072; 0.158)</td>
<td>No</td>
</tr>
<tr>
<td>Direct effect of ideological dimension</td>
<td>-0.052</td>
<td>(-0.387; 0.282)</td>
<td>No</td>
</tr>
<tr>
<td>Total direct effect</td>
<td>0.130</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Concrete indirect effect of strategic dimension by climate for creativity</td>
<td>0.088</td>
<td>(0.001; 0.176)</td>
<td>Yes</td>
</tr>
<tr>
<td>Concrete indirect effect of structural dimension by climate for creativity</td>
<td>0.089</td>
<td>(0.036; 0.142)</td>
<td>Yes</td>
</tr>
<tr>
<td>Concrete indirect effect of ideological dimension by climate for creativity</td>
<td>-0.009</td>
<td>(-0.129; 0.111)</td>
<td>No</td>
</tr>
<tr>
<td>Total effect</td>
<td>0.298</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Dependent variable: organizational performance
Source: own calculations in MPlus for Mac ver. 7.2.

Research results bring support to existing discussion related to links between talent management and organizational performance. It supports claims that the organizational ability in managing talents influences organizational performance (Levenson, 2012). However, research results prove that this relationship does not occur in isolation and contextual variables are important in explaining talent management effect on organizational outcomes (Thunnissen, Boselie & Fruytier, 2013). According to the research results, organizational climate for creativity is essential for understanding why talent management influences organizational performance. While the level of explanation of the dependent variable is relatively low it would be worthwhile to include further variables into the model. They might be organizational structure, strategy, leadership style, human resource management practices and others that might help to explain relationships in more detail (Van den Brink, Fruytier & Thunnissen, 2013). Therefore, future research should focus rather on explaining the reasons of talent management capabilities influence on organizational performance than providing the evidence of the relationship itself. This study addressed the issue from the strategic point of view (talent management policies were the key point of reference), yet other approaches seem valuable for explaining the effect on organizational performance (Tarique & Schuler, 2010).
Research results bring also important implications for organizational practice. They suggest that if organizations are willing to unveil the effect of talent management on organizational performance, managers should focus on creating the climate supporting creativity. A simple creation of talent management program does not guarantee improved organizational position in relation to competition. It is necessary to focus more strongly on creating conditions allowing for employment of the potential of talented employees. Managers should especially concentrate on conscious shaping of strategic and structural aspects of talent management programs, namely aspects of talent identification, recruitment and selection as well as evaluation procedures and processes. Managers should also focus on reconciling contradictions in the field of individual vs. team-working, paying attention to both the effectiveness of candidates and their potential, balance universality and specificity of the program, focus on development of individual and organization and search for equilibrium between managerial and entrepreneurial aspects of talent management programs.

CONCLUSIONS

Talent management, as an emerging field of interest in the organizational theory, still lacks answers to basic questions — about definitions, scope, relationships to organizational performance and contextual variables (Dries, 2013a). This study proves there is a relationship between talent management, in particular, the ability to reconcile strategic contradictions in TM dimensions, and organizational performance. Climate for creativity comprises of a mechanism that helps to unveil stated relationship. Therefore, it is necessary to create proper conditions for talent management that enable its influence on other organizational outcomes. Certainly, further studies on the issue and relationships between talent management and other organizational variables are necessary, especially important are studies helping to explain how and in what conditions talent management policies might be profitable for an organization. Therefore, both exploratory and explanatory studies are necessary to deepen the knowledge on talent management in organizations. Benefits of such studies are hard to overestimate, while the link between talent management and organizational well being are both theoretically (Ashton & Morton, 2005) and empirically evident.

The study brings also implications for the organizational practice. As the study proves, talent management can be conceptually and empirically linked to organizational performance helping to boost it. However, in order to facilitate improvement of organizational performance managers should focus on accepting contradictions embedded in talent management and focus on processes of their reconciliation. Secondly, talent management by itself does not explain organizational performance fully. In order to capitalize on abilities to reconcile TM contradictions managers should focus on creating the climate for creativity. According to the research results this climate serves as a trigger and creates conditions for transferring TM reconciliation abilities into organizational performance.

The paper has four main limitations. Firstly, the study was carried out in Poland, and that hinders the possibility to generalize research results. Secondly, due to space limitations, in the paper robustness of employed research procedure was not checked. Namely, there are strong premises to state that the relationship between talent management
and organizational performance might, in fact, be of the different direction. The basic question here is if the ability to reconcile strategic contradictions in the TM field is not actually higher in high performing organizations. Thus, further analyses in this regard seem to be of a great importance. Thirdly, while organizational performance depends on numerous factors, it would be useful to include more contextual variables in the research procedure. This would help to explain variability of the organizational performance to a higher extent. Fourthly, although it is suggested to use strong data in SEM, and used scales are ordinal, researchers in the management field, also in the most prestigious journals, commonly use Likert-type scales in similar analyses (Rodell & Lynch, 2016). Being aware it might cause erroneous results and interpretations, the research design followed a commonly accepted practice in this regard.

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