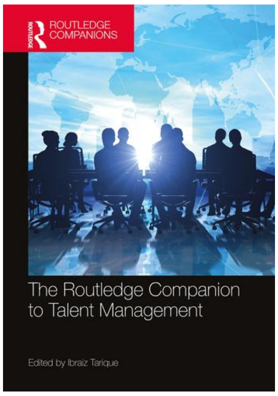

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Ibraiz Tarique

The “Value” Perspective to Talent Management

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Heba Makram
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THE "VALUE" PERSPECTIVE TO TALENT MANAGEMENT

A Revised Perspective

Heba Makram

Introduction

Almost two decades have passed since the topic of talent management (TM) first emerged in recognition of the importance of an organization's precious talent. Since then, TM has gained mainstream interest, first from practitioners and then from academics, and has become a topic of considerable debate (McDonnell, Collings, Mellahi, & Schuler, 2017). The emergence of TM is mainly attributed to McKinsey et al. and the great concern they expressed about the increasingly competitive landscape for the attraction and retention of talent, resulting in a "war for talent" (Chambers, Foulton, Handfield-Jones, Hankin, & Michaels Ill, 1998).

Axelrod, Handfield-Jones, and Welsh (2001) and Dries (2013) argue that the popular war for talent notion is rooted in two assumptions: the first is to recognize talent as a source of competitive advantage that is critical to organizational success, the second is to recognize that the attraction and retention of talent have become increasingly difficult. Such assumptions emphasize the importance of TM to organizational success and bring its direct positive impact on bottom-line and competitive advantage to the forefront (Clake & Winkler, 2006; The Economist, 2006) (of course, such a statement is based on a belief rather than any demonstrated linkage).

This increased interest in TM was also triggered by a number of global challenges, such as: (a) changes in global demographics and economic trends associated with the decline in birth rates, (b) an increased number of retiring Baby Boomers, (c) the global mobility and diversity of workforce, (d) the globalization of business, and (e) the movement towards a knowledge-based economy (Beechler & Woodward, 2009; Schuler, Jackson, & Tarique, 2011). These challenges highlight the ability of organizations to attract, develop, and quickly deploy talented people with the requisite capital (be that human, social, intellectual, and political). Together these challenges led organizations to acknowledge the importance of TM to corporate success and the strategic role of high-potentials in creating economic value and enhancing organizational performance (Amit & Belcourt, 1999; Tymon, Stumpf, & Doh, 2010). It also created questions about the nature of talent, and the nature of the TM practices, processes, and systems developed and implemented to match this.

A substantial number of academic publications discussed TM over the last decade or two (Thunnissen, 2016), for example, in special issues such as the *International Journal of Contemporary Hospitality* (D'Annunzio-Green, 2008), the *Journal of World Business* (Al Ariss, Cascio, & Paauwe, 2014; Scullion, Collings, & Caligiuri, 2010), the *European Journal of International Management* (Collings, Scullion, & Vaiman., 2011), the *Asia Pacific Journal of Human Resource Management* (McDonnell, 2012), the *International Journal of Human Resource Management* (Vaiman & Collings, 2013), and the *Journal of Organizational Effectiveness:*

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People and Performance (Vaiman, Collings, & Scullion, 2017) as well as a series of influential practitioner publications (Ashton & Morton, 2005; Creelman, 2004; Heinen & O'Neill, 2004; Michaels, Handfield-Jones, & Axelrod, 2001; Tucker, Kao, & Verma, 2005). Despite all these, the literature on TM is mainly characterized by a managerialist and unitarist orientation, and has a limited view of the human resource practices that might be involved (McDonnell et al., 2017; Thunnissen, Boselie, & Fruytier, 2013). It is also dominated by consultant and practitioner research (Al Ariss et al., 2014).

Some of the obvious limitations to the TM literature are the lack of consensus on the conceptual boundaries of the field (i.e., what TM is and what it is not) (McDonnell et al., 2017). There is also little knowledge about how TM systems are designed and implemented in organizations, with the main focus on understanding the broader context of TM rather than delving into the practices or processes that organizations use to effectively manage their talent (McDonnell et al., 2017). Thus, there remains a need for researchers to investigate the individual practices that are employed by organizations to manage talent and explain how these practices might (or might not) differ from other traditional HR practices.

The literature is also driven by narrow organizational views on the nature of TM. These views pay limited attention to the actual talent (i.e., individual human beings) and fail to examine their perspectives and their experience of TM (McDonnell et al., 2017; Thunnissen et al., 2013). Accordingly, there is a need for more empirical research that takes individual talent as its main unit of analysis and examines how talent perceives and experiences the practices of TM implemented by their organizations.

Despite such limitations, the field of TM is currently going through a critical stage of its development. It is at a turning point, and researchers have the opportunity to cross boundaries of the traditional and familiar HR literature landscape into other unaccustomed territories to draw on the theoretical developments in such fields. This chapter does exactly that. It recognizes the increased number of implicit value claims (Barney, 1991; Becker & Huselid, 1998; Collings & Mellahi, 2009; Lepak & Snell, 1999; Wright, Dunford, & Snell, 2001) that suggest that TM is a source of sustained competitive advantage and value creation.

The chapter provides a review of strategic management (Amit & Schoemaker, 1993; Gans & Ryall, 2017; Rumelt, 1984), value and value creation literature (Bowman & Ambrosini, 2000; Sirmon, Hitt, & Ireland, 2007; Skilton, 2014), and resource-based view (RBV) and dynamic capabilities literature (Barney & Clark, 2007; Helfat et al., 2007; Teece, Pisano, & Shuen, 1997). The objective is to revisit the previously proposed value model by Sparrow and Makram (2015) that suggests how TM may add value to organizations in relation to four value processes – value creation, value capture, value leverage, and value protection – and provide an updated theoretical perspective on how TM may generate value in relation to the proposed four value-driven processes.

Sparrow and Makram explain each of the four processes as follows:

> *Value creation* is the process through which the organization attracts, acquires and accumulates valuable and unique talent resources and exploits their potential to create value.
>
> *Value capture* is the process through which an organization then bundles its talent resources with other resources to increase their dependency on the organization context, and hence weaken their bargaining power.
>
> *Value leverage* is the process through which an organization develops and extends the captured capabilities of its talent resources to add new use value.
>
> *Value protection* is the process through which an organization develops isolating mechanisms to protect its talent resources from being lost to other competitors. (emphasis added; 2015: 250)

The chapter beings by first explaining how the notion of "value" is defined and understood in the literature. It then presents a critical review of the value literature, lays out the broader theory of value to describe how TM may add value in relation to the four value-driven processes, and provides an updated description of the initially proposed processes. It then concludes by providing direction of future research and implication to practice.

Value – What Does it Mean?

What is value? To understand what value is, we need to recognize that the nature of value is elusive, and the reason behind its elusiveness stems from the meanings of value that are strongly embedded in the foundations of economics and the study of market exchange (Vargo, Maglio, & Akaka, 2008). The nature of value has been widely debated and discussed in the literature. In his attempts to understand the meaning of value, Aristotle (1959) was one of the first to discuss the concepts of "exchange value" and "use value". To understand exchange value, he initially deliberated about whether "money" and "need" were conterminous (sharing common boundaries) with exchange value before rejecting both, explaining that money should not be a measure of value, and that a person's need lacked a unit of measurement. Aristotle was one of the first to consider these concepts, but they were subsequently picked up and elaborated on by other academics (e.g., Ambrosini & Bowman, 2000).

Despite being examined by many scholars in a special forum (Lepak, Smith, & Taylor, 2007), there seems to be a number of limitations in the value literature that hinders our understanding of what value is. For example, there is little consensus on the meaning of value (Pitelis, 2009). Lepak et al. (2007) suggest that this lack of consensus is perhaps the result of a number of factors. Firstly, they argue that the multidisciplinary nature of the field of management introduces a plurality of perspectives related to the targets of value (i.e., who is value created for) and the potential sources of value (i.e., who creates value). This introduces a number of challenges, including developing a definition of value. Secondly, they argue that the difficulty of differentiating between the content of value and the process of value creation (i.e., what is value, who values what, and where does value reside) makes it difficult to understand value creation. Finally, they suggest that confusion about the processes of value creation and value capture has contributed to the existing disagreements and confusion surrounding the terms value and value creation.

A number of scholars have attempted to address this definitional problem. For example, Bowman and Ambrosini define two aspects of value:

- "perceived use value" – how customers perceive the quality and value of a service or a product in relation to their needs. Use value is "the specific qualities of the product perceived by customers in relation to their needs" (2000: 2);
- "exchange value" – the monetary amount customers are willing to pay in exchange for a desired good or service. Exchange value is "the monetary amount realized at a single point in time when the exchange of goods takes place" (2000: 3).

Both definitions suggest that value is subjective and is therefore predominantly dependent on the perceptions of customers and their willingness to exchange a monetary amount for the value received. Similarly, Pitelis (2009) defines value as the "perceived worthiness" of a product or service for a final target user. More recently, Bowman and Ambrosini (2010) argue that value has a different meaning for different stakeholder groups, and categorize a firm's key stakeholders as its customers, suppliers (of separable inputs and human inputs), and owners (Clarkson, 1995). In summary, then, value means different things to different stakeholders depending on their motivations and what they aim to optimize on (be it value for money, monetary amounts received in exchange for services and products, or efforts or return on investments).

Since judgments about value are subjective and dependent on perceptions, to understand the value of TM, there is a need to address two important questions: how is value created and how it is captured? The remainder of the chapter answers these questions and outlines the value of TM in relation to the four value-driven processes (initially introduced in Sparrow & Makram, 2015)

Value Creation and Talent Management

Creating value and the quest to achieve sustained competitive advantage are two critical concerns of researchers in strategic management and organization studies (Collis & Montgomery, 1995; Teece, 2007). Value is created when organizations exploit their internal resources and capabilities to implement strategies that enable them to respond to market opportunities (Andrews, 1971; Penrose, 1959). On the other hand, the literature on dynamic capabilities (Teece, 1982; Wernerfelt, 1984) suggests that value creation resides in the organization's ability to "integrate, build and reconfigure internal and external compiesetences" (Teece et al., 1997: 516) and in its capacity to "purposefully create, extend and modify its resource base" (Helfat, 2007: 4). Moreover, Sirmon et al. (2007) suggest that a firm's resource portfolio establishes an upper limit to the creation of value. Organizations should, therefore, structure their resource portfolio by acquiring a repertoire of resources (i.e., unique and valuable resources), accumulating resources (i.e., internally develop resources), and divesting resources (i.e., actively evaluate and divest less valuable resources) to be able to create value.

To conceptualize the process of value creation, there is a need to define the sources of value creation (i.e., who creates value). Lepak et al. (2007) suggest three sources of value creation: the individual (by developing unique tasks or services that are perceived to be valuable by target users), the organization (by inventing new ways of doing things to benefit target users), and society (by developing new programs and incentives intended to benefit its members). Relating this to TM, two sources of value creation can be identified: the individual talent, who create value when they develop their role and deliver novel and appropriate outcomes that appeal in the eyes of their employer (Lepak et al., 2007); and the organization, which creates value by inventing and devising the appropriate TM (i.e., practices, systems, and processes) that enable it to exploit the potential of their talent resource to work towards value creation (Wright & McMahan, 1992).

In the HRM literature, many scholars argue that employees are an important determinant of value creation due to their uniqueness, their ability to increase productivity by learning, the way they work together to help create the distinctive personality of the organization, and their ability to execute and deliver on organization strategies, as well as the HR systems and architectures implemented to link human resources with value creation in the organization (Garavan, Carbery, & Rock, 2012; Lepak & Snell, 2002; Peteraf, 2006; Pfeffer, 1994; Pitelis, 2007).

On the other hand, the SHRM literature describes the process of value creation in relation to how the HR systems (sets of processes, practices, and policies) implemented by the organization build employees' skills and motivate them to work towards achieving organizational goals and contribute to value creation (Wright & McMahan, 1992). It is argued that HR systems contribute to value creation when they elicit the desired behavors that are critical to executing the strategies of value creation, and when they impact the skills and knowledge of valuable talent and their willingness to expend effort and express their talent in the workplace (Boxall, 2012; Huselid, 1995; Macduffie, 1995; Schuler & Jackson, 1987). Value creation is also described in terms of how HR systems foster and facilitate the generation, accumulation, and internalization of knowledge and spark the involvement and commitment of valuable talent (Lado & Wilson, 1994). The fundamental focus of these various explanations of value creation, both in the general management literature and the HRM literature, is the organization's "valuable talent" and their contribution to value creation.

Revised Perspective: Value is created when organizations implement the appropriate talent management systems and practices that enable them to attract, acquire, and accumulate valuable and unique talent resources and elicit the desired behavors critical to value creation.

Value Capture and Talent Management

Much of the literature, for example, the RBV literature (Barney, 1991; Collis & Montgomery, 1995; Peteraf, 1993), focuses mostly on the concept of "value capture" rather than "value creation". Therefore, it is important to recognize that value capture and value creation are two distinct albeit related activities (Sparrow & Makram, 2015). In the strategic management literature, scholars have distinguished between these processes by recognizing that in some cases, firms that create value may be unable to capture this value if they need to share it with others such as customers, employees, or stakeholders (Makadok, 2001). This is referred to as "value slippage" (Lepak et al., 2007). On the other hand, in the coalitional game theory literature (Brandenburger & Nalebuff, 1995), it is suggested that value is captured through freedom of exchange, in which the value created by one partner is only captured when the resources and capabilities of the other partner are equal.

Others argue, that value capture (the realization of the exchange value) is determined by the bargaining relationship between parties. It is "a function of a bargaining process" (Bowman & Swart, 2007: 492) between the creators of value (i.e., customers, suppliers or employees) and the capturers of the value (i.e., firms), in which the economic basis of this bargaining relationship is a function of perceived dependence (Bowman & Ambrosini, 2000; Coff, 1999; Pfeffer, 1995). From this point of view, it is reasonable to say that the value created by a firm's resources becomes critical *only if the firm manages to capture that value.*

With respect to human capital as a source of value creation, it is argued that the bargaining power of employees is very much dependant on how they perceive themselves. For example, if they perceive their livelihood to be dependent on their organization, it is unlikely that they will exert strong bargaining power, but if they perceive that their role in the value-creation process is crucial, that the talent they possess is critical to their organization, and if they can take it elsewhere, then they will most likely exert strong bargaining power (Bowman & Swart, 2007).

The literature also suggests, that to capture the value that has been created, be it by human capital or other firm resources and capabilities, organizations need to create separate processes referred to as "isolating mechanisms" (Rumelt, 1984), which should enable them to capture any value they create. Isolating mechanisms can become strategies of value capture to obstruct the flow of knowledge thus increasing the uncertainty of imitation and preventing competitors from accessing and utilizing firm's resources, capabilities, and strategies (Lippman & Rumelt, 1982; Mahoney & Pandian, 1992). With the protection of isolating mechanisms, firms may enjoy capturing the value created by its resources and capabilities.

While talent can contribute to value creation, it is important to realize that this is mostly dependent on their willingness to share their knowledge, capabilities, and expertise with their organizations and willingness to engage in the process of value creation. In such a case, organizations need to develop the right systems that would enable them to capture the knowledge and expertise of their valuable talent, and stop the flow of such knowledge and expertise outside of the organization. This is important if an organization wishes to retain the value created by its talent resources.

Revised Perspective: Value is captured when organizations design and implement talent management systems and practices that enable them to extract the knowledge and expertise of their valuable and unique talent resources and thus weakening their bargaining power.

Value Leverage and Talent Management

Thinking about the role of TM in the creation and capture of value raises the question of whether there may be other ways in which TM may add value to organizations. A review of the literature brings to the surface two more value processes to which TM may contribute: value leverage and value protection.

Although value leverage was not widely discussed in the literature, we can detect several implicit debates to explain how TM may enable organizations to leverage the value being created by their talent resources. Bergmann Lichtenstein and Brush (2001) argue that owning resources and bundling them to develop capabilities is not enough to realize value creation; instead, firms need to leverage and extend their capabilities to ensure a continuous process of value creation.

Similarly, Miller et al. (2002) argue that a firm's resources and capabilities are of no value unless these can be extended to create more value and superior returns. To understand more how TM may enable organizations to leverage the value created by talent resources, we turn to the dynamic capabilities literature (Eisenhardt & Martin, 2000; Teece et al., 1997), which suggest that firms can leverage the value of their resources (be that tangible, intangible, or human resources) and capabilities by engaging in these activities that create, modify, and extend their resources base (i.e., acquisition, innovation, entrepreneurial, knowledge management) (Helfat, 2007).

On the other hand, from the RBV literature (Barney & Clark, 2007), we learn that value may be leveraged if a firm combines its resources and capabilities with its tacit knowledge in order to create novel and valuable outcomes (Sparrow & Makram, 2015). The process of value leveraging is therefore critical for the maintenance of value creation.

Perhaps the most relevant discussion to TM is one by Sirmon et al. (2007) in which they describe the process of value leverage in relation to a firm's ability to mobilize its idiosyncratic capabilities. The intent of mobilization is to identify the capabilities needed by the firm and design the capability configurations required to exploit such capabilities in a way that would enable the continued creation of value. Hamel and Prahalad (1994) argue that mobilizing firm capabilities requires an action of continuous adjustment to ensure that the appropriate capabilities are available for sustainable value creation. In addition, Sirmon et al. (2007) refer to the importance of capability coordination. Coordinating firm capabilities involves the effective and efficient integration of such capabilities to create the capability configurations required to implement leveraging strategies and thus result in sustainable value creation.

Moreover, debates in the TM literature make implicit reference to the process of value leverage, for example, Sparrow et al. (2010) argue that value leverage requires firms to invest in the appropriate TM practices to enable them to (a) build on their current talent capabilities, (b) manage the knowledge of their talent resources in ways that lead to executing strategic outcomes and (c) respond to talent shortage and recognize organizational capabilities that are central to the business model.

Similarly, Andreas et al. (2007) suggest that the process of value leverage includes those activities required to improve the efficiency and effectiveness of existing value creating resources such as: structuring talent resources, managing talent knowledge and transferring it across the organization to generate new ideas, and creating a collaborative and creative culture to effectively manage talent. Taking into consideration what has been suggested in the different lines of literatures, one can argue that in addition to enabling organizations to create and capture (acquire, accumulate, and exploit the potential of talent resources) value, TM may also enable organizations to continuously enjoy the process of value creation and value capture. This is perhaps possible when the processes, systems, and strategies of TM are designed to enable organizations to leverage the value of their talented rescores.

Revised Perspective: Value is leveraged when organizations design and implement talent management systems and practices that enable them to extend, mobilize (replicate), integrate, and deploy the capabilities of valuable and unique talent resources.

Value Protection and Talent Management

Although most of the scholarly discourse on the topic of value has focused mainly on understanding a firm's ability to create and capture value rather than understanding how it might protect the returns of value creation (Reitzig & Puranam, 2009), a number of discussions were detected to inform our thinking and understanding of value protection. For example, Rumelt (1984) suggests that organizations can only preserve value if they succeed in protecting their value-creating resources from being captured or duplicated by competitors. This involves deploying isolating mechanisms that prevent rivals from having access to value creating resources. Isolating mechanisms occur in situations, when the relationship between the firm's resources and the competitive advantage is not understood (i.e., causal ambiguity), when sources of competitive advantage are "socially complex" (i.e., embedded within the firm's relationships and social systems), and when decisions are "path-dependent" (i.e., on the firm's unique history).

On the other hand, Barney and Clark (2007) suggest that organizations can protect its valuable human resources from being imitated by other competitors if they succeed in developing a firm-specific skill base. This is accomplished by training and developing employees on processes and procedures that are specific to the organization (Hatch & Dyer, 2004), or by developing firm-specific knowledge and disseminating it throughout the organization (Senge, 2006). They also suggest the development of complex social systems that are not transferable across organizations and embedding talent resources within these systems can protect the value they create.

Strategic HRM scholars (i.e., Becker & Huselid, 2006; Huselid & Becker, 2011; Wright & McMahan., 2011) advocate that the development of an integrated HR system that provides a synergetic effect to manage valuable human resources rather than investing in independent practices contributes to value creation. Itami (1987) suggests that HR systems are considered "invisible assets" that can create value if they were deeply embedded in the organization operational system to enhance its capabilities. The interrelatedness and integration of the HR system components make it difficult if not impossible for competitors to imitate such system.

Scholars such as Barney (1991) and Collis and Montgomery (1995) suggest that causal ambiguity and path dependency are two key factors behind such difficulty of imitation. For example, without being able to understand how an HR system works and how its many elements and components interact and integrate, competitors cannot figure the precise practices and policies that generate value. Moreover, such practices and policies are usually developed over time, which precludes competitors from immediate imitation.

While there is no agreement on which HR practices constitute a high-performance work systems (HPWS), these systems play an important role in generating value to organizations and protecting their value creating resources (human capital) (Jackson, Schuler, & Jiang, 2014). A significant body of research suggests that there is a positive association between HPWS and employee retention (Gardner, Wright, & Moynihan, 2011; Huselid & Becker, 1997; Jensen, Patel, & Messersmith, 2013; Way, 2002).

From the social exchange theory (Stirpe & Zárraga-Oberty, 2017), we detect several arguments asserting how employees perceive such systems as signs of appreciation, recognition, and an employer attempt to build a long-term relationship with their employees. Such perceptions motivate employees to remain with their employer and equally invest in the relationship by performing and contributing to the organization success (Evans & Davis, 2005). Pioneers in the strategic HRM literature argued that HRM systems co-evolve along with business strategies where organizations develop their HR systems to implement specific business strategies to enable them to improve employees' commitment, involvement, and performance (Arthur, 1992; Camps & Luna-Arocas, 2009; Jackson et al., 2014).

Revised Perspective: Value is protected when organizations design and implement talent management systems and practices that are interrelated and integrated into ways that make it difficult for competitors to imitate these systems and thus enable them to introduce a number of isolating mechanisms to protect their valuable and unique talent resources.

Future Research Directions

First, while the theoretical development presented in this chapter attempts to address important questions about TM and value, there is an opportunity for future research to focus its efforts on examining the value of TM from both an organizational perspective and an individual talent perspective. The literature could examine how the individual TM practices (that make up a TM system) are designed and implemented in organizations and whether the concepts of value are taken into consideration while these systems are being designed, or not. There is also an opportunity to examine how system designers think about and understand the value of TM, and how their perceived value (if it exists) might impact the design and the implementation of TM systems in organizations. Research could also benefit from examining how the value of TM is perceived by the individual talent themselves. This could surface interesting insights into whether there is a disconnect, or there is an alignment between system designers and individual talent views.

The proposed value model can also be used to generate several propositions for further empirical testing. Therefore, it may guide future research to examine the actual bundles of TM practices that might contribute to each of the proposed four value-driven processes and validate the above-proposed descriptions of each process.

Finally, researchers may want to use research methods that are designed to reveal the implicit assumptions and debates that shape an organization's practice and policy within the TM space. These

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methods will likely need to be qualitative, such as cognitive mapping techniques, if researchers wish to surface the working assumptions of talent strategists or techniques that reveal organizational narratives and sensemaking if researchers wish to understand the ways in which HRM functions put their strategy into practice.

Implications for Talent Management Professionals

This chapter has critically examined the use of the concepts of value in the TM discourse. It encourages talent professionals to step away from their traditional approach to TM and think more strategically about the design and implementation of TM systems. HR/TM professionals are encouraged to look at developments in other fields (i.e., strategic management) to understand how best TM systems may add value to organizations. The four value-driven processes (initially introduced by Sparrow & Makram, 2015, and revisited in this chapter) can be used as the blueprint to critique the TM practices implemented by organizations and decide whether these practices are adding value to the organization or not. These may also help HR/TM professionals view TM as a collective set of integrated practices rather than separate practices.

Conclusion

The critical review of the talent management literature should lead us to the following conclusions. First, despite the significant volume of publications and research in the TM field, there are still obvious gaps in the literature that require the attention of academics and researchers. One of these gaps is the dearth of empirical evidence to support the many implicit value claims (found in both academic and practitioner literature) that suggest that TM is a source of sustained competitive advantage and value creation (Barney, 1991; Becker & Huselid, 1998; Cascio & Boudreau, 2016; Lepak & Snell, 1999; Sparrow, Scullion, & Tarique, 2014; Wright et al., 2001).

This chapter sought to borrow and draw on the theoretical developments in other literature, such as strategic management, RBV, value and value creation, and dynamic capabilities, to explain the value of TM and how it may contribute to four value-driven processes (creation, capture, leverage, and protraction). This chapter has attempted to address an important question of TM and value. Its central argument suggests that the rational answer to the value question lies in the way in which the activities and practices of a TM system are designed and integrated to add value to organizations. It reinforces the idea that invigorating a better and broader way of thinking about TM and its practices (more specifically around its value) enables academics to develop a better understanding of how TM may add value to organizations, and how it may enable them to exploit the pote0ntial of their talent resources. Finally, it provides a revised perspective of the initially proposed value-driven process (Sparrow & Makram, 2015) in an attempt to further develop the value model to guide future research.

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