

# The Impact of Key Performance Indicators (KPIs) on Talent Development

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**Abstract:** This Paper is one of the most important papers which focus on Key Performance Indicators in relation with talent development which start to be the main focus of all companies and countries and most researchers start working on the same subject to give more insights on it. This paper aim to explore the importance of Key Performance Indicators and its impact on Talent development and the advantages of using the performance management system especially in the large companies where there are difficulties in assessing employees' performance. The importance of this research is the well develop and design comprehensive framework about the establishment, use and evolution of key performance indicators and how specialists can use the tools and implement process step by step with the highlighting of all challenges and limitations. The challenge is in the KPIs more than calculate the human capital ROI and Talent Development because it's the hardest part where implementing such techniques can restructure all the organization from the bottom line. This level of extensiveness is the place the test exists much of the time, and where the profit of having a decent strategic plan is not completely figured it out. In short, it is a long between joined affix that needs to be concentrated on nearly part by part.

**Keywords:** Key Performance Indicators, Talent Development, KPIs, Performance Management.

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## 1. INTRODUCTION

Developing Talents is not just a strategy or activity that companies take to reach high level of effectiveness and profitability, developing talents is a culture that every organization should follow to build a development environment among its business. No one can takes risk in developing talents without having clear strategic plans where vision, mission, values and objectives are clear set in line with developing the Key Performance Indicators (KPIs). A company must establish its strategic and operational goals and then choose the best KPIs metrics which professionally reflect those goals. For example, if a software company's goal is to have the fastest growth in its industry, its main performance indicator may be the measure of revenue growth year-on-year. A company's KPIs metrics will be stated in its annual report. Also, KPIs will often be industry-wide standards, like "same store sales", in the retail sector (Peterson, 2006).

If researchers can evaluate Talents development strategies, they should have firms understand training needs and have a well design (TNA) Training Need Analysis. Because Talent Development strategies are contingent on workforce needs, and an understanding of the workforce needs of a developing nation, will provide the contextual background against which the efficacy of Talent Development strategies is measured (Davidsson & Honig, 2003).

In recent years, several different models have been developed to measure and improve the performance of organizations. Key performance indicators (KPI), the balance scorecard (BSC), and the business excellence Model (BEM) are more widely accepted and more effective than others. When measuring performance, it is important for them to select the appropriate models and indicators (Minogue, 2011). Considering the big picture of Human Resources in today's corporate environment, the prevailing problem in companies is a failure to align the "people" strategy with the business strategy. Although senior leaders say that they recognize the importance of talent, by and large they are not practicing what they

preach. A new report from the Human Capital Institute shows that only 17% of surveyed companies say that their workforce strategy is consistently in line with their business strategy. A big part of this problem stems from managers' widespread inability to develop their direct reports. A meager 5% of organizations reported confidence in their managers to grow employees in their current roles – and few middle market companies consider outside resources and consultants to assist them with these challenges (Handley, 2014). It's clear that employee performance is only growing in importance as a key business metric. With data and analytics, HR has an opportunity to showcase metrics-based talent management ROI and take more tangible ownership over performance (McNulty, 2011).

From a talent management perspective, if the “performance differential” between the average employee and the worst employee is small, (less than 5 percent), it doesn't make much sense to spend a lot of money on performance management programs. However, when weak performers produce more than 33 percent below the average, it makes clear business sense to invest in great performance management and recruiting in order to fix or replace weak performers (Sullivan, 2014).

All organizations should know the value of their assets, whether they are well-performing or weak-performing assets. Since employees are “our most important asset” it is surprising that only a few firms have taken the time to calculate the positive performance differential that is provided by top performers and the negative performance differential that the organization suffers because it keeps weak performers. There are of course more complicated formulas to consider (such as dollars spent on labor versus dollars of profit earned each year) but the best approach is one that is customized and then found acceptable to your CFO and your executives (Sullivan, 2014).

Most of the assessment that managers complete focuses on “the person,” including characterizations of their personal “traits” (i.e. commitment), knowledge (i.e. technical knowledge) or behaviors (i.e. attendance). While these factors may contribute to performance, they are not measures of actual output. If you want to assess the person, call it “person appraisal.” Performance is output quality, volume, dollar value, and responsiveness (Sullivan, 2011).

When we interviewed several survey respondents, they said that while they did specify which talent might have high impact on the business (e.g., leaders, salespeople, etc.) they often did not have a model or metrics to determine why some talent pools are chosen as high-impact and others are not. The ability to run an effective HR organization and having measures of how efficiently the HR organization runs, although perhaps helpful in making HR a creditable strategic partner, is not the difference maker that business impact data are, despite the fact that such efficiency measures are the most prevalent KPIs metrics used by HR today (lawler, 2003).

## 2. PURPOSE OF THE STUDY

The purpose of this study is to assess the existence, strength, and direction of a probable impact of Key performance indicators (KPIs) on talent development. This Research worked with a population of Top managers in Chosen organizations in Saudi Arabia. A purposive sample of about 150 CEOs, CHROs, CFOs and Top managers have been selected because they are able to give the researcher the best reports about the Performance Management and Talent development strategy of the company and they showed the researcher if there existing for the Key Performance Indicators (KPIs) or Not .

This research will help the Human Resources Professionals who work in Performance Management and Talent Development Strategies which go with the organization strategy to have full knowledge about all the challenges and the advantages according to the Talent Development strategy to work with the goals set in the strategic plan. This will allow Top managerial levels think in very professional ways toward the Investment in their Human Capital and start design the right indicators which reflect the real results. This research will allow executives convert their management style into quantitative in all functions which will enhance companies' performance and profitability and employees' accountability and effectiveness. The right match between KPIs and the Talent Development Practices that will reflect may result in better ROI, performance and satisfaction of Top Management.

### Statement of the research problem:

For years organizations that have had what they thought were KPIs have not had the focus, adaptability, innovation, and profitability that they were seeking. KPIs themselves were mislabeled and misused. Examine a company with over 20

KPIs and you will find a lack of focus, lack of alignment, and underachievement because of not fully understanding the importance of the KPIs and this make problem for most of the organizations regarding calculating and measuring the employees and business results and return on investment (ROI). In the other hand many companies are working with the wrong measures, many of which are incorrectly termed key performance indicators (KPIs). Very few organizations really monitor their true KPIs. The reason is that very few organizations, business leaders, writers, accountants, and consultants have explored what a KPI actually is. Also, KPIs are rarely new to the organization. They have either not been recognized or were “gathering dust” somewhere unknown to the current management team (Paramenter, 2015).

Despite many studies, a good Talent Management metric for ROI might be a comparison of revenue/labor cost or operating earnings/labor costs. At the functional level, the same type of higher-level ROI can be applied, for instance, by measuring the output of an engineering organization using an example such as the number of new products brought to market within three years. Of course the challenge with high level ROI measurements is that it's often difficult to directly correlate actions to results since there can be multiple factors that influence results (Salsbury. 2013).

Most of the companies didn't take their measurements seriously, so companies must be willing to invest in Talent Development. Even when hard ROI metrics are a challenge to predict, organizations can examine before/after scenarios and track results and trends to determine whether Talent Development programs have achieved their goals (Salsbury. 2013).

Some researchers suggested that investment in Talent Development not just by giving training and monetary motivation incentives, money is not as potent as it seemed to be, many companies tried to implement monetary incentives as their main tool to motivate employees and have good efficiency in order to increase their ROI. The question that has arisen is if there are other options of motivating employees that would be equally effective but more costs-efficient and reflect on the achieving of the organizational strategic goals especially when there is exact key performance indicators (KPIs) that will motivate the employees to enhance their effectiveness (Herzberg, 2003).

According to many researchers, most of the organizations just take care on operational Talent Development planning and don't look at the strategic human capital investment which is the most important function that focus on the organization performance and ensure that the organization have the right team and right measurements in order to work with the best leadership criteria and perform with highly productive performance in order to achieve strategic goals and calculate their return on investment (ROI), moreover study the relationship between the KPIs in Talent Development Management and the ROI of the investment in Talent Development of the organization is very serious especially in the regions where they have educated, qualified and enough resources but don't know how to use it or how to develop it which will affect negatively on the business and the economy of the country (Gallant, 2010).

#### **Research hypotheses:**

To reach the purpose of the study, the following hypotheses were formulated:

H<sub>0</sub>: There is no statistically significant impact of Key Performance Indicators (KPIs) on Talent Development.

H<sub>1</sub>: There is statistically significant impact of Key Performance Indicators (KPIs) on Talent Development.

#### **Research questions:**

Human Resources Management department play a strategic role in the organization because it deals with the valued assets which are the employees and as everybody knows that without employees there is no business. This highlights the importance of the study on the performance, training, recruitment, engagement, retaining and behavior which is the difficult part in any study, mainly because people always change their attitude and behavior according to the situation.

Organizations should pay more attention to measure the Talent Development and always try to update their programs and study the impact of all Talent Development factors on the company's strategic plan. Also they are requested to set very professional effective designed KPIs for their work. In this study the author offers to gather data, testing and recommend an answer to the following question:

Which impact the key performance indicators (KPIs) play on Talent Development?

### 3. METHODOLOGY

This Research Paper was written to well identify and clarify The Impact of Key performance indicators (KPIs) on Talent Development in the Saudi Arabia perspective.

#### **Research Approach:**

As per Singh, Y.K. & Bajpai, A.B. (2008), Research approach can be divided into four groups: deductive and inductive. The significance of hypotheses to the study is the main characteristic point between these two approaches. Deductive approach tests the validity of assumptions (or theories/hypotheses) in hand, whereas inductive approach contributes to the emergence of new theories and generalizations. Discussion about research approach is a key and only any experimental contemplate in any case of the research area. Inside the methodology chapter of the dissertation, researcher should demonstrate those principle contrasts the middle of inductive and deductive methodologies and define those approach that have included to the research by breaking down your arguments into several points.

The approach, research design, and research question are all connected. 'Approach' implies something more than those sorts about information utilized – it alludes to the generally introduction to exploration and the kind for asserts that will make the research. Dissertations can be based on either quantitative or qualitative data, or on a combination of both. The choice of the type will be based on the preferences and abilities and the appropriateness of the specific approaches of the subject. The researcher should be able to identify the way he use such data. Quantitative data is mainly valuable when the researcher want to discover how common particular forms of behavior. Qualitative data is mainly valuable when the researcher want to discover out why people engage in such behavior (BRYMAN.A, 2003).

In This Research Paper deductive and quantitative methods will be used. As noted earlier, deduction owes much to what we would think of as scientific research. It includes the development of a theory that is subjected to a difficult test (Collis and Hussey 2003). Robson (2002) lists five consecutive phases through which deductive research will grow: first, deducing a hypothesis (where the researcher tests the relationship between two or more variables). Saunders et al (2007) distinguish the major differences between deductive and inductive research approaches in the following manner:

#### **Deductive methods:**

- Principles based on science
- Movement is done from theory to data
- Casual relationships between variables need to be explained
- Quantitative type of data is mainly collected
- Measures of control are applied in order to ensure the validity of data
- Concepts are operationalized in order to ensure the clarity of definitions
- The approach is highly structured
- Researcher is independent from the research process

#### **Inductive methods:**

- Meaning of human attachment to events are aimed to be explored
- Research context is understood in a deeper manner
- Qualitative type of data is collected
- More flexible approach to research structure to ensure provisions for changes during the research
- Researcher is perceived to be a part of the research process
- Research findings do not have to be generalized

#### **Qualitative versus Quantitative research approach:**

The distinction between qualitative and quantitative research is a methodological issue. The decision to choose a specific methodology should be based on its suitability to answer the research questions (Bryman, 1988). Denzin and Lincoln (1998) asserted that qualitative research emphasizes the process of discovering how the social meaning is constructed and stresses the relationship between the investigator and the topic studied. Conversely, quantitative research is based on the measurement and the analysis of causal relationships between variables. Berg (2001) discriminated between qualitative

and quantitative research arguing that qualitative research referred to the meanings, concepts, definitions, characteristics, metaphors, symbols and descriptions of things, while quantitative research referred to the measures and counts of things.

### Population:

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### Research tools & Results:

The instrument used in this study, Key Performance Indicators (KPIs) and Talent Development is a standard questionnaire. The questionnaire based on Likert scale of 4 (from Very Important to Not Important & from Very Capable to Lacking in Capability & from All the Time to Not very often) and a Section of multiple answers is designed divided into main six sections.

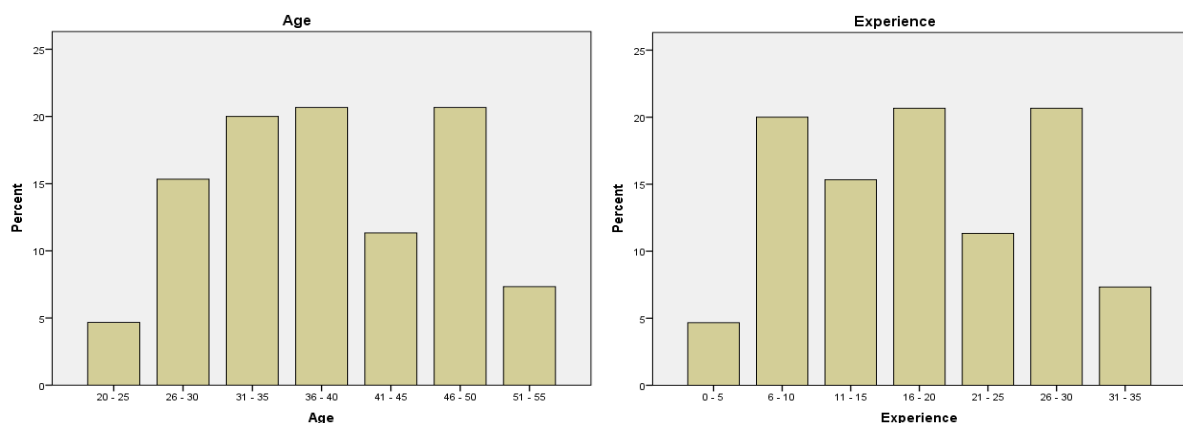
- ❖ Key Performance Indicators (KPIs) Development
- ❖ Key Performance Indicators (KPIs) for individual performance
- ❖ Capabilities and Skills
- ❖ Learning on the Job
- ❖ Learning Through People
- ❖ Learning through Courses and Reading

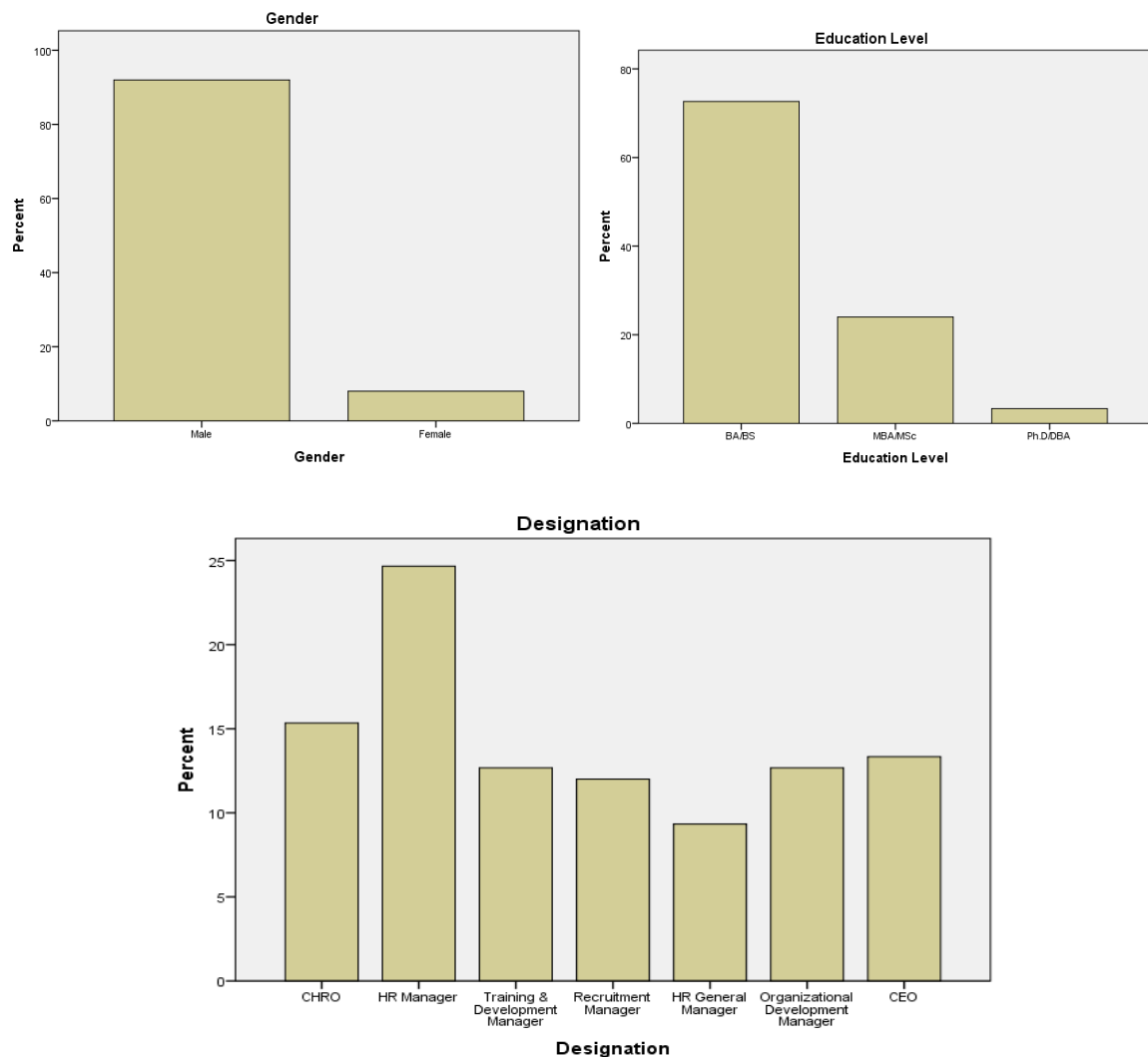
The Instrument was handed to all 150 respondents which took about 15-20 minutes to answer and were collected immediately on completion, which resulted in a 100% response rate.

In this study, Cronbach's alpha was used to assess the reliability of the instrument. Then, using data obtained from the questionnaires and statistical software SPSS the reliability of the questionnaire, Key Performance Indicators (KPIs), 0.970 and for the Talent Development, 0.989 estimated.

## 4. FINDINGS & DATA ANALYSIS

According to the Data got it from the Instrument I found that 92% are males and 8% are females which 56% of the respondents are in the age of 26 to 40 and 20% in the age of 46 to 50 where experiences vary between respondents 21% between 6 to 10 and 21% between 16 to 20 also 21% between 26 to 30. Also I found that 72.7% hold BA/BS, 24% hold MBA/MSc and 3.3% hold Ph.D/DBA and as per designation I found that 24.7% from the respondents hold the title of HR Manager. (See the Tables Below)





As I mentioned before that the questionnaire was designed from seven sections and using the data obtain from section one “Key Performance Indicators (KPIs) Development” according the questions that measure how important is the “Key Performance Indicators (KPIs) Development” 29% from the Respondents mentioned that its very Important and 45% Important which means 74% from the respondents confirmed the importance of the “Key Performance Indicators (KPIs) Development” for the organization.

As per section two were questions measure the Importance of having “Key Performance Indicators (KPIs) for Individual Performance” 30% mentioned that’s very important and 50% Important which means 80% from the respondents confirmed the importance of “Key Performance Indicators (KPIs) for Individual Performance” and as per average 77% from the respondents are with the KPIs development which is great rate specially in the Arab Region where KPIs is not well known and not professionally implemented.

As per sections Three, Four, Five and Six where Talent development measured in the companies of the respondents after applying the KPIs using the categories (Capabilities and Skills, Learning on the job, learning through People and learning through courses and reading) 68% from the respondents mentioned that after applying the KPIs there is increasing in the Capabilities and Skills of the employees, 74% from the respondents mentioned that after applying the KPIs there is increasing in the Learning on job, 79% from the respondents mentioned that after applying the KPIs there is increasing in learning through People and 80% from the respondents mentioned that after applying the KPIs there is increasing in learning through courses and reading. According the obtained percentage we can conclude that 75% from the respondents found Increasing and improvement in the Talent Development after Applying Organizational, Departmental and Individual KPIs.



## 5. CONCLUSION AND RECOMMENDATIONS

The importance of this research is the well develop and design comprehensive framework about the establishment, use and evolution of key performance indicators and how specialists can use the tools and implement process step by step with the highlighting of all challenges and limitations. The challenge is in the KPIs more than calculate the human capital ROI and Talent Development because it's the hardest part where implementing such techniques can restructure all the organization from the bottom line. This level of extensiveness is the place the test exists much of the time, and where the profit of having a decent strategic plan is not completely figured it out. In short, it is a long between joined affix that needs to be concentrated on nearly part by part.

Using statistics and indicators in organization considered as one of the top criteria for measuring and tracking performance success and the rating of the desired goals achievements. Key performance indicators (KPIs) are the most important factor presenting performance among the time using regular tracking and on specific periods. Key performance indicators (KPIs) are the tools for internal and external evaluation in the any performance management system and should be choose on professional criteria that help exactly defined the problem in lack of goals achievements. Key performance indicators of the organization as mentioned are the most important factor in evaluating performance so that specialists should properly collect, analyze data because it plays major role in taking decision and improving Talent development and can be good tools for performance judgments.

The results have shown that KPIs Implementation impact directly on the Talent Development. So we have some suggestions as bellow:

The Human Resources Department of any organization must develop and implement KPIs in line with talent management and development plans to reach high level of organizational culture based on their attention.

Active talents need Learning, Development and and gaining technology. So for using knowledge and talents of people it will be better to set a condition for their participation and giving their ideas.

Manager should believe in their people by taking time to talk about their potentials, dreams and goals and how to help them start to achieve it. This will affect directly their KPIs results and will show fast track improvements.

Organization can use benchmarking systems and take the best from the best specially in the same industries where there is a lot of successful organization in terms of KPIs implementation and Talent development.

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