

IMPACT OF TALENT MANAGEMENT ON EMPLOYEE PERFORMANCE AND ORGANISATIONAL EFFECIENCY IN ITSP'S- WITH REFERENCE TO CHENNAI CITY

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ABSTRACT

In today's competitive economy, organisations need to continuously invest in human capital. In the role of business partner, HR leaders work closely with senior management to attract, hire, develop and retain talented employees. Yet competitive working environment, shortage of skilled employees leads to socio economic and cultural challenges as talent crosses borders. As a result the workforce trends such as shifting demographics, global supply chains, increasing global mobility, forward looking organisations must rethink their approach to talent management to best harness talent. Overall economic output is a function of the numberof workers multiplied by hours per workermultiplied by productivity per hour. Assuming ashinking workforce and a stable work week,productivity growth is the only lever for increasingeconomic output (Ken Berryman, 2003).

This article addresses how talent management practices help in improving the performance of employees and its role in organisational efficiency. The survey was carried out on ITSP's in Chennai city. NASSCOM ranked top 5 companies were chosen and the samples were selected from the software development group, where job hopping behavior is very high. The data were analyzed using chi square test and Friedman analysis. The result showed a significant association on the role played by talent management in employee's performance and organisational efficiency.

KEYWORDS: Talent management, employee performance, organisational performance, software companies.

1. INTRODUCTION

Information technology industry has created a new competitive landscape in the last decade in India. It has reshaped the global economy as well as the internal operations of the organisation. Information technology has broadened across internal, external

and geographical boundaries. Perhaps it has also contributed to the development new technological knowledge and businesses. Information technology industry has brought in many changes in traditional organisational working such as flexible working hours in place of scheduled work hours. It also gives people a better understanding of what they are doing and why they are doing it. This increase the fueling a parallel increasing need for knowledgeable, skilled and motivated employees. Information technology sector relies heavily on its manpower specifically on its highly talented employees. Hence it requires an HC – centric approach is essential.

Retaining talented employees in Information technology industry has been a biggest challenge for many decades. When key software developers quit, they take away with them the critical knowledge of business processes and systems that are essential for maintaining a competitive advantage. Employee turnover could have a negative effect on organisational effectiveness (Hom & Griffeth, 1995; Hom & Kinichi, 2001). The importance of understanding employee turnover in the Information Technology industry is evident when the contest for talented employees between companies is considered. By identifying the determinants of employees' intention to leave, turnover behaviours could be predicted more precisely and measures to prevent turnover could be taken in advance (Hwang & Kuo, 2006). Low employee engagement results in intention to leave (Firth, Mellor, Moore & Loquet, 2004; Harter, Schmidt & Hayes, 2002). Talent management refers to the process of integrating new workers, developing and retaining the current workers and attracting highly skilled personnel to work for your company (Chugh and Bhatnagar, 2006). The presence of talented and committed people with will power and the team spirit will, in turn, motivate other employees and positively impact the performance and growth of the organisation. Their effectiveness lies in their dedication that influences the work culture of the organisation and results into a strong brand name for company's products (Donahue, 2001). The efficient management of talent in the organisation increases the commitment level of the employees, which in turn enhances their effectiveness and place them according to their suitability, aptitude and interest, so that the ill consequences of putting a square peg in a round hole—which leads to distortion in the organisational structure and low productivity—could be avoided (Julia and Rog, 2008).

Organisations in today's changing world strive hard to become better and wanted to become the best they can be. To become the "best" the change must ultimately result in a positive stance. So often it is behavior of the organisation that drives the employee's talent and ultimate success. The success of any organisation relies on its strategy (Woerley, Hitchin & Ross, 1996).

2. LITERATURE REVIEW

Talent study shows that Talent Management has major effects on the workforce and can really make the difference. It provides insight into the current state of the

employment relationship and the desires and drivers of talented employees. Research shows that Talent Management receives minimal attention within organizations. Talent Management is the capability to create and continuously optimize the talent resources needed to execute a business strategy.

2.1. Impact of Talent Management on Employee Performance

People are critical resources of ITSPs, proper management of employees who are the blood of these organisation is a must. The success of any industry depends on its employees contribution and commitment (Baum and Kokkranikal, 2005). In today's highly competitive and complex environment, the growth and success of an organisation cannot be measured alone on the profits which it earns, the talent which an organisation possess in the form of its employees effectiveness and competencies decides its success (Lockwood).

The organisation should follow a holistic approach for talent management, right from selection of employees, to their retention, development and promotion to higher levels. Talent management requires HR professionals and their clients to understand how they define talent, whom they regard as 'the talented' and what their typical background might be (Frank and Taylor, 2004). Agus (2004, 2005) viewed that HR policies, leadership commitment, training and development and other aspects of talent are critical issues, which are important aspects to provide employees with the necessary knowledge and skills to enable them to cope with problem solving. However, training focused on broadening employees' knowledge and skills can represent opportunities for individual growth and development and result in advantageous outcomes such as more proficient team-related skills and increased workforce flexibility (Hunt, 1992; Leitch *et al.*, 1995).

2.2. Impact of Talent Management on Organization's Performance

The subject of talent management is frequently discussed, there are only a few empirical studies to date analysing the impact of talent management on organisational performance. Nonetheless, a number of studies linking talent management and organisational performance have been published. These studies are mostly cross-sectional (e.g., Huselid & Becker, 1998; Ringo *et al.*, 2008), but some others concentrate on particular sectors (ASTD & SHRM, 1999; Yapp, 2009) or specific sample groups (DiRomualdo *et al.*, 2009; Joyce, Herreman, & Kelly, 2007; Gandossy & Kao, 2004). As a result, previous research has consistently found a positive relationship between talent management and organisational performance.

A first stream refers to an analytical technique to tie talent management to financial performance (e.g., Fitz-Enz, 2009), a second stream emphasizes the process of analyzing and optimizing the talent management system (e.g., Boudreau & Ramstad, 2004), and authors aligned with the third stream appear to see analytics as a set of metrics and measures for use by different users (e.g., DGFP, 2007).

Moreover, an international study of (Half, 2007) show that 83 per cent of Germany's managers and 95 per cent of Netherland's managers observe a direct leverage effect between talent management practices and organisational success. In addition, a recent study conducted by McKinsey confirms the strong correlation between talent management practices and financial performance (Guthridge & Komm, 2008). To reveal researches done in the field of analysing the effectiveness of talent management we take a financial and non-financial perspective.

3. METHODOLOGY

The main objective of the study is to investigate role of talent management practices in employee's performance and organisational efficiency. In order to meet the stated objective, semi structures in-depth interviews with senior executives in Software companies in India were used. For the purpose of the study, top five ITSPs (by revenue), as classified by the National Association of Software and Services Companies (NASSCOM), India's main IT industry Association. The 5 largest ITSPs in India accounts for more than 85% of industry's total revenue and have employees in more than 100 countries.

Potential participants from the top 5 ITSPs were contacted initially via email to invite them to participate in the study (Marshall Rossman, 1999; Welch *et al*, 2002). During the initial contact, the purpose of the study, a background of the study and the data collection methods were clearly explained. All the participants were in Senior Executive and Executive positions with key strategic management responsibilities within their organisations. As recommended by Rubin & Rubin (2005), an interview guide was designed that contained a list of interview questions that reflected the nature of information that the researcher wanted to uncover in an interview.

Standard interview techniques and protocols were used such as employing questions to understand the contribution of talent management on job satisfaction of employees in ITSPs. After collecting demographics information, the interview commenced with a structured questionnaire. To maintain the confidentiality, the names of all respondents, their contact details were omitted. To study the significant association between talent management and performance of employees and organisation, Chi square test was employed. The significant difference in level of performance was measured by using Friedman test is used by the researcher.

4. ANALYSIS AND FINDINGS

4.1. Table Showing Association between Importance of Talent Management and Level of Performance

Hypothesis 1: There is no association between Importance of Talent Management and level of performance

The Table 1 analyses the relationship between Importance of Talent management and level of Performance. It is inferred that majority of respondents 389 respondents said talent management is very critical issue, 104 respondents said that talent management is viewed as somewhat critical issue, and only 79 respondents said that talent management is an emerging issue in their present organisation. The calculated P value is less than 0.01. Hence the null hypothesis is rejected at significant level of 1%. When analyzed among the respondents who felt high level of performance in their organisation with respect to talent management 97 respondents feel that their organisation looks at talent management as a very critical issue, 30 respondents feel that their organisation takes up talent management as a somewhat critical issue, 38 respondents feel that their organisation looks at talent management as an emerging issue. Hence from the table it is inferred that talent management has significant association on level of performance in IT companies.

Table 1
Chi-square Test for Association between Talent Management and Level of Performance

<i>Talent Management</i>	<i>Level of Performance</i>			<i>Total</i>	<i>Chi-Square value</i>	<i>P value</i>
	<i>Low</i>	<i>Moderate</i>	<i>High</i>			
Very Critical Issue	106 (27.2) [78.5]	186 (47.8) [68.4]	97 (24.9) [58.8]	389	22.207	0.000**
Somewhat Critical Issue	17 (16.3) [12.6]	57 (54.8) [21.0]	30 (28.8) [18.2]	104		
Emerging Issue, Not Critical Issue	12 (15.2) [8.9]	29 (36.7) [10.7]	38 (48.1) [23.0]	79		
Count	135	272	165	572		

Source: Primary Data

Note: ** Significant at 1% level, * Significant at 5% level.

4.2. Table Showing Association between Role of Talent Management in Organisational Performance and Level of Talent Management

Hypothesis 2: There is no association between Role of TM and level of Organisational success.

The Table 2 analyses the relationship between role of Talent management and level of organisational success. It is inferred that majority of respondents 509 respondents said talent management has very vital role in the organisational success, and very few, 63 respondents are in the view that talent management has no role to play in an organization's success. The chi square value is 13.106. The calculated P value is less than 0.05. Hence the null hypothesis is rejected at significant level of 5%.

When analyzed among the respondents who felt high level of success in their organisation with respect to talent management 29.7% of the respondents are in the view that talent management is very vital, 5% of the respondents feel that talent management does not play an important role in their organization's success Hence from the table it is inferred that talent management has significant association on level of performance in IT companies.

Table 2
Chi-square Test for Association between Role of TM and Level of Organisational Success

Role of TM	Level of Organisational success			Total	Chi-Square value	P value
	Low	Moderate	High			
Vital	118 (23.2) [81.9]	240 (47.2) [89.2]	151 (29.7) [95.0]	509	13.106	0.001*
Not important	26 (41.3) [18.1]	29 (46.0) [10.8]	8 (12.7) [5.0]	63		
Count	144	269	159	572		

Source: Primary Data

Note: ** Significant at 1% level, * Significant at 5% level.

4.3. Table Showing Difference between Mean Ranks Towards Talent Management Effect on Employees Performance

Hypothesis 3: There is no significant difference between mean ranks towards Effect on Employee Performance in IT companies

Since P value is less than 0.01, the null hypothesis is rejected at 1 per cent level of significance. Hence it is concluded that there is significant association between talent management and level of performance practices in IT companies among Software employees. Mean rank revealed that the talent programme has the flexibility to meet the employees professional circumstances (4.22), the development opportunities have enabled them to build productive relationships with their colleagues (4.15), the development activities are focused on developing them as an individual (4.13), the talent programme has prepared them for a more senior role in the organization (4.00), the talent programme has given them the right level of support and encouragement that they needed to progress at their own pace (3.99), the talent programme has encouraged them to get involved in all areas of work (3.80), and the talent programme has helped them to deal with difficult situations that arise at work. The chi square value is 45.697.

Table 3
Friedman Test for Significant Difference between Mean Ranks Towards TM Effect on Employee Performance in IT Companies

<i>TM Effect on Employee Performance</i>	<i>Mean Rank</i>	<i>Chi-Square Value</i>	<i>P value</i>
The talent programme has prepared me for a more senior role in the organization	4.00		
The talent programme has encouraged me to get involved in all areas of work	3.80		
The talent programme has given me the right level of support and encouragement that I needed to progress at my own pace	3.99		
The talent programme has helped me deal with difficult situations that arise at work	3.70	45.697	0.000**
The development activities I've been involved in have focused on developing me as an individual	4.13		
The development opportunities I've had have enabled me to build productive relationships with my colleagues	4.15		
The talent programme has the flexibility to meet my professional circumstances	4.22		

Source: Primary Data

Note: **Significant at 1% level, * Significant at 5% level.

4.4. Table Showing Significance Difference between Mean Ranks Towards Talent Management Effects on Organisational Performance

Hypothesis 4: There is no significant difference between mean ranks towards TM outcome in IT companies.

Since P value is less than 0.01, the null hypothesis is rejected at 1 per cent level of significance. Hence it is concluded that there is significant association between talent management and level of organisational performance practices in IT companies. Mean rank revealed that effective implementation of Talent Management strategies helps in survival in the competitive world (5.85), finding the right people, rising costs, flexible working hours, employees retention, performance management and Training & Development helps in talent management (5.71), talent management means "maximizing organizational effectiveness and efficiency" (5.68), talent management is not job of HR; it is every leader's job (5.65), Talent Acquisition&Retention is an important part of the talent management process for organisational efficiency (5.64), lack of talented people to develop new thinking and to challenge is a limiting factor to a company's growth (5.35), and better talent for better business results" (4.95).

Table 4
Friedman Test for Significant Difference between Mean Ranks Towards Talent Management Effect on Organisational Performance in IT Companies

<i>TM Effect on Organisational Performance</i>	<i>Mean Rank</i>	<i>Chi-Square Value</i>	<i>P value</i>
Better talent for better business results"	4.95		
Leaders with talent- oriented mindset make Talent Management	5.28		

Contd...

<i>TM Effect on Organisational Performance</i>	<i>Mean Rank</i>	<i>Chi-Square Value</i>	<i>P value</i>
Talent management means "maximizing organizational effectiveness and efficiency"	5.68		
Talent retention is critical to the long-term health and success of your business	5.61		
Appreciating the performance of an individual helps in talent management process	5.28		
Lack of talented people to develop new thinking and to challenge is a limiting factor to a company's growth	5.35	55.868	0.000**
Talent management is not job of HR; it is every leader's job?	5.65		
Finding the right people, rising costs, flexible working hours, employees retention, performance management and Training & Development helps in talent management	5.71		
Talent Acquisition&Retention is an important part of the talent management process for organisational efficiency.	5.64		
Effective implementation of Talent Management strategies helps in survival in the competitive world	5.85		

Source: Primary Data

Note: ** Significant at 1% level, * Significant at 5% level.

5. CONCLUSION

India's IT industry is the favorite destination for many MNC in the world. To keep up with the competitive environment IT sector should concentrate more on their skilled or talented employees. The study revealed that talent management has impact on employees performance and organisational efficiency and it coincides with the previous literatures.

RMONK, NY and WASHINGTON, DC - 14 Aug 2008: A study by IBM (NYSE: IBM) and the Human Capital Institute (HCI) shows that while 84 per cent of organizations know that workforce effectiveness is important to achieving business results, only 42 per cent of those surveyed say managers devote sufficient time to people management.

The study, Integrated Talent Management, was based on research with 1,900 individuals from more than 1,000 public and private sector organizations around the world. It was undertaken by IBM and HCI to identify the return on investment of integrated talent management. Among the findings:

- Organizations that apply talent management practices demonstrate higher financial performance compared to their industry peers. Those specific talent management practices that most distinguished financial outperformers from other organizations are understanding and acting upon employee engagement and aligning recognition and performance management systems.

McCauley & Wakefield, 2006; in their study said that organizations must change their human resources focus from one of administration towards one of developing business partner strategies in order to integrate organization development principles and practices into the mainstream. This is a fundamental building block of a talent management strategy which involves both employee and organization development.

Wolf and Zwick (2008) found that employee involvement and financial incentives and inducement were often honored as efficient way for increasing the organizational productivity. They revealed that employee job involvement lifted up the organizational productivity, but monetary incentive scheme did not do so.

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