THE LINK BETWEEN TALENT MANAGEMENT PRACTICES, SUCCESSION PLANNING AND CORPORATE STRATEGY AMONG COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This project is my original work and has not been presented for a degree in any other university

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This project has been submitted for examination with my approval as a university supervisor

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DEDICATION

This project has been dedicated to my wife Margaret and my daughters, Ms. Natalie & Melanie Chepkwony who are my inspiration and always challenges me to aspire for greater things in life.

ABSTRACT

Competition for market share is driving businesses to differentiate and innovate. One critical way of achieving this positioning the organizations to be ready to meet the future business demands, which can be efficiently handled through talent management. Talent management is gaining popularity as a significant predictor of employee and business performance. It refers to integration of new workers, developing and retaining existing workers as well as attracting experienced and qualified persons to work for organisation. There is limited academic research on talent management in banking sector. This study examines the talent management practices and the extent to which Talent Management is linked to succession planning and business strategy.

The Talent Management practices have been examined through data collection among banks operating in Kenya. Qualitative and quantitative techniques were used for data analysis. The results of the research revealed a significant relationship between Talent management practices, succession planning and overall organization strategy. The implications of research findings for researchers and practitioners are discussed and the suggestions have also been provided.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

1.1.1 Talent management

Talent management has various meanings both theoretically and in practice (Story, 2007). "In its broadest sense it is concerned with identification, development, engagement/retention, and deployment of "talent" within a specific organizational context" (CIPD, 2006, p.1). Talent management is also presented as a new way of managing succession planning, focusing on fast tracking career opportunities, implying that it is primarily concerned with high potential employees (CIPD, 2006). However, there is similar capability building concerns expressed in both management development and talent management concepts, centered on both organization and individual needs. Therefore, talent management can be presented as an integrated business strategy that enables the development of individuals to fulfill their potential.

Apart from the benefits that are implicit in the preceding discussion, talent management is important for at least two primary reasons. The first is that effective talent management ensures that organizations can successfully acquire and retain essential talent. The second has to do with the extent to which these employees are engaged. According to Morton (2005, p. 11) "Talent management is integral to engaging employees in the organization". The ability to effectively address both of these issues has become a primary determinant of organizational success and in some cases, even survival.

The biggest preoccupation of an organization will therefore be to attract the best employees that a market can offer and put in place mechanism to develop their key employees and put in place strategies to ensure that they retain these employees.

There are many challenging workforce issues that confront HR. These challenges include heightened competition for skilled workers, low level of employee engagement, acknowledgement of high cost of turnover, arduous task of managing a global workforce, importance of succession planning, off shoring and outsourcing.

The above challenges require new thinking and new mission to achieve business success. These factors, coupled with need to align people directly with corporate goals, are forcing HR to evolve from policy creation, cost reduction, process efficiency, and risk management to driving a new talent mindset in the organization.

1.1.2 Succession planning

Succession Planning involves selecting from pools of promising candidates those employees best suited to fill higher-level management positions in business firms. As a first step in the process, a projection of future needs for senior managers is made. Next, planners try to assess which short-listed employees are most likely to be successful in the positions that are expected to open up. Finally, a specific plan is formulated to ensure that potential successors develop the core competencies needed to advance the strategic interests of the organization (Carretta, 1992).

Succession planning may be simply defined as the plan a company makes to fill its most important executive position. However, a more comprehensive definition of succession planning is the process of ensuring a suitable supply for current and future key jobs successors, so that the career of individuals can be managed to optimize the organization's needs and the individuals' aspirations (Dessler, 2000).

1.1.3 The link between Talent management and succession planning

Talent management and succession planning go hand in hand. Managing talent is about providing opportunities for people with the highest potential in an organisation to learn, develop, and gain useful experience and progress in their careers. It means stimulating and retaining the people who are destined to play a major role in the future of the organisation.

Succession planning is about the identification and development of future leaders. This task is made much easier where talent has been well managed. After all, the right successors are unlikely be found inside an organisation where the talent has not been properly nurtured and developed. Succession planning forces an organisation to look closely at its talent, develop reliable assessment procedures, and ensure that they are applied systematically across the board.

In most European insurance companies, formalised talent management and succession planning processes have been introduced relatively recently, i.e. within the last five years. Based on comparable studies we have conducted in other parts of the financial services industry and in consumer and technology businesses, it is clear that the insurance industry lags behind other industries in this respect. But even for those that have been active in this area for some while, getting people's attention and doing it right remain a challenge.

1.1.4 The link between talent management, succession planning and corporate strategy

Boards of directors and other senior leadership teams are taking a direct interest in integrating talent management into overall corporate strategy. Talent management integration calls for featuring these individuals prominently in initiatives, and moves the accountability for talent beyond just the HR arena. This thrusts talent management to lie prominently in strategy - at the core of business success.

The report is based on a study of 75 HR executives who direct such functional areas as talent management, organizational development, leadership development, and succession planning. Among the companies in the study were Time Warner, Hewlett-Packard, Delta Air Lines, Medtronic, PepsiCo, Synovus Financial Corp, and Johnson & Johnson among others. This is slowly becoming a global concept.

Talent management's importance is evident in its ability to hold management interest even in the recently weak economy (Morton 2004). Morton further says Talent management is coming into its own now. It is providing a way for organizations to integrate a range of disparate human capital initiatives and a way for HR itself to strategically align with the whole organization. This study shows that talent is seen as critical to success and that its management is integral to all aspects of the business.

The study found that less than one-third of the surveyed firms cancelled talent management initiatives due to the economy and less than half significantly cut back talent management programs because of the weakened economy.

Although the HR department still shoulders the lion's share of integration accountability (66%), 52% of survey participants report that the entire leadership team is held accountable for talent management results.

1.1.5 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The CBK, which falls under the Minister for Finance’s docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

The Kenyan Banking sector has demonstrated a solid growth over the past few years. The industry continues to offer significant profit opportunities for the major participants. Banks generally earn their revenues from taking in funds and lending them out at a higher rate. The spread between deposits and loans continues to be around 8.5%, offering much profit potential. Profit after tax of the overall banking system increased by 38.61%, or Kshs 5.08 billion, from Kshs 13.15 billion in December 2005 to Kshs 18.22 billion in December 2006. This growth is a continuation of the strong growth in profit after taxes that the industry has achieved for the past several years. The increase in profit reflected an increase in interest income on loans and advances, which rose by 14.36% or Kshs 5.51 billion to Kshs 43.9 billion in December 2006 from Kshs 38.39 billion in December

2005. The increase in interest income was due to the growth of 16% in loans given out. The rate on loans in the industry has been stable at an average of 11%, The Kenyan Banking Sector Report (2007).

Return on Equity (ROE) & Return on Assets (ROA) have increased over the years. Returns of 23.03% and 2.74% were generated respectively in 2006. Shareholder equity stretched by 16% from Kshs 79.16 billion in 2005 to Kshs 91.82 billion in December 2006. Due to the improved economic environment, total assets expanded by 17.8% in 2006 to stand at Kshs 809.5 billion compared to 6.7% growth recorded in the previous period. The asset growth was funded by an increase in deposits, retained profits and fresh capital injection. A couple of examples of capital injections are Diamond Trust Bank, which raised Kshs 776 million of capital through a rights issue. Family Finance Bank raised Kshs 500 million through a private placement from 6,500 new shareholders, The Kenyan Banking Sector Report (2007).

Loans and advances constituted 51% of the total assets, while government securities constituted 19% of total assets in December 2006. Advances to deposit ratio went down to 63.72% in 2006 from 66.06% in 2005. Growth in deposits (20%) was greater than the growth in loans (17%). Investment by banks in government securities increased by 16% in 2006. Furthermore, there was a 37% growth in loans to other banking institutions. Both these growths led to the growth in loans being less than the growth in deposits as the balance 3% deposits were lent out to other banks and invested in government securities. As a result of increased lending to other banks, the asset quality measured by the ratio of net non-performing loans to net loans improved from 7.88% to 4.98%.

The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members.

There are forty-six bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned. A few large banks most of which are foreign-owned, though some are partially locally owned, dominate the industry. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking, Lipe and Salterio, (2000).

1.2 Statement of the Problem

In modern era of resource constraints, organizations must efficiently manage their activities by avoiding employment of excess inputs in their operations. Markets are increasingly recognizing human capital as a source of valuable resource for firms and shareholders (Cairncross, 2000) as talent is rare, valuable, difficult and hard to substitute and organizations that better attract, select and retain this talent outperform those that do not (Barney and Wright, 1998). Technological advances and global competition are the main drivers of changes in employment patterns leading to intense competition between employers to attract and retain talented workers (Osborn-Jones, 2001).

Companies with highly engaged employees articulate their values and attributes through “signature experiences” – visible, distinctive elements of the work environment that send powerful messages about the organization's aspirations and about the skills, stamina, and commitment employees will need in order to succeed in these organizations (Erickson and Gratton, 2007, p. 1).

Staffing acts as a key strategic opportunity to gain competitive advantage (Ployhart, 2006). Today an organization's success is directly linked to the talent it can recruit. Recruitment is critical not only for sustained competitive advantage but also for basic organizational survival (Taylor and Collins, 2000). Competition and the lack of availability of highly talented and skilled employees make finding and retaining talented employees a major priority for organizations (Flegley, 2006).

Nevertheless, previous studies have not paid enough attention on talent management practices at commercial banks and the link for this to succession planning and whether they link it to overall corporate strategy to achieve competitive advantage. The problem under research is therefore to fill the existing gap by finding out talent management practices in commercial banks and whether they link this to succession planning and overall corporate strategy to achieve competitive advantage.

1.3 Objectives of the Study

i. To investigate the talent management practices adopted by Commercial banks in Kenya.

ii. To identify the extent to which talent management practices are linked to succession planning among Commercial banks in Kenya.

iii. To establish the link between talent management practices and overall corporate strategy to achieve competitive advantage.

1.4 Significance of the Study

The study will assist in identifying gaps in talent management and ways of bridging these gaps by suggesting suitable strategies in talent management.

The research will seek to identify practices in several organizations thereby helping in sharing of industry best practice.

The research will shade light on talent management issues and thereby generate interest in this area for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The investments in human capital have been drawn on human capital theories which examine under which condition such investments are profitable. The concept of human capital theory as specified by Romer (1990) defines it as the amount of total stock of human capital that an organization, country or economy has. Fitz-enz (2000) defines human capital as the traits one brings to the job: intelligence, fulfilling work energy, a generally positive attitude, reliability and commitment. The economy with a larger stock of human capital will experience a faster rate of growth. Thus, Human Capital Theory concentrates on the direct economic effects of human capital investments in particular.

Staffing is defined as the process of attracting, selecting, and retaining competent individuals to achieve organizational goals (Ployhart, 2006). While advocators of the contingency approach (Morgan, 2004) believe that in order to be successful, the organization's HR policies must be consistent with the other aspects of the organization. Alexander, (2007) suggest that HR practices must fit the organization's stage of development (external fit) which implies informal, more flexible styles of HRM amongst start-up firms and more formal and professionalized systems as the firms mature and increase the number and range of employees. Internal fit ensures that individual HR policies are designed to fit in and support each other. “Best-fit model” suggests that HR strategy becomes more effective when it is designed to fit certain critical contingencies in the firm's specific context. According to the configurational approach, the HR system of the organization must develop a horizontal (internal consistency of the organization's

Human Resource policies or practices) as well as a vertical fit (congruence of the HR system with other organizational characteristics) (Wright and McMahan, 1992).

Johnson (2001) states that if people are culturally aligned to the business; hire them before someone else does – even if the firm does not have a job for them. A proactive approach helps. Michaels *et al.* (2001) propose the development and communication of the employee value proposition (EVP) to attract and retain talented employees. In cultivating a high performance workforce, both assessment of employees to ensure the best match to the job and the company as well as assimilating them to ensure successful integration into the workplace, the culture of the organization and specific roles and responsibilities are equally important (Morgan, 2004).

2.2 Talent management Practices

2.2.1 Attracting Talent

The “war for talent” has focused on attracting “the best”. Human resources play a significant role in reaching organization effectiveness and performance (Huselid, 1995). Talent has become the key differentiator for human capital management and for leveraging competitive advantage (Bhatnagar, 004). With better talent acquisition, employee engagement improves and so does the productivity. Maximizing team engagement, motivation, and retention through due diligence in talent acquisition is vital in today's highly competitive environment. Only a talent resourcing process that is well defined and well-executed from start to finish yields consistent, compliant results – and is a competitive advantage in the war for talent (Ronn, 2007).

Employer branding has become a key strategy (Brewster *et al.*, 2005) to attract and retain the right kind of talent, as people want to work for great brands. It avoids mismatches between employer and employees that lead to job changes. According to Knox and Freeman (2006) consumers are potential recruits and the employer brand is the augmentation of recruitment services provided by recruiters as they espouse the firm's attributes and values during the recruitment process. The employer brand image is the image associated with an organization uniquely in its role as an employer. Creating a positive employer image radiates to the community at large and attracts potential job applicants. Improving the external and internal communication, signals to the potential talent about the total employee experience there. The word of mouth publicity is most effective way of recruiting. *Fortune*'s – *Best Companies to Work For* – survey suggests that developmentally oriented organizations are more likely to be seen as attractive employers (*Fortune*, 2005).

Providing the employees with the knowledge and skills to do their job and further recognizing and rewarding the knowledge and hard work of the employees, providing a safe and stable work environment, giving them opportunity to be creative and entrepreneurial are important tasks done by a company to retain employees. By giving them an environment where they do not have to worry about job security, they get more time and energy to concentrate on the important aspect of the organization.

The organizations are using different baits to target the talent. Bhatnagar (2003) has mentioned amenities like golf courses, swimming pools, aerobics centres, gymnasiums etc. and the practices of paid sabbaticals, to sending its employees to leading international management programmes, representatives of the organization visiting employees' homes and inviting them to the workplace to get a feel of about what employees do at work. It builds a sense of pride and belonging-ness to the families.

Networking is also a preferred method of recruiting top job candidates today. Organizations encourage their employees to bring their acquaintances to join their organization. It serves a dual purpose. First, the employees better know about the requirements of their organization and second it promotes teamwork. Organizations also use a combination of tests and personality profiling for the selection of candidates.

2.2.2 Developing Talent

As suggested by Dell and Hickey (2002), the development of an employee's talent is an important component corporate strategy and succession planning. The employee talent development makes it clear to the employer "what's in it for them" or what extrinsic and intrinsic benefits will they receive in exchange of their labour, both now and in the future. According to Morton (2005) in order to effectively recruit and retain scarce labour, organizations "need to create and perpetually refine an employee value proposition" (p. 11); organizations that are able to successfully recruit and retain valued employees are committed to showing "potential employees they are valued and that opportunities exist for them" (p. 11). In developing such a proposition, employers would be well advised to pay attention to the key factors associated with employee development success discussed elsewhere in this article (e.g. competitive base pay and benefits; learning, skill development and career advancement opportunities; work/life balance; a long term strategic orientation; appropriate decision making authority).

As suggested by Dell and Hickey (2002) above, the development of an employee value proposition is an important component of an employer brand. The employee value proposition makes clear to the employee “what's in it for them” or what extrinsic and intrinsic benefits will they receive in exchange of their labour, both now and in the future. According to Morton (2005) in order to effectively recruit and retain scarce labour, organizations “need to create and perpetually refine an employee value proposition” (p. 11); organizations that are able to successfully recruit and retain valued employees are committed to showing “potential employees they are valued and that opportunities exist for them” (p. 11). In developing such a proposition, employers would be well advised to pay attention to the key factors associated with employee development success discussed elsewhere in this article (e.g. competitive base pay and benefits; learning, skill development and career advancement opportunities; work/life balance; a long term strategic orientation; appropriate decision making authority).

Finally, as the competition for scarce labour continues to intensify, organizations will need to increasingly consider non-traditional labour sources. Non-traditional labour has long been a staple of entry-level positions in hospitality organizations but will likely need to extend up the hierarchy in the future. According to Dell and Hickey (2002), “most organizations will need to attract and retain employees quite different from the people they replace, and they will need to adjust their targeting, their channels, and their over-all strategies accordingly” (p.7). One potential non-traditional source of employees is foreign workers. Within Canada, Federal and Provincial legislation and employment programs continue to evolve, making it somewhat easier to bring in workers from outside the country. Another potential source is older workers. “As the baby boom ages, this pool of retirement-age individuals looking for alternative working arrangements will grow every year. This is a tremendous opportunity associated with this enormous pool of re-entrants for employers that can adopt policies and practices to accommodate their interests”.

2.2.3 Managing Talents

According to researchers (Martel, 2003), in order to obtain high performance in postindustrial, intangible work that demands innovation, flexibility, and speed, employers need to *engage* their employees. Engagement requires attention to several critical activities: communication, supervisory relationships, empowerment, and performance management. Consequently, employee engagement has a substantial impact on employee productivity and talent retention (Bhatnagar, 2007).

Employees feel engaged when they find personal meaning and motivation in their work, receive positive interpersonal support, and function in an efficient work environment. There should not be a gap between what workers say what they want from the organization and what they actually get. This leads to disengagement.

The work environment should be such that it enables them to put in their best efforts. It should not only be less intimidating to the new hires but also the condition of work should be appealing (Branham, 2005). Other facilities like flexible work hours, work-life balance, paid holidays, buying lunches from restaurants, birthday celebrations, family days etc., also keeps; them rooted to the organization (Bhatnagar, 2003).

Morton (2004) identified several “external” factors that can serve as driving or restraining forces influencing the policy and practice of talent management. These include the economy, mergers and acquisitions, and global expansion plans. The implications of the economy for talent management are likely self-evident, given its obvious effect on the supply and demand for human resources. Mergers and acquisitions can also have a profound effect, resulting in “additional employees at all levels, more high potentials vying for a limited number of senior management positions, greater diversity, and new cultural implications” (Morton, 2004, p. 14). Global expansion plans have implications for cultural diversity, international job placements, and the need to understand and work effectively with local workforces.

Internal factors can also serve as drivers and restraints. Arguably one of the most significant internal factors influencing talent management policy and practice is its definition. Whether or not it is perceived as being synonymous with HRM practices or workforce planning, the extent to which it is associated with technology and enterprise level systems automation, and whether it is focused on all employees or just a few, will clearly have a profound effect on its implementation. Given the lack of direction in the literature, developing a clear definition of what talent management means within any one organization, along with what it is meant to achieve, is an important first step.

Beyond a clear definition, other internal factors have been identified in the literature. According to a survey by Morton (2004) two of the three most important internal success factors for talent management are CEO active participation and alignment with strategic business goals. CEOs have a particularly important role to play in providing the direction for talent management initiatives with some CEOs today making it a legacy issue (Handfield-Jones *et al.*, 2001). According to Morton (2005), a "talent mindset…must cascade from the top, with the CEO as the driver" (p. 9). At some companies, such as American Express, CEOs devote as much as 30 to 40 percent of their time on talent management related issues (Morton, 2005). Talent management is likely to become nothing more than another momentary HR fad, without ongoing, tangible, and highly visible senior management commitment and support.

2.2.4 Retaining Talents

A recent survey by Deloitte (2005) of 1,396 human resource practitioners from over 60 different countries, found that the ability to attract and retain new talent were perceived as being the two most critical people management issues facing their organizations today. A total of 74 percent of respondents reported a moderate or high shortage (or anticipated shortage) in salaried staff and 53 percent reported a moderate or high shortage (or anticipated shortage) in hourly staff. Similarly, a 2004 survey of 539 CEOs by the Conference Board (Rudis, 2004, as cited in Morton, 2005, p. 6) ranked the "availability of talented managers/executives" sixth amongst their top ten challenges "of greatest concern".

Mirroring these results, a recent article in the Globe & Mail (Immen, 2008), one of Canada's national newspapers, suggested record hiring levels, rising average wages and benefits and improved career opportunities (particularly for employees nearing retirement age) would be amongst the year's employment trends (assuming the economy remains robust); “With the talent shortage ever looming, more employers are paying more heed to the needs of stressed-out and aging workers.”

Retention has long been identified as one of the hospitality and tourism industry's biggest challenges (Powell and Wood, 1999). This is due in part to the highly labour intensive nature of the industry, especially in contexts where customer service expectations are high. Exacerbating the situation is the industry's turnover culture (Kusluvan, 2003; Iverson and Deery, 1997), in which high turnover rates are often accepted as “just the way things are”. In addition, the ease by which customer service skills can be transferred to other industries means that highly valued hospitality employees can easily seek jobs elsewhere (Baum, 1995; Guerrier, 1999; Riley, 1996).

Fueling the retention challenge are factors that have traditionally been characteristic of the industry and that have contributed to the perception that it is a less than ideal place to work (Christensen Hughes, 2008; Kusluvan, 2003). Contributing factors include management's traditional focus on minimizing labour costs (Christensen Hughes, 2008), the emotional labour requirements of many service industry jobs (Lashley, 2002); the lack of job security associated with sales fluctuations and seasonality (Twinning-Ward and Baum, 1998); the lack of opportunity for promotion from within (Riley, 1996); the low-status nature of hospitality work (Guerrier, 1999) and poor working conditions in general (e.g. unsocial working hours, health and safety concerns, harassment, poor work-life balance). In the future, the industry's retention challenges will likely continue to intensify unless these core characteristics are effectively challenged and the employer brand for the industry overall improves.

In addition to contributing to the effective recruitment and retention of employees, an organization's talent management strategy should also contribute to employee engagement. Like talent management, “employee engagement” is an oft cited term that lacks a precise definition. According to Gibbons (2006) “employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or co-workers that in turn influences him/her to apply additional discretionary effort to his/her work” (p.5). Perhaps a more accessible definition comes from Hewitt and Associates (2004).

2.3 Succession Planning

Like talent management, succession planning is a complex process with many levels, layers and commentators (Giambatista et al. 2005). Succession planning is part of a succession management process where ‘one or more successors are identified for key posts (or groups of similar key posts) and career moves and/or development activities planned for these successors’ (Hirsch 2000).

The delineation between talent management and succession planning isn’t always clear. The focus of succession planning tends to be only on the *most senior* of staff, such as the CEO, members of the board or other key senior organisational positions (although it can also be used for more junior posts – particularly those that are operationally critical and/or hard to fill). Senior staff leaves for a variety of reasons: illness or death, a new job, unsatisfactory performance, personal reasons, retirement, and so on. When a top-level vacancy occurs, a decision needs to be made about how to source suitable candidates for that vacancy.

The CIPD 2005 recruitment, retention and turnover survey found that managerial and professional vacancies are often difficult to fill externally, so it can make sense to look for internal candidates who have demonstrated potential to grow. Being able to source these candidates easily through effective human capital metrics held in succession planning or talent management systems can prove worthwhile. Unfortunately, as the same survey found, 'one in five participants report that no succession planning activity took place and those who did were most likely to do so on an ad hoc basis.'

The recent unexpected exit by the president and chief operating officer of McDonald's and the quick naming of his replacements prompt such questions as: 'is the organization in a good state of readiness to replace a key person?' and 'are there robust succession plans in place and replacements ready for both planned and unplanned vacancies at senior level?' Pitney Bowes Inc., whose revenue grew 11% last year from $5.5 billion, has at least two people in line for most positions, including 10–15 potential candidates for CEO and other senior positions (Economist Intelligence Unit 2006). At different stages in their careers, potential successors may be ranked in order, such as; Being ready to do the next job now, being ready for a certain higher-grade position in, say, two years, being ready for job rotation at the same level, being ready for lateral assignments on temporary relief or project work.

Succession planning in the international domain is particularly complex because of possible constraints to senior staff mobility and lack of transferable skills in language and cultural aspects. Succession planning is often a highly secretive process and is invariably expensive because it takes account of both internal and external candidates.

Both succession planning and talent management are dynamic processes occurring in changing times. Succession planning needs to be aligned with other areas of HR management for this segment of the organization, including talent management, learning and development processes and performance and pay reviews. Lack of alignment can cause problems, such as having a transparent talent management process and a secretive succession planning process. In turn, talent management can be an effective ‘feeder’ process for succession planning or can sometimes incorporate succession-planning altogether within its leadership and management processes.

Because they are concerned with the long-term health of the organization, succession planning at senior level is primarily the responsibility of the CEO and members of the corporate board (Berger and Berger 2004) and, in collaboration with other stakeholders such as HR, they need to lead the way in ensuring succession planning is undertaken appropriately, linked to talent management initiatives and part of the whole set of corporate governance activities.

2.4 Conclusion

Lewis and Heckman (2006, p. 139) conducted an extensive and critical review of the talent management literature both in the professional and academic press and found a “disturbing lack of clarity” concerning its definition. They did, however, identify three primary conceptions of the term. The first is that talent management is comprised of “a collection of typical human resource department practices…such as recruiting, selection, development and career and succession management” (p. 140). From this perspective, they argued that talent management might be little more than a trendy term or euphemism for HRM. However, they also suggested that talent management might additionally imply a systems approach to carrying out these functions; one that involves technology (e.g. the internet or software) and takes place at the level of the whole enterprise.

Lewis and Heckman's (2006) second conception of talent management more specifically focuses on predicting or modeling (in support of managing) the flow of human resources throughout the organization, based on such factors as workforce skills, supply and demand, and growth and attrition. From this perspective, talent management is considered more or less synonymous with human resource or workforce planning, particularly if automated and connected with other organizational databases and systems.

Another perspective on talent management identified by Lewis and Heckman (2006) focuses on sourcing, developing and rewarding employee *talent*. Many HRM practitioner publications advocate the differential treatment of employees identified as having exceptional talent (i.e. high potential or high performing employees). This perspective was reflected in a recent Conference Board report in which talent was defined as "individuals who have the capability to make a significant difference to the current and future performance of the company" (Morton, 2004, p. 6). Proponents of this perspective typically refer to case study and other anecdotal forms of evidence, in which organizations pursuing this approach reportedly realize gains in sales and profitability. This was the case in the work of Handfield-Jones *et al.* (2001), the efficacy of which was later discounted (Lewis and Heckman, 2006), when the improvements in bottom line results proved to be temporary, despite an ongoing commitment to talent in the organization.

Providing support for this perspective Pfeffer (2001) argued that an exclusive focus on the external recruitment and retention of "high talent" senior executives could have unintended negative organizational consequences. These he identified as including increased internal competition thus undermining teamwork; the undervaluing of existing employees leading to increased turnover; the creation of a self-fulfilling prophecy of declining competence, whereby training and development resources are redirected from struggling employees to those most able; a focus on bringing in new talent instead of fixing cultural and other systemic issues that serve as barriers to employee performance; and the development of a culture of organizational arrogance or invincibility, potentially leading to poor decision making.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study is descriptive in nature and a survey method was used since the main purpose of the study is to describe the talent management practices in the banking industry in Kenya.

The survey method was used because the nature of the data to be collected requires a cross –sectional data to do a comparative analysis.

The design was also consistent with the objectives of the study.

3.2 The Population

This research targeted HR managers in the banking industry in Kenya. The research was carried out in the selected banks with their headquarters in Nairobi. The HR managers are the officials of the bank who carries talent management activities and initiatives; they therefore found to be better placed to respond to the questionnaires.

3.3 Sampling Techniques and Sample Size

The Survey method was used. This technique was used because there are 43 banks in Kenya and the study will surveyed all the banks.

3.4 Data Collection

The study used primary data. Data was collected using structured questionnaire containing both closed and open-ended questions. The respondents were Human Resource Managers and such other staff that handles HR, Training, and Talent Management related issues in the bank.

The questionnaire was divided into following sections: General information, talent management, succession Planning and Corporate strategy.

The questionnaires were sent through their email addresses and others hand delivered to their offices.

3.5 Data Analysis

Data collected is quantitative in nature and was be analyzed by the use of descriptive statistics and will be represented by use of Excel and other Microsoft office packages and presented through percentages, means and frequencies. The information was be displayed by use of tables, bar charts, graphs and pie charts.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

This chapter gives the analysis of the data collected from the completed questionnaires filled by the Human Resource Managers who were the respondents in 34 selected banks within Nairobi that participated in the survey. Quantitative analysis is applied to analyze the data. The results are divided into 2 broad areas namely the general information of the respondent's talent management practices and succession planning and corporate strategy with exception of the first section, the rest covers the broad areas in accordance with the structure of the study.

The findings have been summarized in percentage and presented by use of tables, graphs and charts.

4.1 General Information

This section represents the general information of the respondents (human resource managers) from the banks studied.

Table 4.1.0 Response to the Questionnaire

Questionnaires	**Percentage**
Answered Questionnaires	85%
Un-answered questionnaires	15%

Source: Research questionnaire

The total questionnaires distributed were 40 pieces. From the above, 85% of the Human Resource Managers responded to the survey, while 15% did not respond.

4.1.1 Bank Ownership Structure and Size Data

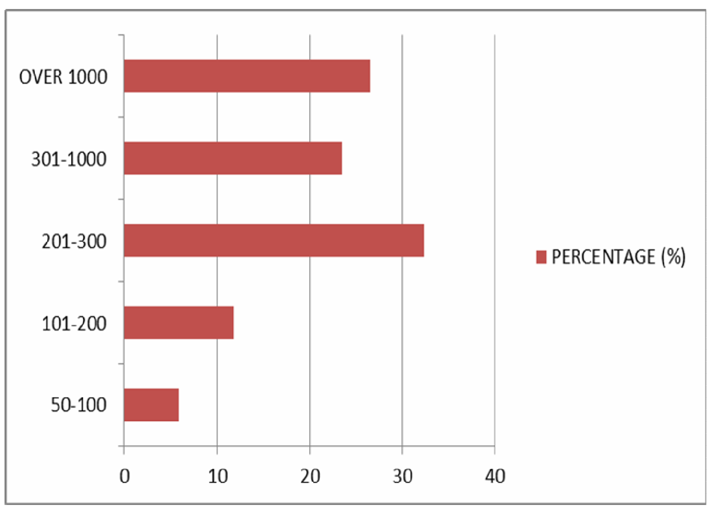
Table 4.1.1 Bank Ownership

TYPE	PERCENTAGE (%)
Foreign owned	0%
Foreign and partially locally owned	26.5%
Locally owned	55.9%
Government participation	17.6%

Source: Research questionnaire

From the table above it shows that 55.9% of banks are locally owned, government participation is 17.6%, foreign and locally owned is 26.5% while foreign owned is 0%.

Bar Graph 4.1.2: Size of the bank based on number of employees



Source: Research questionnaire

From the graph above, it shows that among the banks selected for the study, Smaller banks that employ between 50 to 100 employees formed 6% of the respondents, those with 1010 to 200 employees were 12%, those with 201 to 300 employees were 32%, those with between 301 to 1000 were 24% while those with over 1000 were 26% of the respondents.

4.2 Talent Management practices

This section represents part two of the questionnaire and sought to study the different talent management practices that have been adopted by the different banks.

Table 4.2.0: Existence of Talent Management Programmes in the Bank

Existence of Talent Management programme	Percentage %
Yes	68%
No	23%
Other	9%

Source: Research questionnaire

From the pie chart above it shows that 68% of banks studied have a talent search or management program in their organization, 23% of the indicated they had no management or talent search programme while 9% did not indicate if they had programmes or not.

Table 4.2.1: The types of Talent management programs in the Selected Banks

Types	**Percentage (%)**
Talent management	21.7%
Graduate trainee	43.5%
Management trainee	34.8%
Others	0%

Source: Research questionnaire

From the table above it shows that 21.7 % of the banks call their programs talent management, 34.8% uses management trainee and the majority 43.5% calls theirs Graduate Trainee. The shift in names has been occasioned by fact that many banks would not want to call it Management as the recruits do not necessarily join management roles.

Table 4.2.2: Frequency of recruitment to the talent management programmes

Frequency of recruitment	**Percentage**
Annually	41%
Once in two years	47
Other	12%

Source: Research questionnaire

Table 4.2.2 represents the results in a pie chart. The results shows that 47% of the respondents recruit their programme trainees annually, 41% recruits once in two years while 12% recruit at different frequencies.

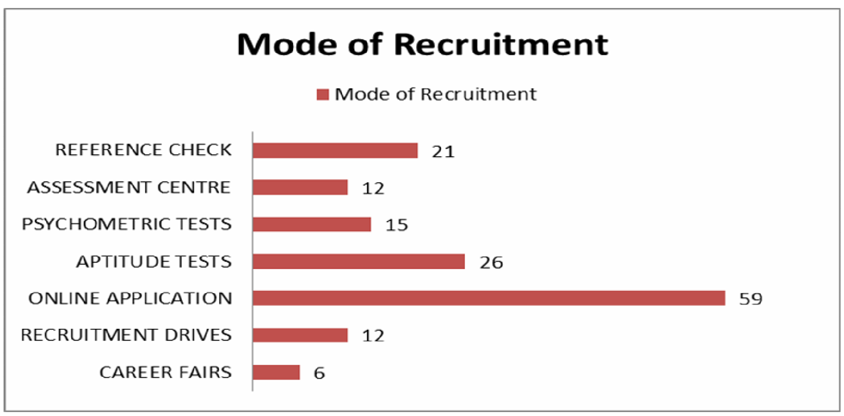
Table 4.2.3: Sources of Recruits to the Talent Programs for the Selected Banks

Source	Percentage (%)
University/college graduates	88%
Competitor organizations	3%
Internal recruitments	6%
Others	3%

Source: Research questionnaire

The study revealed that most bank recruit University and college graduates which was 88%, followed by internal recruitment which was 6% and 3% recruit from the competition while another 3% recruits from other sources.

Bar Graph 4.2.4: Modes of recruitment



Source: Research questionnaire

From the study, banks utilize varied modes they use in the recruitment process. Some combine more than mode. From the above, 59% utilize one form or another of online application, 26% uses aptitude tests, 21% uses reference checks as part of their selection process. Psychometric test is used by 15% of the banks while 12% uses assessment centres and a similar number uses recruitment drives while 6% takes advantage of the career fairs organized by the universities and colleges.

Bar Graph 4.2.5: Factored Considered When Making Hiring Decision

Source: Research questionnaire

The pie chart above represents factors of consideration during the selection process. The results shows that most banks past experience and academic qualification which was 39% respectively, performance in set selection tests which was 20% and performance against set competencies which was 2%.

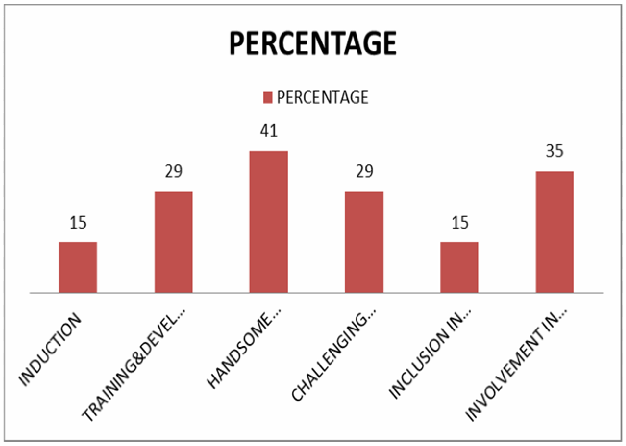
Table 4.2.6: Monitoring Performance of Selected Applicants

Mode of Monitoring	Percentage
Assignment/ Projects	32%
Evaluations	21%
Feedback	18%
Periodic Reviews	16%
Coaching/Mentoring	13%

Source: Research questionnaire

The above chart shows the different ways in which the banks monitor the performance of the selected individuals in the programme. From the above char, 32% of the respondents use assignment and projects, 16% use periodic reviews, 21% use evaluations in written tests, 18% have frequent feedback session while 13% uses coaching and mentoring to monitor performance.

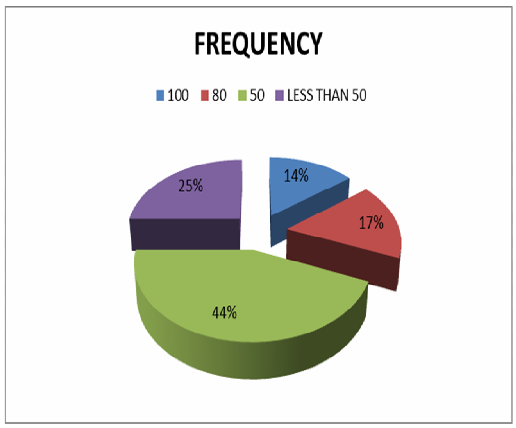
Bar Graph 4.2.7: Strategies of Retaining Employees



Source: Research questionnaire

The above graph shows different strategies adopted by the banks to retain their talent. From the graph above, 41% of the respondents use handsome remuneration package to retain their talent, 35% involve them in decision making, 29% uses training and development and giving employees challenging assignment as a retention strategy while 15% uses induction and inclusion in succession plans as retention strategies. From the above, most respondents use a combination of more than one strategy to retain their talent.

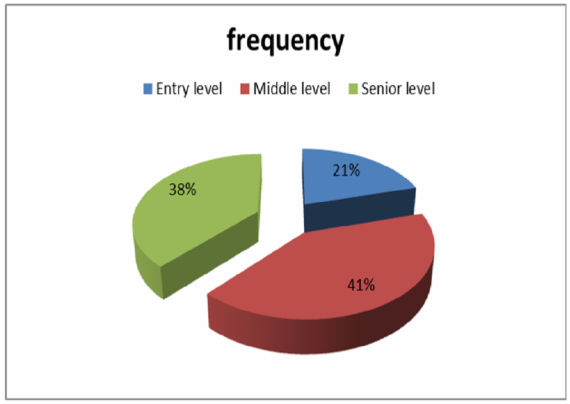
Pie Chart 4.2.8: Success Rate of Retaining Employees



Source: Research questionnaire

The above sough respondents rate of success in retaining their talent. From the above, 14% of their banks have retained 100% of their talent over the last 5 years, 17% had retained 80% of their talent, 44% had retained at least 50% of their talent while 25% had retained less than 50% of their talent over the same period.

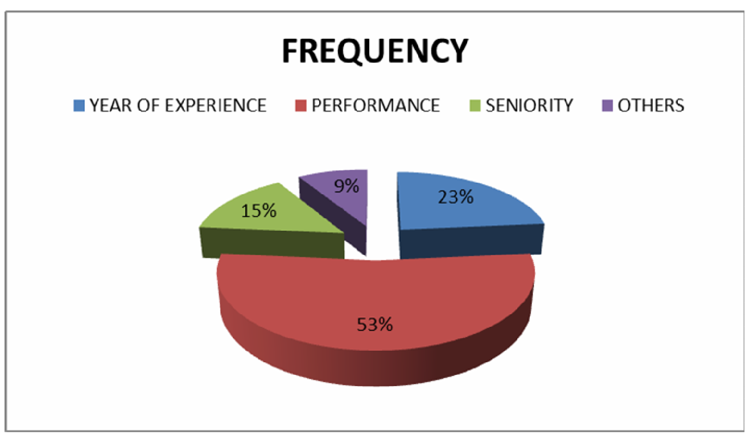
Pie Chart 4.3.0 Managing Talent After Programme



Source: Research questionnaire

The above sough to find out how the banks manage their talent after the talent programmes. From the above, 21% of the respondents absorb them into their entry level management, 38% into senior management while 41% absorb them into their middle level management roles.

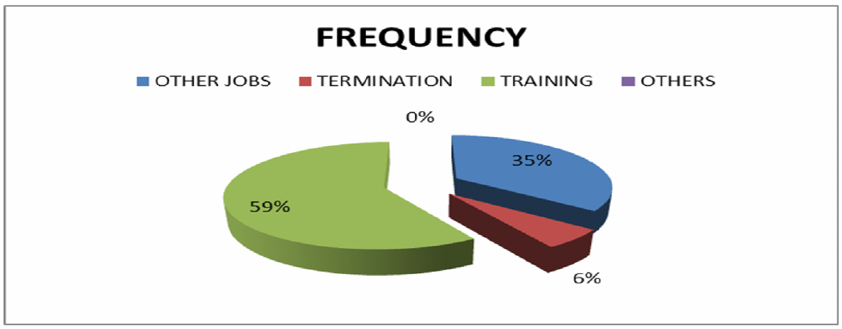
Pie Chart 4.3.1 Criteria For Determining Candidates Ongoing Fitness



Source: Research questionnaire

The above sought to find out the factors that are used to determine whether or not the employees in the talent programmes will be kept in the talent pool. From the chart above, 53% of the respondents base it on performance, 23% base it on years of experience, 15% base it on seniority while 9% consider other factors.

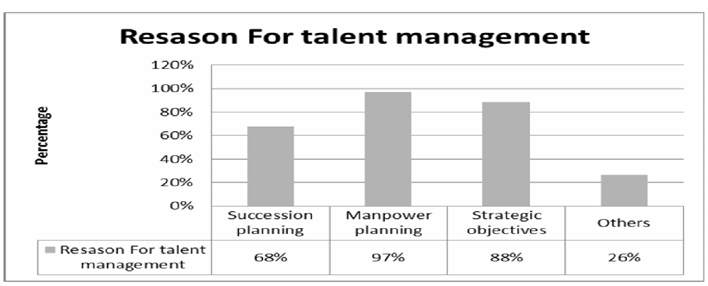
Pie Chart 4.3.2: Alternative Interventions For Staff Who Cannot Meet Expectations



Source: Research questionnaire

This question sought to find out how the respondents deal with individuals in the talent programmes who do not meet the expectations of the programme. From the above chart, 59% of the respondents trains the employees, 35% of the respondents removes them from the programme and post them to other jobs within the bank, 6% of the respondents terminate their contracts.

Bar Graph 4.4.0 Reasons for Talent Management



Source: Research questionnaire

The above sought to find out why the respondents engage in talent management practices. From the chart, 97% engage in it as part of their manpower planning, 88% engage in it as part of their strategic objectives, 68% for succession planning while 26% engage in it for other reasons.

Bar Graph 4.4.1: Link Between Talent Management and Company Strategy

Source: Research questionnaire

This question sought to find out whether the respondents link talent management to company strategy. From the graph above, talent management is part of the company strategy in 88% of the respondents, 9% consider it as an independent undertakin while 3% do it for other reasons.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter begins with a summary of the entire study. The focus of this chapter is discussion of the findings arising from data analysis of chapter 4.

The discussions are along the specific objectives of the study as set out in chapter one. In this chapter the study then makes recommendation for practice and future research.

5.1 Summary of the Findings

The purpose of the study was to investigate the talent management practices adopted by commercial banks in Kenya, to identify the extent to which talent management practices are linked to succession planning among commercial banks in Kenya and lastly to establish the link between talent management practices and overall corporate strategy to achieve competitive advantage

The population of interest for this study was the human resource managers in commercial banks in Nairobi. The researcher used sample population of 43 respondents taken using the random stratified sampling technique. The data for the study was collected by a questionnaire, designed and administered by the researcher. The data collected was analyzed using description statistics in terms of percentages, frequency distribution.

The analysis was done according to the specific objectives of the study. The data was presented in form of tables and graphs.

The study sought to find out the bank sizes in terms of number of employees. From the study, different banks varies from different things such as the asset base, the kind of product they are offering that is some are retail oriented while others are mainly co-operate that focus mainly on top level banking. The banking sector has invested immensely on personnel to get better and efficient service to their customers and keep their professionalism high as possible.

The study dwelt on the various aspects of the talent management practices which include sourcing of talent, management of talent and retention of talent.

The study found out that different banks have adopted different programmes to manage their talent. The banks in Kenya have one form or another of talent management programme. The programmes have different names such as talent management, graduate trainee, management trainee and talent pipeline development.

Young and fresh graduates from academic institution are highly favored and recommended by the banking sector. Most are mainly concentrated on university level where they get and tap the best in respective disciplines. This account for the 88% of the respondents of the study. Some banks get their talent from secondary school level to tap this talent and build and use it eventually these students finish their studies, this is done mainly for corporate social responsibility as most of these students are sponsored through university.

Academic performance in school is considered mainly as the top consideration to join the talent programmes. Several modes of selections are adopted while some use multiple selection method to choose the most suitably qualified candidates for the talent programmes. Some of the banks outsource the initial selection and aptitude tests as well as assessment centres before conducting the final selection. Some banks carry out recruitments drives by participating in campus recruitment fairs.

Different banks have adopted various strategies to retain their talent. Payment of handsome remuneration packages tops the list. Most of the banks pay their trainees higher pay than their entry level staff and give an array of benefits. Giving challenging assignments and giving the trainees rigorous training and development has been used by some banks to retain the employees as they get engaged for the duration of the training. Some banks ask the trainees to sign binding contracts to bond them to work for the bank for an agreed period of time after graduating from the programmes.

5.2 Conclusion

The banks like any other business are keen in maintaining their leadership in customer service, product differentiations and profits. In this regards, they have entrenched talent management as part of their strategy for growth. Talent management is critical as well as succession planning as this ensures there is continuity of business in the long term.

From the study therefore, there is a strong link between talent management, succession planning and corporate strategy.

5.3 Recommendations for Further Study

This study mainly focused on the link between the talent management practices, succession planning and corporate strategy. While the study achieved its objectives, there are other areas linked to this that emerged and would be recommended for further study.

One of the findings is that most of the banks recruit their employee's fresh from universities and colleges while 3% recruit from their existing staff. There is need to conduct a study on the impact of this on the staff morale of the employee as a result of this recruitment. The study also needs to look at how the existing staff perceives their colleagues on the talent programmes and how this affects their relationships and morale.

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APPENDIX 1: LIST OF BANKS IN KENYA

1. African Banking Corporation, Nairobi
2. Akiba Bank, Nairobi
3. Bank of Baroda, Nairobi
4. Bank of India, Nairobi
5. Barclays Bank of Kenya, Nairobi
6. CFC Bank, Nairobi
7. Charterhouse Bank Ltd, Nairobi
8. Chase Bank Ltd, Nairobi
9. Citybank, Nairobi
10. City Finance Bank, Nairobi
11. Co-operative Bank of Kenya, Nairobi
12. Commercial Bank of Africa, Nairobi
13. Consolidated Bank of Kenya Ltd, Nairobi
14. Credit Agricole Indosuez, Nairobi
15. Credit Bank Ltd, Nairobi
16. Daima Bank Ltd, Nairobi
17. Delphis Bank, Nairobi
18. Development Bank of Kenya, Nairobi
19. Diamond Trust Bank, Nairobi
20. Dubai Bank Kenya Ltd, Nairobi
21. Equatorial Commercial Bank Ltd, Nairobi
22. Fidelity Commercial Bank Ltd, Nairobi
23. Fina Bank Ltd, Nairobi

24. First American Bank of Kenya, Nairobi
25. Giro Commercial Bank Ltd, Nairobi
26. Guardian Bank, Nairobi
27. Habib Bank A.G. Zurich, Nairobi
28. Habib Bank Ltd, Nairobi
29. Housing Finance Co. Ltd, Nairobi
30. Imperial Bank, Nairobi
31. Industrial Development Bank, Nairobi
32. Investment & Mortgages Bank Ltd, Nairobi
33. K-Rep Bank Ltd, Nairobi
34. Kenya Commercial Bank Ltd, Nairobi
35. Middle East Bank, Nairobi
36. National Bank of Kenya, Nairobi
37. National Industrial Credit Bank Ltd, Nairobi
38. Oriental Commercial Bank Ltd, Nairobi
39. Paramount Universal Bank Ltd, Nairobi
40. Prime Bank Ltd, Nairobi
41. Prime Capital and Credit Ltd, Nairobi
42. Southern Credit Banking Corp. Ltd, Nairobi
43. Stanbic Bank Kenya Ltd, Nairobi
44. Standard Chartered Bank , Nairobi
45. Trans-National Bank Ltd, Nairobi
46. Victoria Commercial Bank Ltd, Nairobi

Source CBK Website