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The Impact of Talent Management on Perceived Organizational Performance in a Leading Telecommunication and Technological Companies in Colombo District

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Abstract

Area of the Study

This study seeks to explore the impact of talent management on perceived organizational performance in leading telecommunication and technological companies in Colombo district, Sri Lanka.

Problem of the Study

The concept of talent management is not well researched in the Sri Lankan context. Especially, no studies have been found on the impact of talent management on perceived organizational performance in Sri Lanka. Hence, this study aims to find out the impact of talent management on perceived organizational performance in leading telecommunication and technology companies in Sri Lanka.

Method of the study

The target population of this study was the total number of telecommunication and technology companies in Sri Lanka. Out of the total population, four leading telecommunication and technology companies in Colombo district were selected by using convenient sampling technique. From the total number of executive level employees within these four companies, proportionately 240 executives were selected for the data collection. A structured questionnaire, which consisted of 47 statements with five point Likert scale was used. The data analysis included the univariate analysis and bivariate analysis.

Findings of the Study

This study found that there is a significant positive impact of talent management on perceived organizational performance in leading telecommunication and technology companies in Sri Lanka. Moreover, perceived organizational performance is positively correlated with the each dimension of the talent management namely talent acquisition, talent development and talent retention. As per the regression analysis, talent management has an impact of 59.6% on perceived organizational performance. Also, the research found that there is same level of practice of talent management in telecommunication and technology companies in Sri Lanka.

Conclusion of the Study

It is concluded that there is a significant positive impact of talent management on perceived organizational performance in leading telecommunication and technology companies in Sri Lanka. In addition, dimensions of talent management (talent acquisition, talent development and talent retention) have a positive impact on perceived organizational performance of the sample. To enhance the overall performance within the telecommunication and technology

companies strategically designed talent management practices can be used.

Keywords: Talent management, Talent acquisition, Talent development, Talent retention and Perceived organizational performance

Introduction

The strong necessity to uplift the prevailing efficiency and effectiveness within a particular business organization lies at the heart of the management of the firm. A Business organization has several sources to enhance its organizational performance through achieving its efficiency and effectiveness targets. Money, men, machines, methods, materials, land and fixed assets can be denoted as the main resources. However, nowadays land, capital and fixed assets are no longer key resources for the organization to be highly competitive in the current economy (Gardner 2002). In this context man is the most valuable and important resource for a business organization.

People working within an organization have been treated with different value propositions over the past years. Once people at work were treated as the factor of production and another time they were treated as the human resource within the firm. However, when it comes to the current context, men at work regarded to be the “talent” working within a business organization. According to Gardner (2002 p.158) “*Talented employees build an organization and are the gateway to success.*” Managing talent is a challenge to all organizations in the context of globalization irrespective of the country. The issue of the scarcity of talents rotates around the universe. Organizations around the world compete with each other to grab the most talented workforce towards them. This is because they believe that the organizational performance depends on the prevailing talent within the firm.

In this context, each and every organization must conduct talent management strategies which include talent acquisition, talent development and talent retention strategies to grow up the organizational performance. The research focused on the dependence of organizational performance on talent management, within leading telecommunication and technology companies in Sri Lanka.

Problem Background and Problem of the Study

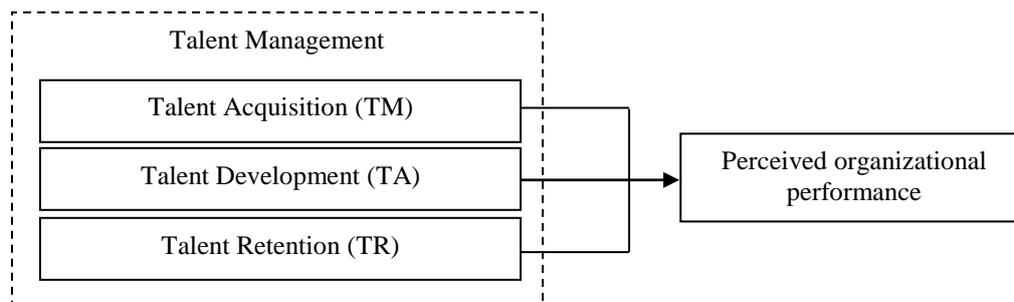
Buckingham and Vosburgh (2001) state that talent is significant because it is the role of a strong human resource function to deal with everyone to high performance. McKinsey proposed that the global war for talent is becoming a vital energetic force incorporate competitiveness and performance, the practice of talent management has become more and more popular (Axelrod et al. 2002; Michaels et al. 2001). Therefore this research also attempts to provide more comprehensive evidence by investigating the relationship and impact of talent management on perceived organizational performance as a multidimensional construct encompassing profitability, satisfaction with job nature and work environment, satisfaction with salary, satisfaction with promotion opportunities, satisfaction with relationship with fellow employees, increase in the customer base, service handling of

dissatisfaction, no. of customer complaints, product quality and price, new products and services, new processors, quality of the employees, quality of the management, financial performance, quality of products and services, market leadership, customer orientation/focus, attractiveness/ emotional appeal, social responsibility, ethical behavior and reliability.

Research Framework

The conceptual framework is given in Figure 01.

Figure 01: Conceptual framework



The conceptual framework shown in Figure 01 depicts five hypotheses of these two phenomena.

The effectiveness of any organization remains on the effectiveness of its employees. Harris and Brannick (1999) in a study have identified that victorious talent management system engages configuration of the organizational recruitment with the company's culture. Govaerts, et al. (2010) in an exploratory study to recognize ways to hold talent in professional organizations concluded that it is important to pay attention to learning of employees. Mitra, Gupta and Shaw (2011) in a study conducted using 214 organizations found that skill based pay plan direct to positive workforce attitude towards the job. Grobber et al. (2002) identified causes for people leaving organizations and identified poor compensation package to be often the key reason. Delaney and Huselid (1996) found that excellent talent management in form of right employee reward system affects the job satisfaction. As such different organizations practice talent management strategies in different levels. Hence in this study, the first hypothesis was developed as;

H₁: There is no same level of practice on talent acquisition, talent development and talent retention.

Koch and McGrath (1996) emphasize that complicated human resource planning activities are absolutely related to labour productivity and to organizational performance. Delaney and Huselid (1996) have stated that staffing decision is absolutely related to perceived market performance. Successful on boarding is a major part of any talent management strategy. With the high cost of recruiting, business leaders must understand that, effectively integrating new hires into the organization is an important step to ensure their success (Bauer n.d.). By taking above into consideration this research has developed the second hypothesis as;

H₂: There is an impact of talent acquisition on perceived organizational performance.

Koch and McGrath (1996) in their study found that organizations having a well-built approach in constructing internal leadership capability through talent management practices such as succession planning, are having better financial returns, growth in net income and market share. Training has a positive impact upon the diverse dimensions of the performance of the firm including; product quality, product development, market share and growth sales (Kalleberg & Moody 1994). More investment in training results in higher profits (Kalleberg & Moody 1994). Training has a positive impact upon perceived organizational performance (Delaney and Huselid, 1996). Management development is absolutely related to profit (Leget 1997). Training practices influence perceived organizational performance positively (Harel & Tzafirir 1999). Sturgeins et al. (2002) observed that organizational career management improves employee commitment and hence organization performance and organizational excellence. Van Dam (2004) found that people who experience more organizational support have a higher employability orientation. Arnold in 2001 (as cited by Swanepoell, et al. 2003) proved that, mentoring & coaching impacts on the mentee's career success, increased performance in the workplace, and higher income. Coaching is positively related to profit (Leget 1997). Accordingly, third hypothesis in this study is:

H₃: There is an impact of talent development on perceived organizational performance.

As Kalleberg and Moody (1994), reward is positively correlated to the different dimensions of the performance of the firm, product quality, product development, profit, market share, customer satisfaction and growth in sales. Incentive compensation has an encouraging impact upon perceived organizational performance (Delaney & Huselid 1996). Performance related pay influences productivity positively (Lazear 1996). Outcome-based incentives on sales, customer satisfaction, and profit increased with intensity of competition and proportion of upscale customers and decreased with level of supervisory monitoring (Banker, et al. 1996). Employee share ownership schemes, profit related pay and performance related pay are absolutely related to financial performance (McNabb & Whitfield 1999). The effective compensation and reward process improves productivity, the quality of goods and services, improves subordinates' behavior, and decreases accident ratio in organizations, thereby improving organizational performance (Delaney & Huselid 1996). As such the fourth hypothesis of this study will be:

H₄: There is an impact of talent retention on perceived organizational performance.

Huselid (1995) in a primary study conducted to trace the effect of talent management practices on economic returns of the firms found that top 15 companies in terms of using superior talent management practices registered increase in sales, increase in profit per person and increase in market value per employee. Ordonez de Pablos (2004) opined that sustainable competitive advantage spirals from internal qualities of an organization which are hard to copy like talent management strategies. Delery and Doty (1996) said that larger exercise of specific HRM practices would always consequence in improved organizational performance.

Investment in a range of HR practices have been correlated to firm financial performance such as training (Russell, Terborg & Powers 1985), selection and staffing (Terpstra & Rozell 1993), appraisal (Borman 1991), and compensation (Gerhart & Milkovich 1992). According to Huselid (1995) study the results shows that a standard deviation increase in high performance talent management practices is coupled with economic returns. Collings and Mellahi (2009) emphasized that effective talent management have an tortuous positive relationship with organizational performance. With reference to above the fifth hypothesis of this study is developed as:

H₅: There is an impact of talent management on perceived organizational performance

Method

Study Design

This study was a causal study in which the relationship and impact between variables is examined and was undertaken in a natural/ non-contrived environment. It was conducted in the premises of leading telecommunication and technology companies in Sri Lanka. This research was a cross-sectional study, which gathered data from one-time using a questionnaire. The unit of analysis used in this study was individual.

The target population of the study is executive level employees in leading telecommunication and technology companies in Sri Lanka. This study utilized convenient sampling to obtain the sample population, out of the total telecommunication and technology companies in Sri Lanka. For the purpose of this study the research selected four leading companies which are into telecommunication and technology in the Colombo District. Finally, 240 executives were selected proportionately out of 600 total executive level employees in the four selected companies. Data was gathered through a questionnaire.

Measures

The variables in the research model; talent management and organizational performance were measured by using a questionnaire with five-point scales, which were completed by the respondents according to their experience. Literature describe various instruments for measuring talent management and by considering all those factors a questionnaire was self developed by the researcher which consist of 25 items. A reduced version of the measurement scale developed by Bontis et al. (2002) is considered to evaluate the organizational performance as a whole. The questionnaire consisted of 22 items with five Likert scale.

Validity and Reliability

The external reliability of the instruments used to collect data was examined by the test-retest method. The internal item consistency reliability was examined with Cronbach's Alpha test (Kottawatta 2014). The results of the test-retest coefficient and Cronbach's Alpha test are given in Table 01, which suggests that the external and internal reliability of each instrument was satisfactory. The content validity of the instruments was ensured by the conceptualization and operationalization of the variables using available literature and

indirectly by the internal consistency reliability of the instruments are denoted by Alpha values (Kottawatta 2014).

Table 01: Cronbach's Alpha Coefficiencies

Instrument	Cronbach's Alpha	Test-retest coefficient
Talent management	0.775	0.975
Perceived organizational performance	0.908	0.985

Techniques of Data Analysis

Data collected from the survey were analyzed using the computer based statistical data analysis package, SPSS (Version 16.0) for validity, reliability and relationship testing. The data analyzed include univariate and bivariate analyses.

Results and Discussion

Univariate analysis was used to investigate the responses for perceived organizational performance and talent management with its 3 dimensions. The results of the univariate analysis are given in Table 02.

Table 02: Descriptive statistics of talent management and perceived organizational Performance

Table 02 reports the results of the descriptive data analysis of the research variables. Mean value of the talent management is 4.0454. Therefore, it can be said that leading telecommunication and technology companies possess a high level of talent management practices. Perceived organizational performance scale is five in Likert scales. Hence, the average mean value is 3 (1+2+3+4+5/5). If the mean value is greater than 3 then the perceived organizational performance is high in leading telecommunication and technology companies. The dimensions of talent management namely talent acquisition, talent development and talent retention have mean values of 4.3357, 3.8734 and 3.9270 respectively. Thus leading telecommunication and technology companies perceive high level of talent acquisition, talent development and talent retention practices since all mean values are greater than the average mean value.

Under bivariate analysis, Pearson's Correlation between talent management and perceived organizational performance in leading telecommunication and technology companies in Sri Lanka are illustrated in Table 03. According to the results of Pearson correlation shown in Table 03, there is a strong positive relationship between overall talent management and perceived organizational performance in leading telecommunication and technology companies in Sri Lanka.

Table 03: The Pearson's Correlation between Independent variable and dependent variable

	TA	TD	TR	TM
Correlation	0.602	0.565	0.722	0.744
Sig.	0.000	0.000	0.000	0.000

**Correlation is significant at the 0.001 level (2- tailed)

In addition, to that, all talent management dimensions such as talent acquisition, talent development and talent management are positively correlated with perceived organizational performance and those are significant.

Table 04: Simple Linear Regression Analysis

Variable	TA	TD	TR	TM
R square	0.363	0.319	0.521	0.554
Adjusted R square	0.360	0.316	0.519	0.552
F	135.583	111.547	258.886	295.142
Significance	0.000	0.000	0.000	0.000
B-Constant	1.548	2.578	2.098	1.340
b-value	0.598	0.404	0.520	0.693

According to Table 04, talent management and its dimensions positively relate with perceived organizational performance.

The summarizing of the hypotheses of the study developed based on the literature review is given in Table 05.

Table 05: Summary of Hypothesis Testing

No	Hypothesis	Value	Remarks
H1:	There is a same level of practice in talent acquisition, talent development and talent retention.	Sig = 0.000	Accepted
H1 _A	There is an impact of talent acquisition on perceived organizational performance	b = 0.598 sig = 0.000	Accepted
H1 _B	There is an impact of talent development on perceived organizational performance	b = 0.404 sig = 0.000	Accepted
H1 _C	There is an impact of talent retention on perceived organizational performance	b = 0.520 sig = 0.000	Accepted
H1 _D	There is an impact of talent management on perceived organizational performance	b = 0.693 sig = 0.000	Accepted

Discussion and Conclusion

This study empirically examined the impact of talent management on perceived organizational performance in leading telecommunication and technology companies in Sri Lanka. According to the results of simple regression analysis, talent management was found to have a strong positive impact on perceived organizational performance with the strength of b value of 0.693. It showed that two variables were strongly linearly related, as talent management increased, perceived organizational performance also increased. In addition to that dimensions of talent management were also found to have strong positive impact on

perceived organizational performance. The b value of talent acquisition, talent development and talent retention are 0.598, 0.404, and 0.520 respectively which indicate the strength of impact.

The relationship between talent management and perceived organizational performance was still positive and significant at the 0.000 level. The correlation between these two variables was 0.744. These findings are in line with those of related studies that emphasize the importance of talent management in organizational performance across variety of settings. Huselid (1995) in a primary study conducted to trace the effect of talent management practices on economic returns of the firms found that top 15 companies in terms of using good talent management practices earned 7% increase in sales. Optimis (2011) talent management model identifies various talent management practices and components which have been linked to the workforce performance which eventually leads to the organizational performance. Firm investments in training result in better organizational performance (Bartel 1994; Kalleberg & Moody 1994; Russel, et al. 1985). The specific strategic focus on talent management systems leads to higher scores in financial outcomes such as company profit, company and talent productivity and market value (Kalleberg & Moody 1994).

According to Huselid (1995) study, the results show that a standard deviation increase, in high performance talent management practices is associated with enormous economic returns. In building organizational performance, organizations first have to focus on individual performance. Batt (2002), writing in the context of high performance work systems (HPWS) in the services industry, identifies both a direct role of HPWS in individual performance through enhancing employee skill levels and firm specific knowledge and an indirect role via lower quit rates and improved motivation. Huselid (1995) study further states that the top 15 percent companies that were selected in the study in terms of their use of high-performance talent management practice were associated with the following financial advantages: decrease in turnover, increase in profits per employee, increase in sales per employee and an increase in market value per employee. The imperative to effectively manage talent is more urgent than ever is it has the potential to deliver greater shareholder value and sustained competitive advantage through proper implementation of talent management practices within organizations.

The findings further shows that there is same level of practice within the leading telecommunication and technology companies in relation to talent acquisition, talent development and talent retention. The consistency between the findings of the current study and those of most other related studies suggest that talent management is a critical factor which decide the perceived organizational performance in leading telecommunication technology companies in Sri Lanka.

In the light of the findings of this study, there are several recommendations for the researchers and managers who are charged with the responsibility of ensuring the organizational performance within the companies. The programmes including talent

acquisition strategies, talent development strategies and talent retention strategies could be used as an intervention to ensure higher perceived organizational performance. Further research studies are suggested to carryout in the similar study investigating the relationship between the talent management and its impact on perceived organizational performance in leading telecommunication and technology companies in Sri Lanka.

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