



TALENT MANAGEMENT AND EMPLOYEE RETENTION - CHALLENGES FOR HRD PRACTICES

Pallavi B* Dr K H Anil kumar**

**Research Scholar Bharathiar University, **Associate professor, Faculty of management studies and commerce, M S Ramaiah University of applied sciences*

Abstract

The purpose of this conceptual paper is to clarify what is meant by talent management, shed light on the problems that are associated with the definition and identification of talent as well as to discuss how talent management can be used as a retention tool.

Talented workers are the key source of competitive advantage for the today's companies. They are certainly the soundest plus point for an organization. This asset can be appreciated or turned into a liability. It all summates to one simple thing – manage them properly. This paper will focus on the importance of talent management and talented workforce at the place of work and how to retain them in the organization.

Design/Approach

Talent management has recently been the cynosure of all eyes and is considered to be a method by which organizations can meet the demands that are linked with increased complexity. Previous studies have repeatedly focused on the management of talent, but the issue of what precisely should be managed has generally been ignored. This paper's focus is on discussing the substance of talent management and the closely related concept of retention.

Originality/Value

This article will be of value to those in quest of a better understanding of talent management and how it can improve employee retention.

Keywords: *Talent, Talent management, employee retention,*

Introduction

Talented employees and their skills define the future of a business by giving it a competitive edge over others. "Talented workforce" is the only scant resource and corporate have come to realize this fact. It is the primary reason why retention occupies the topmost agenda in the human resource manager's list. In today's dynamic and competitive era retaining talent is the need of the hour. This precisely led human resource managers the world over to search for a novel way out of this impediment because the traditional approaches were no longer able to sustain employees. This pursuit for a better model led to the birth of talent management – a newer approach conceptualized to move towards retention of talent. Within a few years of time "Talent Management" has become the mantra for corporate success. Though the concept in itself is not of recent origin its value augmenting capability has been accepted only recently. Companies which primarily thought of talent management as a means to solve high employee turnover, have learnt to incorporate it within their corporate strategy with a key responsibility still placed on the shoulders of the line managers. However, in the Indian context, talent management as a concept is in its nascent stage leaving room for a lot of vagueness and lack of clarity to exist for practicing professionals.

Talent Management- Defined

Firstly Talent in general refers to a natural persistent pattern of thoughts, feelings or behaviors that can be productively applied. Talent is natural and innate but the body of knowledge and skills can only be acquired through learning and practice. Existing talent when enlarged with the requisite skill and knowledge leads to individual strengths (Buckingham & Clifton, Now, Discover your strengths, 2001). The term "Talent" is inclusive of individuals with high potential, those seeking transformation and change seekers and also those individuals who are usually the most sought after in the market and those who are able to bring on direct value to a business.

"Talent management" is an extension of the term talent and encompasses the entire gamut of activities and steps that organizations undertake to retain talented individuals. Talent could be thus defined as distinguishing skills and capabilities enabling individuals to effortlessly perform and which in turn can directly support the employer in the quest of its strategy and realization of its intended objectives. Talented individuals can be considered as talent-dynamic resources as they are people whose current capabilities and skills are inclined to grow and develop over a period of time and who can consequently help the organization to sustain its growth and ultimately expand and safeguard competitive advantage.



Various authors have defined talent management as follows:

Murthy (2010) defines talent management thus “managing the entire employee lifecycle from attracting, hiring, promoting and succession planning up to retirement. It also includes identification of the key gaps between the current talent and the talent required to foster business success.”

(Jackson & Schuler, 1990) opine that talent management is the job of “ensuring the right person, in the right job at the right time”.

Talent management is an intentional and methodical effort by an organization to ensure leadership permanence in key positions and encourage individual advancement - Rothwell (J, 1994).

Buckingham & Vosburgh (M & R.M, 2001)State that Talent is crucial because it is the role of a strong human resource function to manage everyone to high altitude of performance.

However there is no crisp definition or a rigid definition of talent management. An amalgamation of all the above definitions reveals that talent management is a broader issue and can be considered to be more of a mindset. Talent management can be considered as a key component to effective succession planning while some other studies claim that talent management is attempting to make all the employees work to the best of their potential. It can be inferred that talent management is a wide term encompassing a range of activities revolving around creation of pool of talent. Thus, these definitions provide the necessary background and serve as a prelude for the present study.

The Need for Talent Management

Organizations are facing a scarcity for talented individuals and hence are striving hard to retain talent .Therefore there is an increased need being felt for talent management practices to be adopted across most organizations. (Cross A, 2007) has aptly described the need for talent management in his study wherein he highlighted the following trends which are bearing an impact on the relationship between employer and employee and have major impact on talent management at large.

1. Bargaining power of the talented employees has been on the rise due to the shortage of talent in the market.
2. Companies are not proficient in providing long-term security to their employees.
3. Today’s employees seek a greater sense of meaning from their work.
4. With access to information, people are more aware of their market value and how different people operate.

These trends have further added to the worries of managers who are now alert and agile because securing the best talent alone no longer ensures competitive success. The success mantra to sustained competitive advantage is to build a talent-powered organization that sustains and builds all the skills needed to compete.

Talent Management – The Indian Scenario

India like other countries is also plagued by crisis for talent. Talent management is of significance to India, because of the ever growing need for talent in the current and future scenario. Attrition is not only eating into the profits of an organization but more so into the morale of the employees.

According to a NASSCOM survey the Indian business scenario will be marked by higher turnover levels that will force firms to spend more on employee retention through salary hikes and innovative incentive schemes (HR trends in FY 2015, 2015).

According to the Business Standard Attrition in India is at 14%, which is marginally higher than the global and other Asia Pacific countries (11.20% and 13.81%, respectively) (Business Standard, 2013).

According to a Hay Group Study “One in four employees in the organized sector in India is set to change jobs, which is the highest attrition rate globally.” The series of fresh investments planned across various sectors is likely to raise the demand for talent even as economic conditions remain subdued which raises concerns on employee engagement and retention (Biswas, 2013).

According to Deloitte (Deloitte India releases its Annual Compensation & Benefits Trends Survey India,2015), better pay, better career prospects and better work life balance are the most commonly reported reasons for attrition along with other personal reasons such as health issues, marriage, pursuing higher education or other family issues etc.



In the light of such a gloomy forecast, firms need to focus on employees with mission-critical skills as well as high-potentials and those holding crucial roles.

In the talent –famine scenario HR managers are required to recognize the talent gap and anticipate talent shortfalls and focus organizational plans and initiatives on improving the availability of the much needed talent. India is still on the pathway to achieving a developed status and lack of talent can make this dream impossible. Since India is an emerging economy with impetus on strong and continuous economic growth, there has been a rise in outsourcing and off shoring to India which has led to a competitive job market with demanding individuals who are multi-taskers and possess new competencies. In India, local and multinational companies face significant challenges of retention, wage inflation, and battle for new graduates who are talented. Corporations are fighting for grabbing talent, because turnover is high, and people in Indian companies are more willing to relocate in search for greener pastures. Relocation is the voice of the new millennium and talented employees are quite prepared to leave a company to bump up their salaries. This has led to a war for talent amongst competitors who are fighting to lure employees away from each other by offering better compensation.

Across industries, a performance driven variable plan, long term incentives and monetary and non-monetary recognitions or awards are the primary levers used for retaining talent. To attract skillful talent from the market, organizations across industries use sign-on bonuses/joining bonus, attractive benefits and perks along with practices of an assured variable pay for a brief- initial period from joining as primary tools for talent attraction.

The fiery combination of ballooning salaries and rising attrition indicate a tight market for talent that could hamper India's growth in the future.

Talent Management and Retention

Talent management and employee retention practices are by no means mutually exclusive; in fact the simultaneous introduction and implementation of such practices can positively contribute to improve the appeal of the employer value proposition and hence its employer branding. In addition to these programs other monetary and non-monetary initiatives implemented by employers can unquestionably help to attract and retain quality individuals. Hereby, the synergic multiplicative effect produced by bundling reveals to be significant for the attainment of the organizational objectives.

In their study (Chitsaz & Boustani, 2014) Employee retention refers to all those efforts, done by the organization, which boost the chances for an employee to stay in the organization for a longer tenure.

The top five Employee retention factors include:

1. Exciting and challenging work
2. Career growth and learning
3. Relationships involving working with great employees and coworkers
4. Fair pay
5. Supportive management and a great manager.

According to the report published by Oracle (2012) Talent retention is of critical importance for all organizations for two major reasons:

1. Turnover is costly.
2. Top performers drive business performance.

According to the McKinsey study (1998) "War for Talent" It was found that in the opinion of senior managers the high performers surpass average performers by a wide margin. According to the study, high performers in operations roles are able to amplify productivity by 40 percent, high performers in management roles raise profits by 49 percent and, in sales positions, high performers are responsible for 67 percent greater revenue.

Organizations must follow a systematic approach towards top talent identification and retention in order to get the best results.

In the news article (Srikrishna, 2012) the author interviewing HR managers of top IT companies says that organizations would like to retain them (the top talent) as long as the organization can provide learning and growth opportunities to the individual."These days, a high attrition rate has become a menace in all organizations across industries. Most companies find that keeping the top talent engaged and loyal is a challenging job.

In totality, from recruitment to retention, every aspect of talent management is crucial for the success of an organization.



There are slightly more organizations with talent management programs than those without. In our study, we found a higher percentage of organizations using talent management (approximately two thirds) than previous studies where this number was barely above one half (Lockwood, 2006).

The opportunity for advancement, job security and compensation were the top three reasons given by survey respondents for leaving an organization in order of relative importance (Oladapo, 2014). The fact that compensation was not the most important factor corroborates other studies and validates the proposition that an effective talent management program should address opportunity for advancement as well as job security and that merely having a competitive compensation scheme is not an adequate employee retention program. Clearly there are other more important factors other than compensation that organizations should focus on improving in order to reduce turnover.

Retaining key staff is significant to the health and profitability of organizations and HR Personnel irresistibly believe that effective talent management pays off within the long-term for organizations. Numerous programs inside organizations are invariably competing for scarce resources and management should always strive to strike a balance between costs and benefits and in the opinion of HR personnel, the benefits outweigh the costs with regards to talent management.

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