In many businesses today, economies of scale do not exist; rather there are economies of ideas and talents. Against this new reality, the present study proposes an interesting and inevitable phase of the economy of managing talents surpassing the economy of staging experience that is traversed—from extracting commodities to making goods to delivering services. Manage talents facilitate innovations that induce added value and productivity in both demand and supply sides of the economy. It also introduces a new way of calculating economic profit incorporating a compact of talent management intertwined the elements of brand, purpose, opportunity and culture. In the end, the study reviews a case of agro-enterprise in Bangladesh that suggests that the firms which are talent-oriented they are more productive or more profitable in compare to other firms which are capital-oriented. Hence, the research concludes that manage talents are the latest phase of economy of 21st century’s management which nurtures economies of talent rather than economies of scale in calculating and maximizing profit.

Keywords: Talent-profit chain, Manage talents, Economies of talent, Productivity
In many businesses economics of scale don’t exist; rather there are economies of ideas which come into being through research and development (R&D) every year. For a growing number of companies, competitive advantage lies in the ability to create an economy driven not by cost efficiencies but by ideas and intellectual know-how. In practice this means that leaders have to create an environment in which what we call “clever people” can thrive. These people are the handful of employees whose ideas, knowledge, and skills give them the potential to be productive and to produce disproportionate value from the resources their organizations make available to them (Goffee and Jones, 2007).

There’s no hotter topic in recent year’s review and portfolio, for the obvious, overwhelming reason that in the knowledge economy of the twenty-first century, talent will always be the scarcest of scarce resources. Above all others, it is what companies compete for, depend on, and succeed because of (Goffee and Jones, 2007). Emerging markets are by compounded rates of as much as 40 percent and winning the race for talent to keep up with growth is appearing extraordinarily daunting and challenging, because presently businesses based all over the globe are feverishly competing for people but not for capital (financial). In the end, the research and development (R&D) every year. For a growing number of companies, competitive advantage lies in the ability to create an economy driven not by cost efficiencies but by ideas and intellectual know-how. In practice this means that leaders have to create an environment in which what we call “clever people” can thrive. These people are the handful of employees whose ideas, knowledge, and skills give them the potential to be productive and to produce disproportionate value from the resources their organizations make available to them (Goffee and Jones, 2007).

At its heart, talent management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it. Current responses to this challenge largely fall into two distinct—and equally ineffective—camps. The first, and by far the most common, is to do nothing: anticipate no needs at all; make no plans for addressing them (rendering the term “talent management” meaningless). This reactive approach relies overwhelmingly on outside hiring and has faltered now that the surplus of management talent has eroded. The second, common only among large, older companies, relies on complex and bureaucratic models from the 1950s for forecasting and succession planning—legacy systems that grew up in an era when business was highly predictable and that fail now because they are inaccurate and costly in a more volatile environment (Cappelli, 1999).

It’s time for a fundamentally new approach to talent management that takes into account the great uncertainty businesses face today. Fortunately, companies already have such a model, one that has been well honed over decades to anticipate and meet demand in uncertain environments—supply chain management in order to ensure maximization of profit. By and large, talented employees of an organization are its core employees who contribute in achieving the organizational goals or success. Thus, talent is an individual who is a key player to achieve the goals of the organization. S/he could be the manager or the Chef of a restaurant or the waiter or the waitress whose contribution helps to raise the sales revenues that maximize the profit (Ashraf and Joarde, 2009). By ensuring talent-profit chain, firms can forge a new model of talent management better suited to today’s realities (Cappelli, 2008). In so doing, the present paper aims to show how the progression of economic value inevitably necessitate to transit—from commodities to goods to service to experience to manage talent phase and how a new way of calculating economic profit help the new model to focus on the productivity of people (talent) rather than capital (financial). In the end, the research also delves into a case study that shows how economies of talent ensure higher profitability (productivity or efficiency) rather than economies of scale which is now obsolete. Before getting into the details, the next section highlights the context in which talent management has evolved over the past few decades along with its current state.

Manage Talent: Evolutionary Dynamics

Internal development was the objective norm back in the 1950s, and every managerial practice that gives the impression novel today was usual in those years—from mentor coaching to 360-degree feedback to job rotation to high-potential programs. Except at a few very large firms, internal talent development collapsed in the 1970s because it could not address the increasing uncertainties of the marketplace. Business forecasting had failed to predict the economic downturn in that decade, and talent pipelines continued to churn under outdated postulations of growth. The excess supply of managers, combined with no-layoff policies for white-collar workers, fed corporate bloat. The steep recession of the early 1980s then led to white-collar layoffs and the demise of lifetime employment, as restructuring cut layers of hierarchy and eliminated many practices and staffs that developed talent. After all, if the priority was to cut positions, particularly in middle management, why maintain the programs designed to fill the ranks? (Cappelli, 2008).

The alternative to traditional development, outside hiring, worked like a charm through the early 1990s, in large measure because organizations were drawing on the big pool of laid-off talent. As the economy continued to grow, however, companies increasingly recruited talent away from their competitors, creating retention problems. Watching the fruits of their labors walk out the door, employers backed even further away from
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that push up the productivity in both supply and demand sides (see figure 2). Throughout this process, where marginal revenue (MR) equates marginal Cost (MC), profit gets maximization. This reality is intuitively caught the insights of Cappelli (2008) which advances emphatically that the most innovative approaches to managing talent use four particular principles drawn from operations and supply chain management. Two of them address uncertainty on the demand side: how to balance make-versus-buy decisions and how to reduce the risks in forecasting the demand for talent. The other two address uncertainty on the supply side: how to improve the return on investment in development efforts and how to protect that investment by generating internal opportunities that encourage newly trained managers to stick with the firm.

A New Way to Calculate Economic Profit

The standard calculation for economic profit can be reformulated - by substituting some basic components and by using standard algebra - to focus on the productivity of people rather than capital. This equation yields the same result but highlights the employee-related performance drivers of a people-intensive business.

Start with the calculation of economic profit from a capital oriented- perspective:

\[
\text{ECONOMIC PROFIT} = \left( \frac{\text{E}}{\text{IC}} - \text{COC} \right) \times \text{IC}
\]

Replace “return on investment” with its equivalent, “earnings divided by invested capital”:

\[
\text{ECONOMIC PROFIT} = \left( \frac{\text{E/IC}}{\text{COC}} \right) \times \text{IC}
\]

Figure 1: The Progression of Economic Value

Figure 2: Profit Maximizing Dynamics through Manage Talents
The new, people-oriented equation mirrors the capital-oriented one. Employee productivity corresponds to capital productivity - that is, return on investment.

The average personnel cost per person employed corresponds to the cost of capital. The number of people employed corresponds to the amount of invested capital (Barber and Strack, 2005). This new reality is embedded into the spurred productivity of the human capital rather than financial capital. In the next section, the study employs a case study of agro-enterprises in Bangladesh which proves the new reality of talent-profit chain.

Case Study

Data Base and Methodology. The main source of data used in this case study was a farm level cross-sectional survey, conducted during the months of February to April 2009 in the five selected villages namely, Malauri, Tengri, Akashi, Pandura and Boali of Tangail District towards north-east of Dhaka in Bangladesh. In all 98 farmers producing rice on a commercial or profit-oriented basis were interviewed of which 18 farmers belong to the Group A and the rest of 80 farms belong to the group B. The farmers are selected through a stratified random sampling procedure. The sample represents about 15 percent of the total farm families of the study areas.

The Models. A normalized restricted profit function (Cobb-Douglas form) and a set of factor demand equations developed by Lau and Yotopoulos in 1971 were used to test for economic efficiency or productivity. The profit function was of the form:

\[ \pi = R - PC - SC - D - [COC x IC] \]

Revenue minus Personnel Costs minus Supplier Costs minus Depreciation minus Capital Service Flow times Capital.

For the present study, the variable input demand functions were:

\[ V_1 = \frac{\gamma_1 + V_1}{\alpha_1 + \beta_1 LF + \beta_2 WF + \beta_3 WL + \beta_4 RA + U} \]

Where, \( \gamma_1 \) is the intercept; \( \alpha_1, \beta_1, \beta_2, \beta_3, \beta_4, U \) are parameters to be estimated.

\[ V_2 = \frac{\gamma_2 + V_2}{\alpha_2 + LF + WF} \]

Where, \( \gamma_2 \) is the intercept; \( \alpha_2, LF, WF \) are parameters to be estimated.

\[ V_3 = \frac{\gamma_3 + V_3}{\alpha_3 + LF + WL} \]

Where, \( \gamma_3 \) is the intercept; \( \alpha_3, LF, WL \) are parameters to be estimated.

\[ V_4 = \frac{\gamma_4 + V_4}{\alpha_4 + LF + RA} \]

Where, \( \gamma_4 \) is the intercept; \( \alpha_4, LF, RA \) are parameters to be estimated.

\[ V_5 = \frac{\gamma_5 + V_5}{\alpha_5 + WF + WL} \]

Where, \( \gamma_5 \) is the intercept; \( \alpha_5, WF, WL \) are parameters to be estimated.

\[ V_6 = \frac{\gamma_6 + V_6}{\alpha_6 + RA + U} \]

Where, \( \gamma_6 \) is the intercept; \( \alpha_6, RA, U \) are parameters to be estimated.

\[ V_7 = \frac{\gamma_7 + V_7}{\alpha_7 + RA + SC} \]

Where, \( \gamma_7 \) is the intercept; \( \alpha_7, RA, SC \) are parameters to be estimated.

\[ V_8 = \frac{\gamma_8 + V_8}{\alpha_8 + RA + D} \]

Where, \( \gamma_8 \) is the intercept; \( \alpha_8, RA, D \) are parameters to be estimated.

\[ V_9 = \frac{\gamma_9 + V_9}{\alpha_9 + SC + D} \]

Where, \( \gamma_9 \) is the intercept; \( \alpha_9, SC, D \) are parameters to be estimated.

\[ V_{10} = \frac{\gamma_{10} + V_{10}}{\alpha_{10} + D + U} \]

Where, \( \gamma_{10} \) is the intercept; \( \alpha_{10}, D, U \) are parameters to be estimated.

\[ V_{11} = \frac{\gamma_{11} + V_{11}}{\alpha_{11} + D + SC} \]

Where, \( \gamma_{11} \) is the intercept; \( \alpha_{11}, D, SC \) are parameters to be estimated.

\[ V_{12} = \frac{\gamma_{12} + V_{12}}{\alpha_{12} + D + RA} \]

Where, \( \gamma_{12} \) is the intercept; \( \alpha_{12}, D, RA \) are parameters to be estimated.

\[ V_{13} = \frac{\gamma_{13} + V_{13}}{\alpha_{13} + SC + RA} \]

Where, \( \gamma_{13} \) is the intercept; \( \alpha_{13}, SC, RA \) are parameters to be estimated.

\[ V_{14} = \frac{\gamma_{14} + V_{14}}{\alpha_{14} + SC + D} \]

Where, \( \gamma_{14} \) is the intercept; \( \alpha_{14}, SC, D \) are parameters to be estimated.

\[ V_{15} = \frac{\gamma_{15} + V_{15}}{\alpha_{15} + RA + SC} \]

Where, \( \gamma_{15} \) is the intercept; \( \alpha_{15}, RA, SC \) are parameters to be estimated.

\[ V_{16} = \frac{\gamma_{16} + V_{16}}{\alpha_{16} + RA + D} \]

Where, \( \gamma_{16} \) is the intercept; \( \alpha_{16}, RA, D \) are parameters to be estimated.

\[ V_{17} = \frac{\gamma_{17} + V_{17}}{\alpha_{17} + RA + U} \]

Where, \( \gamma_{17} \) is the intercept; \( \alpha_{17}, RA, U \) are parameters to be estimated.

\[ V_{18} = \frac{\gamma_{18} + V_{18}}{\alpha_{18} + RA + SC} \]

Where, \( \gamma_{18} \) is the intercept; \( \alpha_{18}, RA, SC \) are parameters to be estimated.

The price of variable inputs other than labor and fertilizer are assumed to be constant since the profit function is restricted in the short-run. For getting the real price of the input all the variables were normalized by the farm-specific output price. Hence, the levels of the variable inputs which maximize short-run profit cannot be estimated directly from the profit function. However, the variable input demand functions can be derived by partially differentiating the profit function (1) with respect to the normalized price of the inputs (Lau et al., 1982 and Jabber, 1980). This result is sometimes referred to as the Hotelling- Shephard Lemma.

Results and Discussion

Profitability as a Measure of Farm Efficiency. The regression results are presented in Table 1. The chi-squared statistic is used to test the validity of the restrictions implied by the hypothesis of profit maximization. The level of significance chosen is 0.01. Operationally, the test of profitability implies testing the
null-hypothesis that the coefficient of each variable in the profit function is the same as the coefficient of that variable in the factor demand function. That is:

\[ H_0: \beta_1 = \gamma_1 \quad \text{and} \quad \beta_2 = \gamma_2 \]

\[ H_1: \beta_1 \neq \gamma_1 \quad \text{and} \quad \beta_2 \neq \gamma_2 \]

Where, \( \beta_1 \) and \( \gamma_1 \) = the coefficients of fertilizer in the profit and factor demand functions; and \( \beta_2 \) and \( \gamma_2 \) = the coefficients of labor in the profit and factor demand functions respectively.

Results in Table 1 fundamentally provide the restricted estimates of profit and factor demand elasticities for all categories of farmers groups. The output supply elasticity for different groups (0.97 for n=98, 0.99 for farmers of B group and 0.74 for A group farms) indicate that group-B farmers are more responsive to changes in the price of rice than are group-A farmers. Similar outcomes are evident in the case of fertilizer and human capital or labor demand as well. That is B farmers are more responsive to changes in fertilizer price and wage rate than are A farmers.

Results in Table 2 suggest that farmers as a whole are not maximizing short run profit, since equally restrictions on the \( \beta_1 \) and \( \gamma_1 \) are rejected at the 1 percent level of significance. This is because of the calculated chi-squared value is far greater than the critical value. In the case of group-A farmers the equality restrictions are also rejected. Only in the case of group-A farmers the general restrictions are accepted.

It may be concluded that the farmers as a whole are not using the resources in the most economically efficient manner. When the data are disaggregated into sub-sets corresponding to group-A, and group-B farmers, it is found that group-A farmers are relatively more efficient than group-B farmers. This poor performance is attributed to the lack of integrated scientific technical know-how which is applied by the expert of agricultural graduates who are not employed by the group-B farmers. These experts of talented employees are the main factors for getting the improved result in rice production profitability or productivity or efficiency.

In the present study, farms are classified as the group-A, and the group-B on the basis of the number of talented agricultural graduates employed in the farm. This is done on the basis of prior information about the number of talented agricultural experts. It is found that in the study area group-B farmers are less economically efficient than group-A farmers. These results intuitively imply that the higher productivity is due to the innovative and productive role of the talented labor forces in the whole production activates of rice in this area of Bangladesh. Hence, the talent-profit chain is important for the emerging economies of talent in the 21st century’s global village.

**Conclusion**

It is no secret that business success today revolves largely around people, not capital. Many traditional producers even are now essentially accustomed to people-oriented businesses. In most industries, people costs are much higher than capital costs. Even when a company isn’t people intensive overall, a people-based business embedded in the company often drives company performance. Hence for the most part, today’s business performance measures and management practices don’t reflect the particular economics of scale but economics of people. Thus, the company’s operational performance will be driven mainly by the things it has in common with seemingly dissimilar people-oriented businesses. Indeed, when people are the most important resource, some standard performance measures and management practices become ill suited to their tasks (Barber and Strack, 2005).

**Consider, for instance, the concept of economic profit, whose widespread adoption**
This study examines the integration of stock markets integration among ASEAN-5 that is Indonesia, Malaysia, the Philippines, Singapore and Thailand plus China. Using daily data for the January 2, 2003 to December 31, 2009 period, the study employs the Johansen and Juselius multivariate cointegration procedures. In particular, this study considers whether the ASEAN-5 plus China markets are integrated or segmented using the time series technique of cointegration to extract long-run relations. The empirical results suggest that the ASEAN-5 plus China stock markets are cointegrated and are thus not completely segmented by national borders. However, there is only one cointegrating vector, leaving four common trends among the five variables. We therefore conclude that ASEAN-5 plus China stock markets are integrated in the economic sense, but that integration is far from complete. On a policy level, initiatives to further integrate the stock markets are feasible, and in fact desirable. From the perspective of the international portfolio investor, benefits of international portfolio diversification across the five markets are reduced but not eliminated.

Keywords: Stock markets integration; ASEAN-5 plus China stock markets; Cointegration; Portfolio diversification

JEL classification: F36; G15

References


