

## HOW STRATEGIC IS HUMAN RESOURCE MANAGEMENT IN KAZAKHSTAN? A SURVEY OF HOW COMPANIES MANAGE TALENTED EMPLOYEES

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### ABSTRACT

*The purpose of this paper is to explore the approach toward talent management among Kazakhstani companies and multinational subsidiaries in Kazakhstan. The objective is to understand the extent to which practice in Kazakhstan is congruent with best practice in leading industrialized nations. Data were collected through twelve in-depth interviews with HR managers from different companies. The findings suggest that talent management practices are diverse in the participating companies although Kazakhstani companies generally lag well behind international best practice. The research is highly original being the first study on this topic in Kazakhstan. As such the research fills a gap in the literature and provides some insights for practitioners working in talent management.*

*Keywords: Talent management; Kazakhstan; Human resource management; employee relations.*

### INTRODUCTION

It has been an explicit, long-standing policy objective of President Nazarbayev to encourage foreign investment in Kazakhstan by making, in part, the local business conditions attractive to foreign firms (KazCham, 2011; Muzaparova, 2011). Multinationals including Proctor and Gamble; PricewaterhouseCoopers; Philip Morris and Ernst and Young have responded by making the Kazakh city of Almaty – where this research project is conducted – their regional headquarters. However, recent research (Davis and Yugay, 2012; Davis and Yugay, 2011; Tatibekov et al., 2004) suggests that there is a wide chasm between international best practice in people management techniques as practiced by multinationals in Kazakhstan and the techniques local companies use to manage their people. Although Kazakh companies have looked to learn from international best practice in areas such as corporate governance (Davis and Callahan, 2011) the same appears not to be true for human resource management practices. This is significant because the Government of Kazakhstan has cited the central importance of human capacity building and human capital innovation to the country's plans to be a top fifty industrialized nation by 2020 (Kazakhstan 2007 – 2011 in Figures, 2011a; 2011b). Therefore, unless Kazakhstani companies know about and effectively deploy modern human resource management practices, such as how talent is developed and retained, the country may well fail to realize the Government's central growth and development targets. This research, therefore, aims to provide a preliminary analysis of where talent management in Kazakhstani organizations currently rests. This will provide some indication of how much needs to be done to ensure Kazakhstani companies are utilizing leading-edge approaches to the management of talent. In this respect, this research serves to not merely fill a knowledge gap in the academic literature but also to offer human resource practitioners helpful insights on the practice of their profession. Such knowledge could inform future development and strategic human resource planning in Kazakhstani companies so that the fast-track aspirations for economic development espoused by the Government may be achievable.

### LITERATURE REVIEW

After the global financial crisis of 2008, more organizations worldwide realized the importance of using their human potential in full force and effect. Competent capital management was recognized as instrumental not only for survival, but for becoming stronger and preparing for the future unexpected events, such as another financial crisis.

Knowledge about talent management (TM) has been continually developing since the 1990's. The term was coined by David Watkins of Softscape (Watkins, D., 1998) and was first mentioned in his article in 1998. The same year, McKinsey consultants came up with the phrase "war for talent" (Chambers, E. *et al.*, 1998), which has been actively exploited since then in the TM literature. To date, there is no consensus on a common definition of talent management (Whelan, E. *et al.*, 2010). Some authors equate talent management to HR management, a second group of authors focus on the development of talent pools; a third strand of research emphasizes the management of talented people. Finally a new trend in the TM literature focuses on key positions which have a potential to make a significant contribution to the company to create and maintain its competitive advantage. As opposed to the opinion of authors, who consider talent management to be equal to human resources management (HRM), Hughes and Rog specify that TM differs from HRM by implying the following additional features: a level of strategic integration (integration and aligning of talent management practices with internal organizational systems and external factors), sophistication (the higher level of integrated data management and information systems), and broad-based accountability (i.e., TM is obligatory for managerial/supervisory staff). The authors suggest that talent management may thus be used to "elevate the practice of HRM to its theoretical potential with evidence, shared responsibility and supportive culture being key cornerstones of its practice." (Hughes and Rog, 2008, p.745) Thus, talent management is not equal to HR management, it rather helps to unlock the potential of HRM.

The Chartered Institute of Professional Development (CIPD, the UK) defines talent management as "the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organization, either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles" (CIPD, 2009, p.2). Silzer and Dowel (2010, p. 3) specify such common components of TM systems as structured selection process; career development programs; talent assessments; formal learning and developing programs; functional competencies integrated with the performance management system, reward and recognition programs. Therefore, talent management encompasses several functions the organizations shall excel in to ensure that it has and will have the best people. The importance of talent management cannot be underestimated. According to the resource-based view (RBV) of the firm, competitive advantage is composed of a set of resources and capabilities owned and controlled by a firm as sources of competitive advantage (Barney and William, 2012, p.84-85). Resources include financial, physical and human resources. In turn, human resources include "the training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in a firm". Therefore, firms are gaining their competitive advantages with the help of their managers and employees, if they are used and treated as appropriate.

Silzer and E.Dowel (2010, p. 5) argue that it is the quality of talent that either bring a company to the success or doom it to failure. The authors emphasize that many large successful organizations such as PepsiCo, Microsoft, HomeDepot, Ingersoll Rand, Cargill, and Allstate refer to their talent not only as to one of their strategic sources of competitive advantage, but also consider it imperative for business success, so they embed their talent management policies into the company's strategy. This becomes increasingly important with companies expanding and going global which involves a fight for the best talent – a scarce and valuable supply. The issue of global talent recruitment arises as more companies are seeking to benefit from different skills, behaviors and competencies that internationally-recruited competent employees bring to firms (Wilson, 2008, p. 5). As Deloitte found out in its Talent Pulse survey (2005), 40 per cent of 1396 companies from 60 different countries reported, that an insufficient number of qualified employees negatively affects the firm's ability to innovate; 33 per cent stated that ineffective talent management limits their ability to meet good people affects the firm's ability to innovate, while 33 per cent stated that ineffective talent management limits their ability to meet production requirements and fulfill customer demand.

Another important point is that employee engagement and retention have a positive effect on the financial performance of a company. A survey conducted by Towers Perrin – ISR in 2008 discovered that companies with the highest levels of employee engagement have better financial results and are more successful in retaining their most valued employees than companies with lower levels of engagement. Results of the study suggest that it is organization that influences employee engagement the most, also, that companies shall focus on "more inspirational and engaging style of leadership to help drive higher

engagement,” and that they need to understand their employees well to create favorable working conditions to let the engagement flourish. The importance of talent management is widely recognized by companies. Stephens (2010, p.3) emphasizes that 90 per cent of life sciences executives surveyed in a talent management research named talent management as a “key strategic priority.” According to the results of the survey, the executives identified four major areas their companies will be focusing during the post-crisis period and ever further: 1) leadership development; 2) high potential employee identification and assessment; 3) performance management; and 4) succession planning. The results of the survey highly correlate with study reviewing current HRM trends recently conducted by CIPD (2009). In the talent management part, the researchers identified such trends as switching to more cost-effective development and training practices, and integrating talent management practices with organizational development and performance management, which suggests that talent management is viewed as important as other key functions contributing to an organization’s success. These findings are supported by a survey by Mercer (2010), which discovered that companies expect talent management to grow in importance. Employers named such talent management focuses as leadership succession, leadership training/development, overall succession planning, key talent/high potentials, workforce planning and employee engagement to be top priority in the years to come. Each of the dimensions specified by executives in the above talent management survey deserves special attention, as the research will be framed by these inter-related notions.

#### ***Talent identification and assessment***

This is the first step targeted at development and retention of high-achievers. To identify high-potential employees and future leaders, determine gaps between current and desirable competencies, strengths of employees and organizational weaknesses, companies undertake regular competency-based assessments of employees within the framework of overall talent strategies. Such processes assess a required set of competencies, and subsequent decisions on future development and training plans, career paths and succession plans are made based on the results of such assessments (Stadler, 2008, p. 266). This tool helps to retain high-performers by meeting their growth needs and requirements.

#### ***Leadership development***

After “star” employees are discovered, the results of assessment are used to develop their talent mindset, leadership skills and individual capabilities with the overall aim of grooming talent for assuming higher positions (Bhatnagar, 2008, 20-22).

#### ***Performance management***

Performance management systems also help to identify high-performing employees and compares performance results with set standards. According to performance demonstrated by employees, rewards and motivations programs are developed for each category of performers provided for by the system. (Bhatnagar, 2008, p. 23-24)

#### ***Succession planning***

Stadler (2008, p. 264) defines succession management as “systematic process of determining critical roles within the company, identifying and assessing possible successors, and providing them with the appropriate skills and experience for present and future roles.” The author emphasizes that given such current conditions as economic downturn, retirement of baby boomers and a higher rate of turnover of CEOs of large corporations, the importance of succession planning has become a pertinent issue. One of the most effective, yet costly tools for succession planning is talent pools. Benefits include focusing training and development resources on specific areas requiring improvement, reducing turnover and retention of talent, stimulating movement within the companies and improving recruitment results Hughes and Rog (2008, 746). Recruitment and retention of high-performing employees is another one of the integral parts of TM. Apart from the abovementioned tools such as development and career opportunities, some additional recruitment and retention techniques are discussed below. Employees’ satisfaction and price in the organization they work for are important retention aspects. Naturally, if employees feel comfortable in working environment created and maintained by the employer, they will unlikely leave. This contributes to the retention of skilled

workers, and a reduction of recruitment and other expenses caused by a higher turnover rate. Leary-Joyce (2010, p. 73) also stresses the importance of the culture in which existing or potential talent is fostered and developed. As the author emphasizes, “70 per cent of people leave their manager and not the job”.

According to a survey conducted in India (Doh *et al.*, 2011, p. 38), 20 per cent employees who reported strong pride in the organization expressed a strong intention to leave, but only 10 per cent left a year later. On the other hand, of those employees who expressed strong satisfaction with the organization, 14 per cent expressed a strong intention to leave; only 7 per cent left a year later. The research thus shows that the attrition rate is dependant on employee satisfaction and pride in their company. In this light, the concept of “employer brand” or “employer of choice” is something that is worthy to look at. Many companies are seeking ways to build the “desired employer” brand to attract talent, make them proud of the company and satisfied with it, and thus, retain them. In such companies, employees are considered as individuals rather than resources. Employers of choice normally involve employees in decision-making processes, create enjoyable working environment, and supporting work-and-life balance (Sachdev, 2008, p. 22). In one word, employer of choice is an organization that is committed to provide its employees what they value most, i.e. it has employee value proposition (EVP) that makes it different from other employers and, therefore, provides it with a competitive advantage. However, if all of the discussed practices are not properly formalized, unstructured or disintegrated with organizational strategies, companies will not benefit much from them. Tower-Watson (2011) developed the framework for sustainable reward and talent management design and delivery to improve current TM practices, which included integration of reward and talent management systems within the larger framework of organization’s strategy and objectives.

The importance of the integration of TM though a system is emphasized in research literature. Integration is about fitting together all parts of a talent management system. At the next level, it is about integration of the TM system with strategy, business planning, and organizational approach to HR management. Ashton and Morton (2005, p.31) explain that without integrating TM activities the efforts made will not lead to meaningful results. Ward (2009, p.213) gives an example of how well all processes work if each of them use the same standards for recruiting candidates, managing performance and designing career paths. Such an approach breaks down silos between various interrelated functions and makes the system work as one organism. Structure is another important aspect of a successful talent management program. A multiple review article “Be structured in managing talent: don’t leave sustainable competitive advantage to chance” (2007, p.32) stresses the importance of “architecture” of talent management and outlines the following steps including “4P” (picture, pathways, processes and programs) to be followed by employers and HR managers: Establish learning and development pathways that transform potential into top talent; Establish HR systems and processes that enable potential to be realized as performance; and Establish programs that enable talented people to develop, and talented managers to create organizations with high concentration of talent. Based on the above literature review, the research focuses on the discussed talent management techniques and tools. According to the results of the research, appropriate practical recommendations follow the findings of the study.

## **METHODOLOGY**

The research methodology employed to gather data was influenced by the social, cultural and historical context of Kazakhstan. The country has only recently (1991) become independent and does not have a tradition of foreigners conducting western-style academic research. Indeed, Kazakhstan, as a remote part of an essentially closed communist country for more than seven decades, has no culture of freely instigated academic research. For foreigners not speaking Russian, conducting research is especially challenging. A second important consideration informing the methodology was the nature of the study itself. This study is exploratory research; a pilot study. As noted in the introduction, this is the first study of its kind in Kazakhstan and as such has no earlier study to inform it. Rather than attempt an expansive, in-depth study, the objective was to start a process of inquiry which might highlight areas for further, more detailed research. It is hoped that this paper might serve as the catalyst for others to conduct more interrogative analysis of the broad issues arising from this study’s findings. The approach taken for this study was to leverage personal connections to gain entry into organizations. Without an introduction it is extremely difficult to approach a company in Kazakhstan because the introduction serves as an assurance that the

researcher can be trusted. Unsolicited emails or letters seeking interviews go unanswered. Therefore, the organizations that participated in this study were ones where the researches could be vouched for by someone on the inside. Data were analyzed using thematic content analysis (Fielden and Hunt, 2011; Vinnicombe and Singh, 2011; Weaven *et. al.*, 2009). Interviews were recorded in Russian and transcribed into English. Analysis initially began with a thorough review of the transcripts by the researchers to gain a good understanding of the views and experiences of the participants. The second stage was to examine the transcripts for concepts and themes. Key words became nodes and then diagrammatic models were constructed around the nodes to show the relationship between key words and between key words and themes. Coding was then employed to sort these key words and themes so that areas of consensus and inconsistencies could be identified. The entire process was then reviewed for accuracy. The research presented in this paper examines TM in foreign-owned subsidiaries in Kazakhstan and local companies and is based on the findings of interviews conducted with HR professionals in Kazakhstan. Therefore, qualitative research was used. The rationale for selecting a qualitative research method is as follows: qualitative research provides detailed descriptions of how people experience a given issue and thus may give a valuable insight which might have been missed by other methods. Results of qualitative research may be a perfect addition to quantitative research to form a complete picture, or help to interpret the results of quantitative research. Qualitative research methods include participant observation, in-depth interviews and focus groups. For this work, in-depth interviews were used, as this is an optimal method for collecting personal perspectives, opinions and histories of participants, which serves the purposes of the paper. For this study, semi-structured face-to-face interviews were conducted. Each participant was asked a same set of pre-prepared open-ended questions in order to focus the attention of the interviewees on the topic of the research in order to obtain analyzable data. (See the list of questions is available in Appendix). Semi-structured interviews also allow the interviewer to ask follow-up questions or otherwise explore the responses of participants.

The interview was conducted with representatives of twelve companies (eleven in Almaty and one in Astana, Kazakhstan). Six companies are Kazakhstani companies with foreign ownership, three companies are Kazakhstani-based companies, two of which are fully and partially funded by state, and four companies are local subsidiaries of international organizations. The companies represented a variety of industries such as telecommunications, logistics, insurance, mining, education services, publishing, retailing, financial services, pharmaceuticals, food processing and packaging, and tobacco industry. To ensure reliability of the results of the study, the interview was targeted at HR managers of relatively large companies, however, in three instances the HR manager was not accessible for some reason, and in those cases the interviews were conducted with qualified representatives of relevant HR services such as Training and Development with sufficient knowledge of the subject. The number of employees in each company was more than 80 people, which satisfies the requirement of the study to the size of the companies. In the beginning of the interviewing process, each participant was provided with the explanations about the essence of the research. The acquaintance stage was followed by the interview itself. The participants were asked a common set of questions, in the course of the interview some additional questions were asked and clarifications were made. When required, explanations were provided to the interviewees. All interviews were audio-recorded with the permission of the participants for the purposes of the analysis. On average, interviews took 15-20 minutes. All interviews were conducted in Russian, and translation into English was done for the purposes of the analysis. The interview was conducted anonymously, and the interviewees were assured that neither their identity nor identity of their companies would be revealed in the text of the research. For these reasons, names of the companies will be substituted by the industries represented by the organizations (for example, Logistics Company). The two telecommunications companies will be referred to as Telecommunication Company-1 and Telecommunication Company-2.

For easier representation purposes, the following breakdown is provided:

- a) *International Companies* (subsidiaries of international companies in Kazakhstan):  
Pharmaceutical Company, Food Processing and Packaging Company, and Tobacco Company.

- b) *Kazakhstani companies* (both original Kazakhstani companies and Kazakhstani companies with foreign ownership): Logistics Company, Insurance Company, Financial Institution, Retailing Company, Publishing Company, Mining Company, and Telecommunication Company-2; and
- c) *Kazakhstani government organizations* (public bodies): Telecommunication Company-1, Education Organization.

## ***INTERVIEWEE RESPONSES***

### ***1. What is talent management?***

The majority of interviewees displayed good or fair understanding of the concept of talent management. The results of interviews of Kazakhstani companies varied. State-funded organizations were found to have the least developed talent management practices, although HR managers recognized their value and meaningfulness. HR managers of all three international companies displayed high knowledge of the subject. The first question was about understanding of the concept of talent management and status of TM in organizations. In some cases, interviewees evidently did not have a clear picture about what talent management is and gave only some vague explanations. For example, the HR manager of the Publishing Company confessed that they do not use the word combination “talent management” in the organization, and added that “probably senior management understands what this is all about.” The two state-funded Kazakhstani organizations expressed their concern in this regard mostly due to the fact that senior management and/or shareholders (government) do not realize the value of such programs and practices or “do not have a common understanding what talent management is.” They also pointed to such challenges as frequent reassignment of executive members, and shortage of funds to support such programs. Even though they do make attempts to formalize TM processes, they have small power against authority of top management/shareholders and cash shortages.

However, three Kazakhstani companies and three foreign organizations confirmed that they have formal talent management programs in place. Representatives of the international companies follow practices accepted by their organizations worldwide. The HR manager from the Food Processing and Packaging Company explained that their talent management program was developed specifically for their organization to fit its core values, mission and vision and that it works perfectly in the local context. Interestingly, she said that “whatever the financial condition is, talent management is always a priority, so we never prune budget in this respect.” The three Kazakhstani companies answering other questions admitted that in some aspects they are only at the introductory stage, and some programs do not work fully, however, they expressed commitment to continue work in this direction to use the full potential of the programs. The Financial Institution’s HR Manager said: “HR department was established at the bank only one year ago, so we still do not have some of [talent management] programs, but we do plan to have such programs in place.” The HR Manager of the Mining Company said, that they “do have plans” for TM-related initiatives such as succession planning. The Telecommunication Company’s HR Manager also said in regards to succession planning the following: “- This is a trial period for the program, because it is a short period and it is difficult to say that it is successful. But I think that anyway it is necessary and it will give a quality result.”

It is notable, that some of the companies have different approaches to segmentation of employees. For instance; interviewees from three Kazakhstani companies mentioned that they have special programs targeted at young talent. They organize rigorous selection internship programs and entry-level programs for talented fresh graduates, upon completion of which program, based on their performance, they either remain with the companies as full-time permanent employees or leave. For example, as reported by HR Manager of the Insurance Company, they have Manager’s School to which only best university graduates are admitted: “We have Manager’s School for university graduates where young professionals have a formal training, where they develop their professional skills. If they prove to be successful and demonstrate their talent, they are hired by the company as full-time employees”. Financial Institution’s representative said the following about their program: “We consider fresh graduate’s social activity, their academic performance, and competencies. After they successfully pass the selection process, they are employed by the bank where they are developed into highly-qualified and skilled professionals – managers who will be able to lead the

bank to a higher level.” In addition to that, the HR manager from the Logistics Company said that although they do not have a formal leadership development program, they are “aimed at finding young specialists, fresh university graduates, who cannot find job. We find such little stars and give them an opportunity, some challenge to help them grow further.” The HR representative of Tobacco Company said that they the company “is very smart in this context - it refers to all its human resources as talent. The focus is on talents, but we still do not forget about other employees.”

The HR manager of the Pharmaceutical Company noted that everybody “middle managers to top managers participate in the [TM] process. The Representatives of Mining Company explained that talent pools are composed of high-performing employees from all departments at all levels: “From every division or from every unit we select high-performing employees through tracking their performance.” According to the Telecommunication Company-2, they also have company-wide performance evaluation system, based on which they identify 10 per cent of the staff who demonstrate “above expectations” performance, and they “work further with such employees.” where ‘further work’ means succession planning initiatives. The second question was about leadership programs and their role in talent management practices. The representative of the Kazakhstani Retailing Company said, one can consider an opportunity provided to their employees to take leadership roles when their supervisors are absent as a part of leadership development. When asked, how to they identify employees to take such roles, she answered: supervisors are in daily contact with their staff, so they see and they can rely on that specific person, this. So, we rely on the feedback of supervisors.” The HR Managers of the Insurance Company and the Publishing Company said that they have training programs aimed at developing some skills which can be considered leadership skills but those programs are basically targeted only to their profit centers, i.e. sales department and advertising department. The Insurance Company’s HR Manager said: “Training is normally aimed at development of some technical skills plus development of interpersonal skills such as conflict management, teambuilding, and customer services. I see such training as a part of leadership development program.” The respondent from the Publishing Company gave a following answer: “We have teambuilding trainings, time-management, we have a focus on our advertising department, because this is a fundamental department.” The HR Managers of the state-funded organizations gave a negative answer to this question. The Educational Organization’s HR Manager said that due to frequent change of executive management, HR management could not develop: “Once per year or once per half a year President was changed, and, unfortunately, senior management did not pay much attention to human resources in general. So such things as leadership development or others were simply ignored, to be frank”. The representative of the Telecommunication Company-2 gave a similar answer: “Again, due to frequent change of management [leadership development] programs now is a history. The budget was cut on a regular basis, we did not have sufficient funds.”

## ***2. Talent management and leadership development***

Similar to responses to the first question, interviewees said that they are working in this area and hope that in the nearest future they will have such trainings in place, provided funding is sufficient and executive management supports their initiatives. According to the HR manager of the Logistics Company, the firm... “Hire employees with developed leadership skills or at least some potential to be a leader, and tries to motivate them in some way, so that they understand that this is in demand. And further, of course, the company tries to train them on-job, but any special attention is not paid to this issue. If a person is really a leader, s/he will show it.” She also added, that when leadership trainings and workshops are conducted, candidates for such trainings are recommended by their supervisors. The HR manager of the Mining company reported that such leadership programs are at the introductory stage, but they will be accessible by everyone “who can and want to become a leader.” The representative of the Telecommunication Company-2 answered, that the company provides leadership development opportunities to those employees who would like to participate, too, or if their participation is recommended by their supervisor. She also said that they “have training for future leaders and for those in the talent pool as the company prepares them for senior positions.” The respondent from the Tobacco Company literally said that the company “loves leaders, and loves to develop leaders.” The company has an extensive program aimed at the development of leadership and management skills and, according to the interviewee, the program helps to discover talents, because those who take part in it change “spiritually”. The HR manager of the Financial Institution noted that on top

of formal leadership training aimed at developing such skills as delegation skills provide an opportunity to take leadership positions in the bank's social projects. The Pharmaceutical Company's leadership development program, as reported by its HR manager, "is very structured." As an example, she explained that the company requires every people manager who joins the company to pass a 3-module one-year training designed to develop an approved set of leadership competencies. Finally, the international Food Processing Company's representative emphasized, that leadership development program is an integral part of talent development program, because "we do not see any differences between the leadership development and the whole program, as this is about our future managing directors, sales directors". Leadership development opportunities include international training experience and on-line trainings.

### ***3. Identifying and assessing talented employees***

The third question was devoted to formal tools for identification and assessment of high-potential employees. Representatives of Kazakhstani Logistics Company and Retailing Company admitted that they do not have such formal tools. The Logistics Company's HR Manager explained absence of formal initiatives this way: "every employee is valuable for us... Every person, as a matter of fact, is indispensable, we invest in every one." The Retailing Company's representative said, that one of the ways to identify high-potential employees is to give to an employee is assignment, and if s/he performs its well, trust a more significant project. Finally, upon successful completion of several assignments and project, an employee may be recommended by his or her supervisor for promotion.

The HR Manager of the Mining Company said that the company has a formal multi-level assessment tool which assesses employees in terms of their technical qualifications, interpersonal skills and personality traits. Those employees who successfully pass all levels of the assessment are included in the talent pool. He stressed that personal traits are also taken into account: "If a person is a professional in some specific area, but is hated by staff, of course, s/he cannot enter the pool." More or less similar performance-based tools for identification and assessment of high-potential employees are used by Telecommunication Company-2, Pharmaceutical company, Tobacco Company and International Food Processing and Packaging Company. These companies have formal performance evaluation process, where individual goals are set for employees for a specific period of time (half a year or a year). After the period finishes, employee's performance is evaluated. The process allows identifying under-performing employees, employees with satisfactory performance, and employees whose performance exceeds expectations. For the top performers, individual development plans are compiled jointly by the employee and his or hr supervisor. The interviewees noted, that such benefits are not given for granted – high-potential employees are also required to work hard. The Telecommunication Company-2's HR noted: "We motivate [high-performing] employees, we say: "If you want to make a significant achievement in your future career, first of all you, you must make efforts." The interviewee from the Food Processing and Packaging Company's stressed, that the program is voluntary for high-performers. The representative of the Tobacco Company also mentioned that they use 360 degree feedback as an additional tool to identify high-potential people.

According to the response of the HR Manager of the Financial Institution, their evaluation system requires employees and his/her supervisors input – they separately make assessments of the employee's competencies. The supervisor identifies the areas of development and individual plan is prepared together with the employee. "Based on this assessment, strengths and weaknesses are specified, and training plan is developed". The HR managers of state-funded Telecommunication Company-1, Educational Organization and Publishing Company said that they do not have formal assessment or performance evaluation system at the moment. The interviewee from the Educational Organization said: "We do not have performance evaluation process, so I myself have to develop it." The Publishing Company's representative added that they have a performance evaluation of sales personnel performed by Economist: "The Economist who does the evaluation for the bonus purposes." The Telecommunication Company-1's HR Manager said, that supervisors report on profitability of performance of their employees, and admitted that "the subjectivity factor is high, of course." Her intention is to develop SMART-based KPI system. The representatives of Kazakhstani Logistics Company, Insurance Company and Retailing Company said that they have formal annual evaluation, but it is not aimed at the identification or assessment of high-potential employees. This tool serves to ensure those employees' competencies and qualifications are sufficient for their current

positions. The Logistics Company HR Manager's answered, that evaluation includes "attendance indicators, discipline indicators, financial indicators, and comments of their supervisors." The Retailing Company's answer was as follows: "The evaluation assesses how well the staffs know the equipment, what level of services it provides, and based on results we can identify the level of employees." The interviewee from the Insurance Company gave a similar response: "The evaluation is aimed at defining the level of qualifications required for performing a specific function, that is, to determine whether the person fit well the position s/he is in technically." When asked, how they identify high-potential employees in their organization, since they do not have formal tools, the Kazakhstani Logistics Company's, Retailing Company's, and Educational Organization's HR managers said they rely on opinion of heads of departments who recommend their specific employees as high-performers.

#### ***4. Rewards and incentives for high performers***

The fourth question was related to the previous question and touched upon motivation and reward systems provided for by performance management system. There is a clear correlation between the answers to questions 3 and 4. The Telecommunications Company-1's HR manager reported that the program is "being developed" by her at the moment, because previously used motivation programs are "obsolete program... in terms of figures, in terms of focuses". She added, that is waiting for top management to decide on one of the options of the company's new reward program. At the moment they reward employees with 30% bonuses based on recommendations of supervisors. However, she admitted that and "this is a very subjective factor".

The interviewee of the Logistics Company re-confirmed that they make rewards based on feedback of supervisors: "We turn our attention to some employees who, according to their supervisors, have a potential", and added: "It is preferable, that the process is not only formal, but informal, too". The HR manager of the Insurance Company answered, that in their organization, sales volume is the basis for bonuses: "we can estimate input of employees based on their sales volume... To reward our employees, we have bonus system." The Educational Organization's HR manager said that they had just introduced KPIs, but it is too early to draw conclusions. The new payment system is being proposed at the moment, according to which performance of every department will be assessed and, based on the departmental performance, a bonus will be paid to the department. The supervisor will distribute this amount between the employees based on his or her estimation of their input. She admitted, that the risk for biases exists, but added: "people must be conscientious, and I don't think that managers will misuse their authority in favor of some specific employee. Therefore, I hope that fair decisions will be made." The Publishing Company, according to the HR Manager, has no formal standardized system for all employees. Executive managers and Economist of the company make the decision on bonuses based on sales volume. Sometimes some special incentives such as trips abroad on assignment (so called press tours) are provided to "employees who have shown themselves." The Retailing Company's representative said that bonuses are paid to employees for successful fulfillment of a project as she described before: "If a higher position is not available, and the supervisor cannot promote the employee, then the employee is paid bonus." The company also has an award system where nominees for award are selected by employees through voting.

The Mining Company's interviewee's answer was that they just introduced new reward program based on performance management system which includes several types of rewards. The important aspect of the system is that employees are engaged into decision-making process. If their input results in improvements, such employees are rewarded. The company has both on-the spot rewards for some outstanding contributions and rewards based on performance during a specific period. Rewards can be financial (bonuses, pay raise) and non-financial (better training opportunities). The Financial Institution, according to its representative, has a KPI system based on the results of which bonuses are paid. The Telecommunications Company-2 and the Pharmaceutical Company have similar programs. They recognize high-performers based on their performance (semi-annual and annual evaluation scores) and have on-the spot (once per quarter) recognition of significant contributions, too. Rewards and incentives include higher salary increase, salaries, and awards. The HR Manager from the Telecommunications Company-2 explained that employees, who receive the highest scores in performance evaluation process, are eligible for higher bonuses and pay raises, and "are nominated for corporate awards." The Pharmaceutical Company emphasized, that their Global Performance Management system is an automated on-line system. The HR manager of the Food Packaging

and Processing company also said that they have performance-based rewards such as bonuses and salary increases. Non-financial opportunities of the company include career path programs and new roles: “Apart from the pay raise... the person assumes additional international roles, which means that the person can supervise specific international projects being in the same position.” In the Tobacco Company, high-performers are paid higher bonuses; they enjoy higher salary increases, better development and career perspectives - fast-track career paths: “A good performer needs 3-4 years to go to the next level. For overachievers – one-two years; double-quick time”. Non-financial rewards include nominations by supervisors and peers, certificates of appreciation, small gifts, hotel lunch or SPA certificates.

### ***5. Succession planning and talent retention***

The fifth question required the participants of the interview to tell about their succession planning strategies and how they help retain and promote best performing employees. According to HR Manager of Telecommunications Company-1, the decisions on promotions are made on an individual basis. Based on group consultation of experts including current head of department and HR manager, the decision is made on who will be a successor of the leaving manager. If necessary, HR arranges tests for the candidates to assess their leadership competencies and skills. Based on the results of the tests, training is offered to develop a missing and/or undeveloped skill. The interviewee also mentioned, that they usually have one month to prepare a new manager. If candidates are not readily available, they would hire an outsider or an employee from a related unit. She stressed, that technical qualifications are not the most important in such decisions. “The most important issue is that [the candidate] has intrinsic leadership competencies.” – she said.

The representative of the Logistics Company said that their preparation efforts are limited to organizing trainings for newly appointed managers. Potential leaders are never purposely told about their status: “we never tell about this status, moreover, we do not expect that a manager will leave the company soon”. This is another reason why they do not have such planning. The Insurance Company’s HR Manager said that they have not such a formal program and they rely of the feedback of supervisors: “when a managerial position becomes vacant, we ask direct supervisors for their recommendations and look at their performance.” However, she admitted, that “that it could be useful to have such a program in place.”

The Mining company’s HR also admitted, that “This is a very good issue for any organization, in some organizations such systems do exist, and they function well.” However, as he reported, the company does not have a succession planning program at the moment, but it plans to have one. Firstly, a pilot program will include those employees whose career objectives coincide with the company’s plans. Then a career plan will be developed for every employee based on his or her skills, time required, and goals of the plan.

A similar program already functions at the Telecommunication Company-2 and the Food Processing and Packaging company, where potential candidates for leadership positions are discussed collectively (by supervisor, functional managers, HR managers). According to the results of such discussions and assessment, the candidate is either included or not included into the talent pool. Those in the pool will have their own career path programs developed with due account of a range of factors such as performance score, competencies and skills which require further development. Interestingly, the HR manager of Telecommunication Company-2 mentioned that many Kazakhstani companies face the same challenge – appointing “wrong” people to managerial positions: “it is not quite correct, that employees take managerial positions when they are not quite ready for them and all of a sudden they become managers. So literally, they have to strain themselves during the short period”. Therefore, the company has developed the succession planning program to address this problem.

The Pharmaceutical Company’s HR Manager explained that they have on-line global talent planning system which helps to assess leadership potential of candidates and develop individual career plans. The system ensures that identified and “emerging” talent do not leave because they are not recognized or not promoted. The Tobacco Company’s representative’s answer showed that their succession planning system works in a similar way: the system identifies strengths and weaknesses of the employee based on his or her self-assessment, feedback of their supervisor and colleagues and makes specific recommendations – “complete a specific training, read a book, or talk to the subject matter expert.” However, she expressed her concern that although the program provides for succession planning, it does not always work. The reason is

that the talent pool participants are not always notified of their status. As a result, they think that their efforts are in vain, and ultimately, they leave the company. The interviewee said that this is the duty of the supervisor, not of the HR department to notify their employees that they are in the talent pool. However this does not happen and when she asked one of managers why it happens, he explained that “that he was afraid, that that if he tells the successor about his or her status, the person will misunderstand this and get a ‘star sickness’.” The Food Packaging and Processing Company has talent pools, and participation of employees in it is voluntary as it involves huge investments and requires personal time and additional efforts: “the candidates shall be sure that need it and that they will handle it... they may be asked to spend time in business trips and thus sacrifice their family affairs, and also study a lot.” The HR Manager of the Educational Organization said that managers identify and select their “doubles” and “developing them into chief managers who prospectively can become heads of departments”. Once a successor is identified, s/he joins the talent pool, which offers training opportunities and mentorship roles.

The Publishing Company, which does not have a formal performance management system, tracks leadership potential of employees based on their on-job performance. Sometimes the HR manager gives some tasks to employees to identify their skills and inclinations, and, if the results are favorable, the person can be promoted or transferred: “Sometimes I as HR have to give some specific tasks to various employees to determine how the person can show himself/herself”. However, this happens randomly. A similar situation exists in the Retailing Company. They do not have a formalized succession planning system, so promotion is done on an ad-hoc basis, and the HR Manager explained it this way: “It is not formalized, we do not have a formal approach and I cannot say that we have a specific program, it is contingent. It happens that we see that we have a potential candidate, and we know that the managerial position will be vacant soon, and we have a candidate to prepare for it.” She added that the “potential candidates” are identified by their supervisors and functional managers. The Financial Institution’s HR manager confessed that the HR department has not the succession planning system yet, but they “do plan to have such programs in place.”

### ***6. Integration of talent management strategies***

The last question sought the opinions of HR professionals on the extent to which their talent management initiatives are integrated into the overall HR management programs. The HR managers of the companies which do not have a formal talent management system including Retailing Company, Publishing Company, and Insurance Company could not directly answer the question and asked for additional clarifications, what the question means. After an additional question, whether the recruitment process ensure that the company hires candidates with a high-potential, the Publishing Company’s HR Manager said, that if “during the interview a person in some way shows himself or herself,” she is keeping it in her mind that the person could be later transferred to other positions. The representative of the Retailing Company explained, that a professional recruiter will be able to recognize a potential in a candidate: “The recruitment manager processes the information [received from a requesting department on candidate’s qualifications], and the professional will understand from the first glance, whom s/he needs to search for.” As previously, she stressed that if an employee displays some abilities, s/he may be transferred to another position or promoted: “it often happens, that an employee is hired to one position, say, office manager, but it turns out that this is a great designer. And in this case, once the relevant position is opened, we can recommend this person”

The Insurance Company referred to her little experience with the company as HR Manager: “I have been not for a long time with the company; I cannot make any judgments at the moment. With the time I will have a better understanding of the state of affairs in this regard.”

The HR Manager of Financial Institution said that talent management has a direct relationship with HR management, and it is integrated not only with HR, but also involves participation of several parties: “Talent management programs is closely related with HR programs and not only with HR, it also relates to the bank administration, it requires interaction with line managers, training division, because they prepare development plan for the organization and we do this in tandem with each other, as we cannot separate these activities.” The Representative of the international Food Packaging Company assured that TM is not separated from HR and is integrated into every part of its starting from recruitment and continuing with personal and professional development of employees. She added that the company has a low attrition rate and this is mostly thanks to strong HR management practices and powerful family-like corporate culture. As

an example, she spoke about the scrupulous recruitment process where candidate is assessed not only in terms of his or her qualifications skills but also their cultural fit with the company: “Apart from assessment of some technical qualifications – knowledge, skills, experience, language proficiency - personal traits are also considered – whether the person will feel comfortable, whether s/he will fit the company, whether s/he shares corporate values, in order words, the recruiting process is very scrupulous.” When talking about the corporate culture, she said that it is one of the key success factors in relation of employees: “This is about corporate culture – a very developed culture. The employees are treated well, and the same attitude is expected from them.” The issue of culture and corporate environment was also mentioned by representatives of the state-funded Telecommunication Company-1 and Educational Organization. However, they referred to this aspect in an unfavorable sense as a reason for leaving. The HR Manager of the Telecommunication Company-1 said that there is “lack of stability, clear and stable planning”. The representative of the Educational Organization, complained, that the staff is “too young”, so the environment is too tense and too competitive, as young professionals are very emotional and ambitious: “Usually young people are very ambitious, they painfully react to criticism, this breeds many emotional conflicts, etc., nobody will give a way to another person as a senior.” She concluded that such conflicts arise, because they lack senior people who would mentor and educate younger employees: “We basically do not have senior employees who will tell – let us do this in that way, learn from me, so there are only few such people.”

The interviewee from the Pharmaceutical Company said that all talent management programs are very structured and closely integrated with HRM programs: “As I’ve said all our programs are interrelated - succession planning, talent planning, performance management, everything is structured and they have close interrelationship.” However, she noted that they do not have special tools for identifying talents in the hiring process: “I cannot say that we have some special tools to define future talents... the main goal here is to ensure that the person has the competencies for his\her future job.” The Tobacco Company’s representative said that their TM practices are present in every HR process. For the hiring process, as she reported, the company uses assessment centers, and in her opinion “at this stage, this is the most objective and accurate method for identifying talents... I do not know any better tools.” She explained that a person is assessed by four different people, so the subjectivity factor is minimal. The HR Manager of the Telecommunication Company-2 specified, that TM practices work well with respect to professional development and training. However, she admitted that in terms of recruitment and job design he program does not work to full potential. She explained that they do not apply any recruiting tools other than interview for professionals: “We do not conduct any tests for professionals with experiences... It is difficult in this respect, because the market lacks professionals, and we hire those people who satisfy requirements of the position.” The Mining Company’s representative also named professional development and training as highly integrated with HR functions. It is notable, that the company has Organizational Efficiency Department (OED) which tracks what impact talent management initiatives has on overall performance of the company: “If we conduct the talent management system, and we administer this project, the OED tracks what is happening due to this program, whether there are any improvements in terms of business processes, whether the performance becomes better in those areas where the participants of the project work.”

## **DISCUSSION**

The interviews with HR representatives of the companies have shown the following:

- 1) Subsidiaries of international organizations and a few of Kazakhstani companies with foreign ownership follow advanced talent management practices which are shaped into formalized and highly-structured human capital programs. In particular, they have tools to identify, assess, develop, reward and retain high-performing employees, thus they segment their employees according to their performance and approach different segments of employees differently. However, one of the foreign companies admitted they have some challenges in retaining employees because they do not notify their high-performers of their status in the company.
- 2) A number of companies, both international and Kazakhstani, focus on discovering young talents through formal internship/training programs.

3) A number of Kazakhstani companies have promising TM programs being at the introductory stage/under development. If all their plans are fulfilled, the companies are expected to capitalize on such programs in the long run. It is noteworthy, that one Kazakhstani company has the Organizational Efficiency unit which monitors the impact of TM practices. This suggests that talent management is highly integrated into the company's overall strategy.

4) A number of Kazakhstani companies do not have any formal talent identification or assessment tools. They rely heavily on such human factors as opinion and feedback of supervisor, and on the belief that some day, "high-potential employee will ultimately show their worth anyway," which is subjective and open to abuse.

5) State-funded organization struggle in terms of implementation of talent management practices. On one hand, there is no common understanding of the need in talent management shared by all executive managers and shareholders. On the other hand, funding is not readily available for development and maintenance of costly human capital management programs.

6) Corporate climate may play either negative or positive role in retaining high-potential employees. In family-like organizations employees feel a part of the organization and become loyal members; whereas hostile environment and tense relationships force high-performers out.

The research has shown that in general the concept of talent management is recognized by HR managers in Kazakhstan, however, the understanding is not always concise and full. The lack of understanding can be explained by the fact that companies – prevailing, Kazakhstani companies – do not pay much attention to talent management practices at the moment. As the literature review has shown, the ability to manage high-achievers constitutes a part of competitive advantage for the companies. Therefore, the recommendations below will help the companies to improve their current situation and become more competitive. Firstly, executive team members shall identify what talent management is and why it is important for their company. Human capital management commitments shall be embedded into the company's strategy, organizational development policies and procedures. Mere efforts of HR manager are not enough if procedural, managerial and financial support is not steadily available. Secondly, to follow-up the first recommendation, the talent management endeavors shall be structured and formalized. Compound formalized tools of identification, assessment, and retention of high-performing employees will make sure that none of them remain unnoticed or non-recognized. This will also help to reduce biasness of such one-dimensional tool as feedback of supervisor when making decisions on promotions/salary increase/bonus payments. Identified talents shall be notified of their special status and individual career/succession plans shall be developed in collaboration with the employees. Not only employees will benefit from talent pools, but also the companies, as the probability of appointment of "wrong" leaders and, hence, level of respective losses and risks will be minimized. Recruiting costs will be also reduced. Thirdly, training and professional development in talent management is required for HR managers. As HR managers play a key role in developing, implementing and administering the programs, they need to have a clear understanding of new processes. Combined with the support of employer and linear managers, HR department's input will be invaluable. Fourthly, as both the literature review and the results of the interview have shown, the corporate culture and the organizational environment have a large effect on the retention of employees, including high-achievers. If a company has a strong corporate culture and favorable environment, valuable employees will be less inclined to leave the organization.

## CONCLUSION

The importance of intelligent management of human capital has become increasingly important to companies seeking competitive advantage in recent times. Employers invest time and money into attraction, development and retention of key employees to further strengthen their top talent as a main business driver and to sustain innovation and build organizational intellectual capacity. Kazakhstan is a part of the globalization process, and although the recognition of human resource management practices by employers has been increasingly growing, there are still some areas of development. This paper focuses on major areas requiring attention of executives of large companies, and investigates the issues related to talent identification and assessment, performance management, leadership development, and succession planning.

The research also overviews such important issues for retention of high-performing and high-potential employees as creation of employee value proposition, favorable work environment and other conditions to satisfy needs of high-achievers. Qualitative semi-structured interview-based research has shown that foreign-owned subsidiaries in Kazakhstan has overall better performance than that of Kazakhstani companies in terms of managing their talent. They use some of the best international practices, although some limitations of their systems have been identified. A number of Kazakhstani companies have also demonstrated commitment to promising TM initiatives and projects, although not all of them function to their full potential at the moment, whereas some other Kazakhstani companies do not have any structured formal systems targeted at talent. HR managers of state-funded Kazakhstani organizations have shown understanding of importance of human capital management, however, the common challenge for such organizations is unavailability of funds, lack of agreement between executive members on the system, instability and unfavorable working environment.

The main limitation of this research is the adoption of a single research method - interviews. As a result, the data obtained is only the opinion of a small group – HR managers, and thus can be one-dimensional. Quantitative research in form of questionnaires targeted at employees and executive managers would compliment this study and help build up a fuller picture through assessing the issue from the employer's and employee's perspectives, and achieving a bigger sample size. On the top of that, twelve organizations from Almaty and Astana – the largest cities in Kazakhstan – may not be a representative sample of the business community in Kazakhstan. However, this exploratory research has identified some broad themes and issues regarding TM in Kazakhstan that were previously unreported. There is now an opportunity for others to conduct further research to better understand this important topic as it relates to emerging economies.

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## **APPENDIX: INTERVIEW QUESTIONS**

1. Describe what “talent management” means to your organization and to you as a HR manager.
2. Does your organization have any leadership development programs and if so, how do they contribute to your talent management program?
3. Do you have any formal tools in place to identify and assess high-potential employees? If so, describe them.
4. Does your performance management system, if any, include methods of rewarding and incentivizing high performers? If so, how?
5. Does your organization have any succession planning strategies? If so, please describe them and specify, how they help to retain and promote your best performing employees.
6. To what extent are your talent management initiatives integrated with other HR programs (e.g. Training and Development, recruitment, job design, etc.)?