

## **Talent Management and Its impact on Performance of Organizations in IT Industry**

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### **Abstract**

This research article aims to measure the impact of talent management determinants on performance of organizations in IT industry. The article applies data reduction using Confirmatory Factor Analysis (CFA) on a sample of 275 respondents and reduces a set of 17 items into a list of five understandable talent management determinants. The present study proposes a model of the impact of talent management determinants on the performance of organizations. The study found that retaining talent, recruitment, compensation, training and development and succession planning are impacting significantly on the performance of organizations in IT industry. Therefore, IT companies can improve talent management of employees by concentrating above factors. This will assistance to improve the performance of organization.

**Key words:** *Retaining Talent, Recruitment, Compensation, Training & Development, Succession Planning and Performance of organization.*

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### **Introduction**

In the era of global competition, talent management is a vital aspect for organizations to compete effectively through resourcing the needed talent. Thus, performance of talented employees plays a crucial role towards maintaining competitive lead of organization in challenging situations (Mkamburi & Kamaara, 2017). Moreover, (Taha, Gajdzik, & Zaid, 2015) asserted that through executing talent management practices such as identifying, attracting, selecting, training and retaining individual can help organization to utilize the capabilities and performance of talented employee towards achieving success at local as well as global level. Additionally, a pool of activities

embedded in talent management concerned with attracting, selecting, developing and retaining the talented employees to unveil the potential of competent individual who excel at specific activities and performance effectually within organization (Scullion & Collings, 2011). Organizations are facing difficulties in attracting pool of talented employees, their learning and development and retention of talent to meet the anticipated needs in continuously changing environment (Schuler, Jackson, & Tarique, 2011); keeping in view the changing context, management of talent thus, turn out to be a principal factor for department of human resource management within organization to meet the present and future demand of talented workforce (Collings, Scullion, & Vaiman, 2015). On one side, to compete the technological as well as global competition, organizations must allocate resources to meet their existing and projected requirement of talent to contend effectually to attain competitive advantage and it is possible through the optimal performance and management of competent employees. On the other side, practices to manage talent is significant in developing competent employees within the existing workforce to attain competitive edge over others (Mary, Enyinna, & Ezinne, 2015).

Now a day, practices to manage talent has received greater attention owing to its capability towards creating and maintaining competitive lead for organization over its competitors though it has not been deliberate broadly among different kinds of organizations. Numerous studies have been carried out regarding talent management practices and employee performance; yet, no substantial work has been undertaken in context of healthcare organization of Pakistan. Moreover, (Ingram & Glod, 2016) asserted that limited study exists regarding talent management practices in health care organization. To fill this gap, this study attempts to examine the impact of talent management practices on employee performance among personnel working in health care organization. Main objectives of this study were to determine the effect of recruitment & selection for talent attraction on employee performance while also evaluate the effect of coaching and mentoring for learning & development of talent on employee performance and to determine the influence of compensation for talent retention on employee performance.

## **Review of Literature**

Talent management begins with practices of recruitment and selection in organization (Alruwaili, (2018). Moreover, (Armstrong, 2006) specified that there are numerous ways to attract talented individuals, but one of the crucial aspect among other is recruitment and selection. This is considered as significant task for organization to recruit a pool of talent and then choose the potential individual from that pool which will ultimately steer organization towards success (Rabbi, Ahad, Kousar, & Ali, 2015). Talent attraction through recruitment represent a vital phase in management of talent to determine which workers will be able to serve the organizations effectually while selection is elucidated as capabilities of talent assessment to fulfill the task of job appropriately ultimately lead to hire the right individual in right job (Bratton & Gold, 2017). (Oaya, Ogbu, & Remilekun, 2017) explicated recruitment as a process of discovering talented personnel for current or expected vacancies whereas selection is a method of selecting suitable individual for the job. Recruitment is explained as candidate search while selection is demarcated as elect the person to do the job. Thus, to hire and selecting the right employee in the right job eventually affect the organization as well as employee performance (Anosh, Hamad, & Batool, 2014).

Learning and development of talented employee has become a mainstay for organizational success, without unceasing learning & development it may become problematic for employees to maintain their performance in today's competitive era. Therefore, learning and development is important for employees towards upgrading the skills to meet the needs of continuously changing environment (Rabbi et al., 2015). On the other hand, (Mangusho et al., 2015) asserted two main aspects for learning & development of talent i.e. coaching and mentoring. According to (Khakwani, Aslam, Azhar, & Mateen, 2012), coaching and mentoring are vital tools used in many corporations to advance employee performance. Perhaps, employees not perform well due to lack of skills and capabilities. Therefore, execution of mentoring and coaching practices by organizations aids workers to develop skills to meet the existing and anticipated performance requirement at work. Coaching is one-to-one intervention for learning and development that utilize a goal-focused approach in developing the potential employees' skills and competency (Achi & Sleilati, 2016). Coaching is elucidated as a process to improve skills & capabilities of individuals to enhance work-related performance (Utrilla, Grande, & Lorenzo, 2015). According to (Jyoti & Sharma, 2015), mentoring is valuable means for learning and managing the changes in organization with advancement in career and performance of employees. Presently, it has become an approach for development of employee talent (Ofobruku & Nwakoby, 2015). Another study conducted by (Mundia & Iravo, 2014) regarding the effect of mentoring on the employee performance. They specified a positive influence of mentoring on performance of employee. Therefore, mentoring plays an imperative role in enhancing the employee performance through transfer of knowledge and guidance. Similarly, (Raza, Ali, Garrison, Ahmed, & Moueed, 2017) examined the association between coaching and performance of employee.

Retention of talent is of greater importance for organization to maintain competitiveness this is possible through executing compensation practice to avert employees from exiting the job (Chiekezie, Emejulu, & Nwanneka, 2017). According to (Osibanjo, Adeniji, Olubusayo, & Heirsmac, 2014), compensation is considered as an effective technique adopted by organization because it effects performance and retention of talented employees. For performance of employee, compensation play a vital role in improving their performance in organization. (Hameed, Ramzan, Zubair, Ali, & Arslan, 2014) did a study to inspect the impact of compensation on employee performance. They revealed a positive effect of compensation on employee performance. (Sulaefi, 2018) performed an explanatory study to determine the effect of compensation, organizational commitment and career path on employee job performance. Outcomes of study specified a significant effect of compensation, organizational commitment & career on employee performance. Dr. S. Mohana (2021) aims to explore the composition of "Job Performance" for employees in IT industry of Chennai city. The paper applies data reduction using Confirmatory Factor Analysis (CFA) on a sample of 222 respondents and reduces a set of 13 variables into a list of three comprehensible talent management determinants. The present study proposes a model of the impact of talent management determinants on the employee job performance. The study found that talent retention, leadership and rewards are impacting significantly on the employee job performance. Therefore, IT companies can improve employee job performance by concentrating above factors. This will help to improve the productivity in the organization.

## **Research Gap**

The term talent management was introduced by the leading consulting firm MC Kinsey in 1990's. After that various studies were conducted to focus the importance of talent management in various sectors. It has been identified that studies were made to examine the talent management in IT sector. In Kerala, a study was conducted about 'Talent management interventions in IT sector in 2011. It can be seen that no effort has been made to analyze particularly the practices of Talent management in IT industry. Therefore, the existing study is focused on "Talent Management and Its impact on Performance of Organizations in IT Industry in Hyderabad city".

### **Research Problem**

In an organization, there is nothing more crucial than fitting the right employee in the right position, or else you would be trying to fit a square peg in a round hole. When people do jobs that just don't suit their liking, inclination or temperament, the results, or rather the lack of them will be obviously disastrous. Low productivity, dissatisfaction, low morale, absenteeism and other negative behaviors will become typical till the employee is shown the door. Otherwise, there is another Option-Talent Management, which is-a conscious, deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs. Organizations need to have a vision and a well-defined strategy on hiring for the future. India has become the outsourcing capital of the world and this has created its own set of HR challenges. India's biggest problem is that potentially qualified engineering graduates are becoming scarce. Despite large population, the supply of engineers cannot keep up with the sharply increasing demand.

### **Research Objectives**

1. To identify the talent management determinants in IT industry.
2. To measure the impact of talent management determinants on performance of organizations.

### **Research Hypothesis**

**H<sub>01</sub>**: There is no significant relationship between talent management determinants on performance of organization.

- **H<sub>01.1</sub>**: There is no significant relationship between retaining talent on performance of organization.
- **H<sub>01.2</sub>**: There is no significant relationship between recruitment on performance of organization.
- **H<sub>01.3</sub>**: There is no significant relationship between compensation on performance of organization.
- **H<sub>01.4</sub>**: There is no significant relationship between training & development on performance of organization.
- **H<sub>01.5</sub>**: There is no significant relationship between succession planning on performance of organization.

### **Statistical Tools**

- Reliability Test
- Confirmatory Factor Analysis and
- Multiple Linear Regression.

## Research Methodology

### Sample size

The study is proposed to be conducted among employees in IT industry of Hyderabad city. The study adopts convenience sampling to collect the responses of the IT employees in Hyderabad city. The questionnaire is distributed personally to the employees and the soft copy also is floated to all the contacts of IT employees in turn. Employees who have been full time employees with at least 4 months of work experience in the selected IT companies were taken as sample. 450 questionnaires were mailed to employees and received 295 filled questionnaires. Out of 295 questionnaires 275 were useful with full information in all aspects. Hence the sample size of this study is 275 employees.

### Data Analysis & Results

**Table:1. Reliability Statistics**

Cronbach's Alpha	N of Items
.901	17

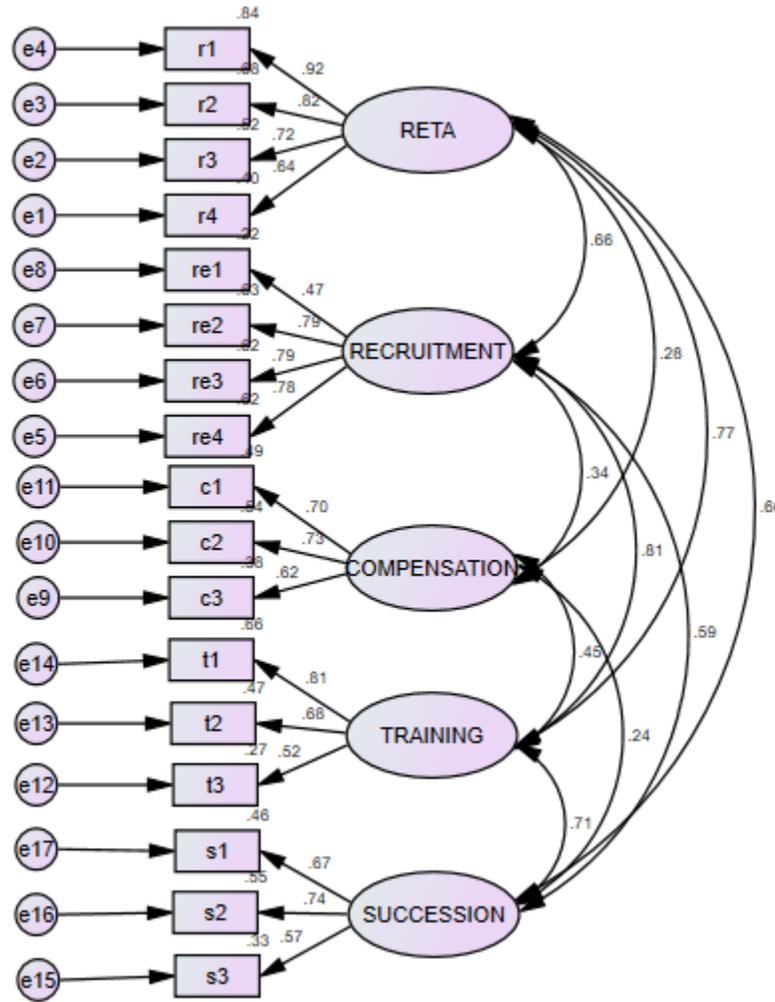
The internal consistency of the questionnaire of 17 items with a value of the Cronbach's Alpha is 0.901, which shows that data is 90.1 per cent reliable and valid.

### CONFIRMING THE MEASUREMENT MODEL BY CFA

#### Confirmatory Factor Analysis of Talent Management

The measures adopted to study the talent management practices have already been validated by other researchers as mentioned earlier. So, we have only conducted a confirmatory factor analysis in order to establish the valid factor structure of Human Resource practices. The proposed five-factor model (see Figure 1) was found to fit the research study. The model with a chi-square of 295.993, df =109 CFI = 0.906, (Tucker-Lewis coefficient) TLI = 0.883, AIC = 417.993, RMSEA = 0.079. Good fit values that are generally acceptable for CFI and TLI should be near to 0.95 and for RMSEA should be less than 0.08 (Hair et al., 2010).

**Figure 1: AMOS output of the measurement model or CFA –Standardized**



**Selected Variables Expansion**

RETA (Retaining Talent), RECRUITMENT (Recruitment), COMPENSATION (Compensation), TRAINING (Training & Development) and SUCCESSION PLANNING (Succession Planning).

Table 2. Confirmatory Factor Analysis of Alternative Models

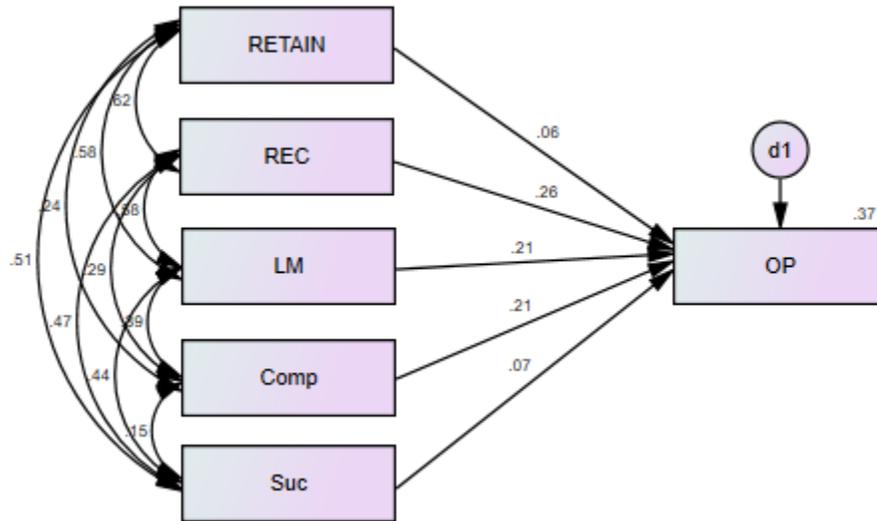
Model	$\chi^2$	Df	$\chi^2/Df$	TLI	CFI	RMSEA
Six-Factor Model	295.993	109	2.715	.883	.906	.079

Talent management (Retaining Talent, Recruitment, Compensation, Training & Development and Succession Planning). Figure 1 shows a significant inter-factor correlation between retaining and recruitment at a significant level ( $r = 0.66, p < 0.05$ ), retaining and compensation ( $r = 0.28, p < 0.05$ ), retaining and training & development ( $r = 0.77, p < 0.05$ ) and retaining and succession planning ( $r = 0.66, p < 0.05$ ), recruitment and compensation ( $r = 0.34, p < 0.05$ ), recruitment and training &

development ( $r = 0.81, p < 0.05$ ) and recruitment and succession planning ( $r = 0.59, p < 0.05$ ), compensation and training & development ( $r = 0.24, p < 0.05$ ), compensation and succession planning ( $r = 0.24, p < 0.05$ ) and training & development and succession planning ( $r = 0.71, p < 0.05$ ). The result of the confirmatory factor analysis of alternative models is displayed in Table 2.

**Multiple Linear Regression**

In order to test hypothesis 1, we performed a regression analysis. In the regression analysis technique, we have regressed six talent management practices on organizational performance.



**Figure: 2.** A Structural Equation Model Showing Impact of Talent Management on Organizational Performance.

**Structural Model Fit Estimation**

Figure 2 indicates the standardized path regression coefficients and the relationship between unobserved and observed variables with respect to the path diagram. Structural model Fit Indices:

Table: 3. Structural Model Fit Estimation

Indices	Recommended Value	Model Fit Indices
CMIN/Df	< 3	2.715
p-value	≥ 0.05	0.00
GFI	≥ 0.90	1.000
AGFI	≥ 0.80	.902
NFI	≥ 0.90	1.000
CFI	≥ 0.90	1.000
RMSEA	≤ 0.08	.062
P Close	≥ 0.05	.000

The structural model fit is checked based on CMIN/Df, p-value, Goodness of Fit (GFI), Adjusted Goodness of Fit (AGFI), Normed Fit Index (NFI), Comparative Fit Index (CFI), Root Mean Square of Approximation (RMSEA) and P Close. The Model fit indices for the constructs have been found and the summary of the result is shown in the above table where the obtained Model

fit indices are compared with the recommended value. We have not considered the actual chi square value as the chances of model rejection will be high when the sample size increases. Hence we have divided the chi square value with the degrees of freedom so that we can overcome the sample size issue. The result of chi square value divided by the degrees of freedom is shown in the table as 2.715 which is less than the acceptable limit 3. The obtained p-value is 0.00 which is less than the recommended value. The obtained GFI value is 1.000 which is above the recommended value of 0.9. The obtained AGFI value is 0.902 which is above the recommended value of 0.8. The obtained NFI value is 1.000 which is greater than the recommended value of 0.90. The obtained CFI value is 1.000 which is greater than the recommended value of 0.90. The obtained RMSEA value is 0.062 which is lesser than the recommended value of 0.08. The obtained P-close value is 0.000 which is lesser to the recommended value of 0.05. Hence we can find the overall model fit indices are within the acceptable recommended values as proposed by the researchers, so we can conclude that the hypothesized model fits with the sample data. All the 17 parameters have met all the other recommended value to verify fitness of the Model. Hence we can conclude that the Model is perfectly fit.

**Ho1: There is no significant relationship between talent management determinants on performance of organizations.**

Table: 4. Regression Coefficients of attributes of talent management on organizational performance

Dependent Variable		Independent Variable	Estimate	S.E.	C.R.	P
Performance of organizations	<---	Retaining Talent	.053	.064	.825	.001
Performance of organizations	<---	Recruitment	.260	.066	3.935	***
Performance of organizations	<---	LM (Training & Development)	.198	.063	3.142	.002
Performance of organizations	<---	Compensation	.207	.053	3.929	***
Performance of organizations	<---	Succession Planning	.068	.055	1.226	.001

## Discussion

- The probability of getting a critical ratio as large as 0.825 in absolute value is .001. In other words, the regression weight for **Retaining Talent** in the prediction of **Performance of organizations** is significantly different from zero at the 0.05 level (two-tailed).
- The probability of getting a critical ratio as large as 3.935 in absolute value is less than 0.001. In other words, the regression weight for **Recruitment** in the prediction of **Performance of organizations** is significantly different from zero at the 0.001 level (two-tailed).
- The probability of getting a critical ratio as large as 3.142 in absolute value is .002. In other words, the regression weight for **LM (Training & Development)** in the prediction of **Performance of organizations** is significantly different from zero at the 0.01 level (two-tailed).

- The probability of getting a critical ratio as large as 3.929 in absolute value is less than 0.001. In other words, the regression weight for **Compensation** in the prediction of **Performance of organizations** is significantly different from zero at the 0.001 level (two-tailed).
- The probability of getting a critical ratio as large as 1.226 in absolute value is .001. In other words, the regression weight for **Succession Planning** in the prediction of **Performance of organizations** is significantly different from zero at the 0.05 level (two-tailed).

### Suggestions

- The talent which is needed today may not be relevant five years down the line; therefore, organizations should have flexibility & vision to foresee future contingencies. It should have wider pool of prospective employees keeping in mind the dynamic business environment & individualized development of the employee.
- Companies should empower employees to succeed & grow, rather than just pushing them to achieve target. It should develop a customized retention strategy for the critical talent, as each individual is motivated by different things.

### Conclusion

The study investigated the impact of talent management determinants on performance of organizations in IT industry. Based on the analysis, concluded that retaining talent, recruitment, compensation, training and development and succession planning are impacting significantly on the performance of organizations in IT industry of Hyderabad city. The study was limited to information technology sector. Further research, the study can be extended to other sectors for determining talent management factors and its impact on the employee job performance. This will help to the concern sector for strengthening talent management practices followed by the companies.

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