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## **ELEMENTS OF TALENT MANAGEMENT IN THE INSURANCE SECTOR**

Dr. Ben Kajwang PhD

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Dr. Ben Kajwang PhD, ACII(UK), AIRM(UK), FIIU, FIIK, CPT, Chartered Insurer  
Chief Executive Officer, College of Insurance, Nairobi, Kenya  
Corresponding Author Email: [bkajwang@coi.ac.ke](mailto:bkajwang@coi.ac.ke)

### Abstract

**Purpose:** The insurance industry is one of the industries that have experienced digital transformations, the emergence of insurtech startups, and an aging workforce and the recent Covid-19 pandemic which has forced employers to rethink their talent-management strategies. Companies have also realized that talent management is a critical element of competitive advantage and a motivating force for business success. The goal of this study is to identify and analyze the elements of talent management in the insurance sector. The purpose of this work is to enable the readers understand the elements that make up and contribute to talent management and their impact on the organization's performance.

**Methodology:** A desktop literature review was used for this purpose. Relevant journal articles for the study were identified using Google Scholar. The inclusion criteria entailed papers that were not over five years old.

**Findings:** It was found that there is a positive and significant influence of talent management on the organizational performance and a competitive advantage. It is therefore necessary that HR managers in insurance firms should initiate the use of the concept of talent management in their business strategies so as to achieve the set organizational goals. It was also found that the researchers advocated organizations to implement talent attraction, talent identification and talent retention in order to develop and manage talent.

**Unique contribution to theory, practice and policy:** It is therefore recommended that HR managers in insurance firms should implement talent management strategies or a good talent management model that fits the demands and needs of the organization. In addition, they should provide a conducive environment to nurture, develop, retain and manage top talented staff.

**Keywords:** *Elements, Talent Management, Insurance Sector*

## INTRODUCTION

The recruitment and hiring process in a company is a crucial process that the Human Resource department in every company takes it with a lot of seriousness and importance. The increase in the global shortage of highly skilled workforce especially in the knowledge-based sectors has made the competition to hire and retain the necessary talent more difficult. As a result, the focus of Human Resource Management is also on hiring and managing those employees considered most relevant to the long-term interests of the companies. It is believed that companies which invest its resources on hiring employees that are talented and help them develop their talents, have experienced remarkable company's growth and individual employee's growth (Gallardo-Gallardo, Thunnissen & Scullion, 2017).

Ansar and Baloch (2018) defined talent management as a continuous process of attracting and retaining high-quality employees, developing their skills, consistently motivating them to improve their performance. In addition, McDonnell, Collings, Mellahi & Schuler (2017) defines talent management as a strategic management process involving methods to manage and upgrade the skillset of high potential employees to retain them for a long run and achieve the desired goals of the organization. Thus, talent management is not an instant result process but it involves an in-depth analysis and workforce planning to identify the gaps between the current and future skills required and executing growth and development strategies to train and retain employees through career growth and development.

In the recent years, the insurance industry has experienced accelerated change in technology and uncharted risks in climate change and the recent Covid-19 pandemic. This has raised the need for talented employees in the insurance sector who have been a scarce resource in the current business environment. Hence to manage these risks and trends and optimize the value of new technologies, the industry will need a new approach and strategy to attract and retain talent employees in order to improve their performance and remain competitive against their competitors.

Much like a company's commitment to provide excellent service to its clients, integrated talent management is far more than a business goal or objective with a beginning, middle, and end. It is a perpetual journey toward consistently delivering higher levels of performance, and efficiency. It is a process that helps employers succeeds by staying ahead of the curve of an ever-changing business environment. There is significant number of organizations where the emphasis on human resources has made a difference in the performance of the organization. These organizations acknowledge the immense contribution of their employees in making a difference in the company and providing the essential ingredient for its competitive advantage. Successful organizations do not isolate their "people programs". They consider them an integral part of their business strategy (Finigan, 2018).

According to Ogboye (2019), when talent is integrated at the right places, it leads to tangible benefits for the organization. An investment in this model pays off, as the organization with the most mature processes achieve the needed competitive advantage over its rivals. Whilst each of the functions of talent process has value in its own right, their integration multiplies the value to the business. This is because it shifts talent processes from a disparate set of specialized



functions to a coordinated and interdependent series of connected activities that provide additional advantage at each stage.

According to Aberden Group (2018), Integrated talent management approach is ideal for organizations in competitive markets and, which are expanding their talent management scope. The real time integration optimizes all aspects of talent management; align the processes, practices and strategies with business objectives. Integrated talent management equips an organization with a broad range of functional and decision making capabilities. It supports organizations to survive today and tomorrow's business challenges with consistent end-to-end framework. The system empowers the organization with insight, agility, efficiency and consistency in talent management thus creating a competitive advantage. This is the 33 reason why a tightly organizations are able to thrive.

The logic behind talent management is based on the fact that business is run by people, they are the ones who create value by using corporate assets to create products and 8 services that people need. The implication is that the better the people an organization has the better it will perform and this is the rationale behind talent management to attract, develop, and utilize the best brains to get superior business results (Tonga, 2017). However, managing talent is a challenge to all organizations as they compete for the same pool of talents (Gardner, 2018)

Devien (2019) Aargues that talent management ensures that organizations have the right people with fit skills located at the right place to access business strategy. This ensures that the right employees maximize their talent for optimal success of the organization. Talent management involves mechanisms put in place to ensure attraction, retention and development. The employment relationship is undergoing fundamental challenges that have implications in attracting, motivation and retention of talented employees and talent shortage has resulted to fierce competition.

## **LITERATURE REVIEW**

### **Elements of Talent Management**

According to a study by O'Bryan and Casey (2017) in United States, talent management is an important business strategy that companies nowadays invest in. Hiring a talented workforce is important but what is more important is coming up with a good talent management model to develop the superior talents identified among employees and retaining them in the company. The key role of a good talent management model is to reinvent talent in an employee in order to achieve bigger and better results both in the short-term and long-term. Insurance companies that use good talent management model have reported significant growth in revenue generation, the emergence of innovative ideas and increased efficiency in employee's performance. This helps to maintain and retain the company's position and reputation in the ever-expanding market.

Research by Latukha (2016) in United States and Western Europe revealed that there has been a rapid growth in automation of services in the insurance industry due to emergence of new technologies. Automation of most services will accelerate a shift in the required workforce skills where technological skills will increase by 55% from 2019 through to 2030, while the need for basic cognitive skills like data input and processing will decrease by 15%. As a result, insurance roles in leading insurance companies such as underwriting, finance, claims, acturials and

operational roles will experience the automation shift of 10 to 55%. The study concluded that the best approach to automation shift is for organizations to fill these roles by connecting talent to value, which involves evaluating every candidate's knowledge, abilities, skills and experiences. This framework allows organizations to assess and compare candidates consistently and create optimal conditions for the organization and for candidates.

A study by Cui, Khan and Tarba (2018) on talent management and retention strategies in China's service sector e.g insurance sector, revealed that the key component of talent management is simply having the right candidate for the right job category. One of the most frequent recruitment strategies used by the insurance sector in order to nurture new talent is internship. This provides a good opportunity and approach to learn more about the interns and nurture the new talents identified before they are confirmed for the job. In addition, the best strategies of attracting talent include; a good working environment, career advancement opportunities, and a good compensation package. However, their main focus was on a good compensation package which enabled them keep their employees motivated and hence retaining them.

According to Bukhari and Uyo (2018), one of the most potent tools companies use to excel in talent management is line manager involvement. Managers at all levels become heavily involved in the recruitment of talent and are responsible to develop the skills and knowledge of their employees; personnel development appears as an explicit objective in most annual performance evaluations. Line managers should act as coaches or mentors, provide job-shadowing opportunities, and encourage people to move around within the organization for career development purposes rather than selfishly holding on to the best talent. A talent development-oriented culture also makes employees aware of their own responsibility for their development, including seeking out challenging assignments, cross-functional projects, or new jobs within the corporation (Bukhari et al., 2018).

Makori(2018) argues that the retention of talent requires a multifaceted approach. He adds that competitive compensation is essential to attract and retain top talent, but companies also increasingly recognize that financial incentives are only one element of success. Monetary rewards cannot substitute for an exciting job, long-term career planning, and attention from senior managers. Creating and delivering a compelling "employee value proposition" thus becomes critical. A powerful employee value proposition includes tangible and intangible elements, such as an inspiring mission, an appealing culture in which talent flourishes, exciting challenges, a high degree of freedom and autonomy, career advancement and growth opportunities, and a great boss or mentor (Makori, 2018)

A study by Altındağ, Çirak and Acar (2018) revealed that talent management has become a concept that is of great value to academics and managers in the Turkey. The study explored some of the talent management components that HR managers in the insurance industry have been practicing in order to increase employee's satisfaction. They include; leadership techniques, management capabilities, advanced management techniques, reward systems, performance appraisal systems, and employee selection criteria. The findings of the study concluded that among the components outlined, fair and trustworthy performance appraisal systems and management performance appraisals of employees are the key activities for enhancing employee feelings of trust and belonging to a company, as well as employee satisfaction in the insurance industry.

A study by Muratbekova-Touron, Kabalina and Festing (2018) in Russia indicated that talent management practices to attract young talent in the insurance industry can be explained through context-specific analysis. This involves a multi-level perspective that acknowledges the relevance of context at three levels that is; the macroenvironment, organizational and the individual. Thus, contextualization of talent management practices in these three levels allows for explaining the coexistence of a specific environment and nonspecific (global best) TM practices that inspire Russian companies and other emerging countries.

In China, Pfeffer and Sutton (2020) studied the effect of talent management practices on employee retention in service industries. It was found that most of these industries overemphasize on financial rewards so they hire “walking floppy disks”—people who join an organization, download expensive training and information, and then leave for a better-paying job elsewhere. The researcher recommended that suggest organizations should offer adequate financial inducements but emphasize other benefits, such as learning and growth opportunities, a great corporate culture, and an inspiring purpose, if they want to attract and retain the right people. Similarly, Yeung (2020) recommends that companies operating in the economies, where people commonly jump ship for a minimal salary increase, should resist the financial “arms race” and instead offer long-term career development opportunities and a unique value proposition that binds employees emotionally to the mission and goals of the company.

A study by Wiradendi (2020) in Indonesia revealed that employees are considered as talents who work for the company. The rapid evolution in technology known as Industrial Revolution 4.0 has made many insurance companies in Indonesia look for competent human resources for the development of technology, qualified skills and good attitude. This can be done through reskilling and upskilling employee’s skills and achieving a detailed understanding of the employees’ current capabilities and the ones the organization will need. For example, an insurer may design a training program to reskill data analysts as data scientists or to enhance existing actuarial skills within the organization with new analytics techniques. Such talent management practices have greatly influenced organizational performance in the insurance industry.

Research by Opoye and Rinat (2019) in Argentina suggests that companies that excel at talent management ensure internal consistency, complementarity, and reinforcement of the practices they employ to attract, select, develop, evaluate, and retain talent. In addition, these practices align closely with the corporate culture and link to the business strategy and long-term goals of the organization. A high degree of internal, cultural, and strategic fit creates an inimitable system of practices and not only drives excellence in talent management but also contributes to organizational learning and knowledge management. In addition, the researchers recommend that companies must balance the tension between effective decision making and implementation at the local level versus standardized systems and processes at the global level. These companies thus achieve a competitive advantage not solely because they design and implement “best” practices but rather because they guarantee the various elements of their talent management system are aligned—internally, externally, and globally—to support their business strategy and operating model.

A study by Hejase, Mikdashi and Bazeih (2016) in Lebanon revealed that competition and lack of available highly talented and skilled employees make finding and retaining talented people a major priority for organizations. Human Resource departments in the insurance industry have

now moved from only focusing on recruitment and development to a more strategic position that unites the management of human capital with organizational goals. These strategies include organizational initiatives such as training, employee development, diversity and equity in the workplace, disaster preparedness, reward management, and development and execution of organizational strategy. Such organizational initiatives have been linked to the organizational success and has enabled insurance companies respond to the current workplace demands and the complexity of technological innovation.

A study by Li and Jia (2021) in Malaysia investigated the influence of talent management on employee engagement in insurance companies. The study revealed that establishing a clear line of authority with well-defined hierarchical management system will help avoid bureaucratic meddling among employees, fairness of performance management system (PMS) will help overcome ineffective PMS, identifying and understanding the workforce needs and wants will increase employee job satisfaction in retaining qualified talents and lastly acquiring the right talent that will remain on the jobs will help minimize the issue of talent shortage.

Research by van Zyl, Mathafena and Ras (2017) in South Africa explored talent management practices in private insurance sectors. The study revealed that most of the private insurance sectors engaged in various dimensions of talent management which include; attraction, sourcing and recruitment, deployment and transitioning, growth and development, performance management, talent reviews, rewarding and recognizing, engagement and retention. These were considered as critical factors that insurance sectors should consider for the successful implementation of an integrated, holistic and comprehensive talent management framework. These proposed framework guides talent management practices within insurance sectors by highlighting activities to be carried out to achieve outcomes per talent management dimension.

A study by Ogbari, Onasanya, Ogunnaike and Kehinde (2018) in Nigeria investigated the impact of talent management strategies on the performance in insurance industry. The study revealed that another key element of talent management that improves organization's performance is; strategically identifying, assessing and developing talents of staff to ensure that they are capable of assuming/succeeding key roles because it leads to an organizations survivability and viability in the industry. In addition, inculcating a high-level human capital development programme through undertaking trainings, development schemes and a periodic research and studies, this impacts on employees' innovative capabilities and helps organizations to strategically prepare for changes in governmental policies and business environment.

Further, another study by Jimoh, Kee and Odebunmi (2020) in Nigeria indicated that improved service quality in business organizations has been influenced by attraction and retention of talent. Business organizations dealing with mainly service delivery can also improve the quality of their services by including a good reward strategy when employing attraction and retention of top talent among their staff. These rewards could be in the form of bonus pay, profit sharing, payment for time not worked, compensation etc awarded to top-performing employees. This reward strategies have been reported to foster sentimental attachment and strengthens employee engagements in business organizations.

A study by Mhagama (2019) on assessing the impacts of talent management on the organizational performance in public sectors in Tanzania, indicated that talent attraction, talent

identification, talent development and talent retention have a positive and significant influence on organizational performance. The study also concluded that talent identification, talent attraction and talent retention are the first key elements to effectively develop and manage talent in organizations. Talent identification can be done through identifying the right talent among the staff and providing a conducive environment to nurture, develop and manage talent in the end this has led to superior organizational performance.

A study by Munoko and Were (2018) in Kenya sought to investigate the influence of talent management on competitiveness of insurance firms in Kenya. The study revealed that acquisition of talent with the appropriate competencies and conducting further training to improve the skills are key for insurance companies that are coming up with talent management strategies. Further, retention of the talented staff is important since the cost of recruitment and hiring of new employees is quite high and it ensures effective supply of talent in case of succession planning. The findings of the study also found out that the use of advanced talent management initiatives in underwriting risk and predicting loss develop a competitive advantage over their competitors in the insurance industry.

### **Human capital theory**

The study uses human capital theory to explain the concept of talent management processes and its contribution to an organization competitive advantage. According to Adam Smith as cited by Schultz, (1981) who originated the idea of human capital when he observed that the required wealth of nations is derived from the acquired abilities of people, their education, skills, and experience. Additionally, silver, (2010) also formulated the basis of what was later to become the science of human capital. The first school of thought distinguished between the acquired capacities and classified them as capital and the human beings themselves, while the second school of thought envisaged that human beings themselves were capital. According to the theory, human behavior is based on the economic self-interest of individuals operating within freely competitive markets. In the context of this study human capital is a valuable form of resource which insurance firms can invest in to attain their competitive advantage. According to Becker, (1964) as cited in Tarique and Schuler (2012), the theory is used to examine individuals with high levels of human capital which can further the understanding and development of talent management. The study found that the theory is significant as it envisages that the independent variable of integrated talent acquisition when supported by the good policies supports insurance firms to attract and acquires the best talent from the market.

According to Armstrong and Baron, (2002) people and their collective skills, abilities and experience, coupled with their ability to deploy them are in a position to contribute to organizational competitive advantage. Further studies by Cappelli and Singh, (1992) opine that competitive advantage arises from firm specific, valuable resources that are difficult to imitate. In this case, it is the knowledge, skills and abilities of individuals that create value, which is why insurance firms should focus on integrated talent development processes.

Other observations by Armstrong (2009) indicate that human capital theory regards people as assets. In the context of this study insurance firms should invest in talent development to generate and harness worthwhile returns. In addition, the human capital theory suggests that people in an organization contribute their skills, knowledge, and abilities to enhance



organizational capabilities and the significance of that contribution is actualized in the organization competitive advantage. The theory is also associated with the resource-based view of the firm developed by Barney, (1991) in the sense that both theories indicate that talent is key driver of competitive advantage. An organization should therefore sustain human resource pool that may not be imitated or substituted competitors. From the perspective of this study insurance firms should invest more in talent development as this will enhance their capacity to acquire and retain talent required to drive their competitive advantage. Additionally they will be able to attract knowledge workers who regard themselves as free agents capable of choosing how and where they invest their talents, time and energy. The study found that human capital theory as reinforced by (Armstrong, 2011) talented workers contribute their knowledge, skills and abilities, to drive competitive advantage in telecommunication firms. In this case human capital represent the human factor in telecommunication firms, which is the combined intelligence, skills and expertise, that gives them distinctive character and competitive advantage Bontis et al (2019). The human capital theory supports talent management as key investment for insurance firms and demonstrates that they will experience high returns in form of value for money derived from their competitive advantage.

## **CONCLUSION**

Talent management is one of the crucial business strategies that the insurance sector should embrace and implement among the other organizational goals. It is evident from this review that the various elements of talent management that have been discussed by researchers, have a positive and significant influence on organization's performance and it also has a competitive advantage. The elements that have stood out in this review are talent attraction, talent identification, talent retention and talent development through trainings. It is therefore necessary that HR managers should shift their focus from only aiming at the recruiting and hiring process and come up with talent management strategies that will attract top talent, identify the right talent among the staff and provide a conducive environment to nurture, develop and retain top talented staff.

## **RECOMMENDATIONS**

Based on the findings from this review; HR managers in insurance firms should initiate the use of the concept of talent management in their business strategies so as to achieve the set organizational goals. HR managers in insurance firms should implement talent management strategies or a good talent management model that fits the demands and needs of the organization. During the recruitment and hiring process, HR managers should not only identify professional qualifications but also skills, knowledge, abilities and behavior to meet strategic business objectives. One of the ways to identify, nurture and develop young talent in the insurance industry is through oftenly offering internships to the youth. HR managers in insurance firms should provide a conducive environment to nurture, develop, retain and manage top talented staff. Good reward strategies in the form of bonus pay, profit sharing, payment for time not worked, compensation etc awarded to top-performing employees will foster sentimental attachment and strengthens employee engagements in business organizations.

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