

IMPACT OF TALENT MANAGEMENT ON ORGANIZATIONAL PERFORMANCE: ROLE OF EMPLOYEE ENGAGEMENT

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ABSTRACT

Purpose: With the Talent Management(TM) becoming an area of emergent concern in the literature, the purpose of the study is to have deep analysis of the relationship between Talent Management and Organizational Performance.

Design/Methodology/Approach: A quantitative approach was used. Data for this study were collected from private banks via questionnaire. Participants were selected by convenient sampling method and in total 150 respondents completed the questionnaire.

Findings: The results were in positive direction and fulfilled the research aims of the current study. The model extracted on the basis of review of literature has revealed the existence positive relationship between Talent management(TM) and Organizational performance. Further, Employee Engagement moderates the relationship between TM and organizational performance. Which is, again validate through Structure equation modeling.

Contribution: The research provides an immense contribution in the banking sector by providing an insight to look up as how Talent management enhances the Organizational Performance in banks.

Originality/Value: This is an attempt to examine the impact of Talent management on Organizational performance in banking sector.

Implications: The study provides an insight in to practical and theoretical implications in the banking sector which will help the employees in the banking sector to excel.

Keywords: Talent management, Organizational Performance, Banking sector.

INTRODUCTION:

Today we are living in an era where change becomes inevitable. To run organizations smoothly, effectively and efficiently, the most valuable and indispensable factor organizations need is human resource (Mosadragh, 2003). The success of an organization depends on the hard working, loyal and involved managers and employees. Management of employees is largely dependent on the quality of leadership organizations have (Albion & Gagliardi, 2007). In this context Talent management (TM) Employee Engagement (EE) concepts have been extensively studied in management literature in the past ten years (Aljunaibi, 2014). Both concepts have been an area of interest for both practitioners and academic researchers. Therefore, various studies have been conducted separately for each concept aiming to investigate their impact on organizational performance. The present study explores the relationship between talent management and employee engagement and by researching the relationship between the two concepts and investigating their impact on organizational performance. The reason for conducting this research is that most of the research in relation to this subject has studied the relationship between talent management and overall organizational performance. Moreover, it was clear from the literature review that most of the research in relation to this topic is more focused on the context of western countries and little research explores talent management in Indian context. Therefore, this has triggered the need for further studies in India and specifically in Jammu. By conducting a quantitative method approach within banking sector this research provides empirical evidence regarding the relationship between talent management and organizational performance, and in particular the moderating effects of employee engagement factors on talent management and organizational performance. This study aims to contribute to the body of academic literature in this field. First, it hopes to enhance the understanding of the relationship between talent management and organizational performance in private sector banks and second, it aims to provide empirical evidence showing the positive impact of talent management on organizational performance.

REVIEW OF LITERATURE:

Talent Management:

The term “talent management” as concluded by academicians, researchers and practitioners refers to the activities related to recruitment, selection, development and retention of employees. The foremost contribution by TM is the willingness of the system to analyze and bridge the gap between talent demand and talent supply by determining the weakness and strength of the employees and management as well as by the strategic flow of talent through an organization, which helps to connect individual goals to organizational goals and workforce strategies to business strategies (Kaur, 2013; Hilal, 2012; Iles, 2008). Thunnisen et al. (2013); Valverde, Scullion and Ryan (2013); Garrow and Hirsh (2008); Figiolini, Hofmann and Kanjirath (2008) defined TM as a process, which includes a complete and interrelated set of organizational activities such as identifying, selecting, developing and retaining the best employees as well as building their potential for the most strategic positions, and assisting them in formulating the best use of strengths in order to gain their engagement and contribution, which ultimately contribute to organizational benefits (Nankervis, 2013; Bano et al., 2010; Davies and Davies, 2010; Beechler and Woodward, 2009; Hughes and Rog, 2008; Ready and Conger, 2007; Chugh and Bhatnagar, 2006; McCauley and Wakefield, 2006). These activities start with the identification of most suitable individuals and end with retaining them (Silzer and Church, 2010; Lockwood, 2006). It encompasses all HR processes, administration and technologies for talent optimization and utilization (Schiemann, 2014; Schweyer, 2004). Hence, different perspectives of Talent management process are:

Talent Identification (TI): is the selection of applicants for future leadership, not for a specified position
Succession Planning (SP): is the future position planning of identified talent according to their skills, knowledge and competencies.

Talent Development (TD): It is development of selected talent pools through talents management tools such as on-the-job experience coupled with targeted educational/ learning opportunities (formal as well as informal), cross-functional training, stretched assignments, challenging tasks, career development and increased support through coaching and mentoring

Talent Retention (TR): It can be controlled through performance based pay, training, challenging work, intrinsic motivations, career development and giving benefits before demand

EMPLOYEE ENGAGEMENT:

In today's market scenario organizations demand more productivity and efficiency than any other times in the history. Business houses are trying to increase their performances to stay ahead of competitors. "Employee engagement" is one of those slippery concepts that's talked about a lot but is difficult to define. The theory, employee engagement arises from two notions that are the subjects of research- Commitment and Organizational Behaviour but employee engagement is the amount to which employees contribute to the business growth and outcome. It's a two way mutual process between the people and workforces. It is a state in which the workforce endeavour towards the company's accomplishment and are driven to perform to the stage that exceeds the given job role. It tells how the employee feels about the employee, its leadership, the work atmosphere, compensation, R&R, they take delivery of for their efforts. Employee engagement drives the discretionary efforts, producing employee's full productivity, highest assurance to the success of the firm. It is important to note that there are a wide variety of approaches to engagement and indeed definitions of the term. Some see engagement as a state of mind among employees. Others see it as being about the actions of employees. Employee engagement is a combination of attitude and behaviour (Purcell, 2010). In the words of Alfes et al, engagement is an employer's actions; an approach to working with employees or something that is "done to" employees. The definition given by MacLeod (2009) tends to lean towards the latter but also references the former. It describes engagement as:

"A workplace approach designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being."

Further (MacLeod and Clarke, 2009) divided employee engagement into four enablers .i.e Strategic narrative, Engaging managers, Employee voice and Integrity.

Strategic narrative (SN): It is a strong, transparent and explicit organizational culture which gives employees a line of sight between their job and the vision and aims of the organization.

Engaging managers (EM): It facilitates and empowers rather than control or restricts the staff and that they "treat their employees as individuals, with fairness and respect and with a concern for the employee's wellbeing". They emphasize on the relationship with the line manager is the most important at work.

Employee voice (EV): It refers to "seeking the views of employees or employee representatives" and the employers actively encouraging them to do so, considering their views and acting on them where possible. They distinguish between individual and collective voice – both of which are seen as important to engagement.

Integrity (IN): It is a belief among employees that the organization lives its values, and that espoused behavioral norms are adhered to, resulting in trust and a sense of integrity

ORGANIZATIONAL PERFORMANCE:

Organizations have an important role in our daily lives and therefore, successful organizations represent a key ingredient for developing nations. Continuous performance is the focus Determinants of organizational performance of any organization because only through performance organizations are able to grow and progress. Thus, organizational performance is one of the most important variables in the management research and arguably the most important indicator of the organizational performance. Managers began to understand that an organization is successful if it accomplishes its goals (effectiveness) using a minimum of resources (efficiency). Thus, organizational theories that followed supported the idea of an organization that achieves its performance objectives based on the constraints imposed by the limited resources (Lusthaus & Adrien, 1998 after Campbell, 1970). In this context, profit became one of the many indicators of performance. The authors Lebars & Euske (2006) provide a set of definitions to illustrate the concept of organizational performance: performance constitutes both

financial and non-financial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske 2006 after Kaplan & Norton, 1992). Performance is dynamic; requiring judgment and interpretation and it may be illustrated by using a causal model that describes how current actions may affect future results. To define the concept of performance is necessary to know its elements characteristic to each area of responsibility. To report an organization's performance level, it is necessary to be able to quantify the results.

Theoretical Framework and Hypotheses Development:

We use cross-sectional time series statistics with fixed effects modeling to examine the relationships between the variables (Bontis et al. 2007) in the present study. First, we will examine the relationship between talent management and organizational performance. If there is a significant relationship, we will conclude that talent management is significant predictor of Organizational performance (Figure 1). Next, we will examine the relationship between talent management, organizational performance and employee engagement and for testing the moderating effect we will follow Prescott (1986) and Venkatraman (1989) approach. The lack of a significant relationship between these variables lends support to the role of employee engagement as moderators in the talent management and organizational performance relationship. Finally, we will examine the interaction effects of employee engagement and talent management on organizational performance. All this will be tested through SEM in three steps as mentioned in the Figure 1.

HYP1: Talent management leads to organizational performance.

HYP2: Employee engagement moderates the relationship between talent management and organizational performance.

RESEARCH DESIGN AND METHODOLOGY:

This research is evaluative in nature. It evaluates relationship between talent management and organizational performance and role of employee engagement in between this relationship. Following steps have been undertaken to make this research objective more accurate:

Sample Size & Design:

The population for the study comprised of 300 employees working in private banks in Jammu. All of these employees were contacted to generate research information. Only 215 employees gave required response.

Data Collection:

Convenient sampling technique has been used for data collection. The data was collected from employees working in private banks in Jammu.

Statistical Tools Applied:

A two- step approach to structural equation modeling (SEM) using AMOS was applied. Step one was to conduct a confirmatory factor analysis to assess the proposed measurement model fit and construct validity while step two aimed to develop and estimating the structural model for testing the significance of theoretical relationships (Anderson and Gerbing, 1988; Hair et al. 2006).

Generation of Scale Items:

All constructs in the model were measured with multiple-item scales. Each of these variables was measured by a five-point Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and most of the items were derived from the literature.

Measurement Validation:

After the survey, the collected data were used to assess the scale-level reliability and validity. For evaluation of internal consistency among the items, Cronbach's alpha was assessed. Scale reliability

was also assessed through composite reliability measure and the average variance extracted (AVE). Convergent and discriminant validity was assessed as a part of construct validity since the multiple items used to measure the same construct should be in agreement, while items between different constructs should be distinct (Campbell and Fiske, 1959). Using confirmatory factor analysis (CFA), we established convergent validity by the magnitude (> 0.5) and significance of the factor loadings (Segars 1997). For assessment of discriminant validity we compared the variance extracted with squared correlation of different scales as recommended for Forrell & Lacker (1981).

The results of the scale-level reliability and validity assessment are summarised in Table 1. All factor loadings were highly significant, indicating good quality of the measurement items. Cronbach's alpha and composite reliability were all above the conventional cut off .7 and AVE was more than .5.

Impact of Talent management on Organizational performance: Role of Employee engagement – Structural Modeling Approach

In order to test the moderating effect all the condition described by Baron and Kenny (1986) were first satisfied. These are: 1) the moderator should not directly relate with dependent variable. 2) The moderator hypothesis is supported if the interaction is significant. 3) Another property of the moderator variable is that, unlike the mediator-predictor relation (where the predictor is causally antecedent to the mediator), moderators and predictors are at the same level in regard to their role as causal variables, antecedent or exogenous to certain criterion effects. That is, moderator variables always functions as independent variable.

We used three steps procedure through structure equation modelling in which we first assessed the impact of predictor i.e. talent management on organizational performance. The results (Model 1) revealed that talent management is significantly related with organizational performance ($p < .05$) but the intensity of relationship is low (the standardised regression weights are less than 0.5).

In the second step we added the moderating variables i.e. employee engagement to find out the impact of predictor and moderating variable on organizational performance. And the result revealed that talent management ($p > .05$) have insignificant impact on organizational performance, which satisfies the condition to test the moderation effect suggested by Baren and Kanny (Model 2)

In the third step we added interaction effect and controlled the effect of predictors and moderators which revealed that the interaction effect of talent management and employee engagement is significant (SRW = .62) given in Model 3(a). Another, model was also framed in which dimension-wise interaction effect of talent management and employee engagement were examined, while controlling effect of predictor (Talent management) and moderating variable (Employee engagement). Inspection of standardized weight of interaction effects given in Model 3(b) revealed that the interaction effect exercised by integrity× talent management is highest (0.63) followed by strategic narrative× talent management (.52), engaging managers× talent management (0.45) and employee voice× talent management(0.40).

DISCUSSION:

This paper discusses how talent management and employee engagement potentially facilitate organisational performance, thus increasing the dynamic capabilities of organisations as the employees are able compete in a continually changing environment. The present study highlights the importance of employee engagement between talent management and organisational performance. Our study explored the following issues:

- 1) Impact of talent management on organisational performance.
- 2) The moderating effect of employee engagement between talent management and organisational performance.

Our study has several important findings. First, our results demonstrated that talent management is positively related to organisational performance. It has been observed that talent management show empathy, consideration and support for employees, which help them to overcome the fear of challenging the status quo leading to better organisational performance. Employee engagement was not found to exert a direct impact on organisational performance after controlling for talent management; one reason may be

that the provision of employee engagement alone is not sufficient to stimulate organisational performance. This is because employees may not be fully aware of when and how to use opportunities to enhance their performance. The other reason is that service employees relied relatively more on empathy rather than equipment or information in building close interactions with customers. However, given the interactive effect of employee engagement and talent management, there is an incremental increase in the level of performance. One plausible explanation is that employees rely on talent management to provide clear guidance on how to make good use of opportunities for enhancing the level of performance. In addition, employees may learn more from the valuable experience provided by such a manager, transformational leaders engage their employee's and orient them to generate creative ideas in practice and subsequently enhance organisational performance. Similarly, the interactive effects of employee engagement and talent management were found in this study to exert a significant influence on organisational performance. The rationale behind is that the talent management is crucial in attracting employees to develop and retain, reach their full potential and break through learning boundaries. This study also indicates that talented employees have a personal high commitment to better organisational performance. They view engagement as a key ingredient in enhancing performance. They motivate and instill an engagement in those around them. Engaged or facilitative manager communicate effectively, share information, and generally keep the workforce up to date with important information make their employees productive. Engaged managers encourage employees to think out of the box and value strategic narrative and development to cope with rapidly changing technology and turbulent market. Such managers have specific mechanism of sharing learned lessons from team to team that lead to enhanced productivity. We believe that the impact of talent management are positively magnified by employee engagement, as the latter boosts employee confidence and serves as a good role model for nudging employees toward a productive work frontier.

Theoretical Implications:

This is a pioneer study on private banks regarding moderating effect of employee engagement between talent management and organisational performance. Path analysis has been used to find the influence of moderating variable on talent management and organisational performance and the results suggest various theoretical implication.

Theoretically, our findings implied that organisational performance level could be positively led by the talent identification, succession planning, talent development and talent retention. However, it can be effectively driven by employee engagement. Based on our findings, the attributes of talented employees can be extended to accommodate the work needs of highly creative employees in the service context that enhance organisational performance. This investigation is important to academicians and practitioners for three reasons. We empirically tested the moderating role of employee engagement and their interaction effects with talent management proved significant. Secondly, this investigation shows that due to the introduction of proper employee engagement in the banks. They are able to channelize properly the activities of talent management. Lastly employee engagement is important in our study which, revealed that this variables is important for strengthening the relationship between talent management and organisational performance. Talent oriented managers are more effective at encouraging followers to think more divergent and to adopt generative and exploratory thinking processes that yielded more creative ideas and solutions. Thus, we believe talented employees can be lead effectively and by promoting an open environment for development and retention that subsequently encourage innovation and organizational performance.

Managerial Implications:

This study helps bank managers to identify and justify key components that may be more critical in a rigorously competitive market. They should thoroughly understand, manage, and utilize employee engagement to provide corporate proactiveness and market driving strategy. The managers must put more emphasises on motivating their employees to introduce meaningful and novel strategies in their work that leads to better performance. They should clearly understand and exploit them within the organisation in addition to expanding their other strategies to include or graduate to an advanced business operations in order to continuously maintain and increase the levels of business excellence,

corporate performance, competitive advantage, organisational growth, and sustainability. To maximise the benefits of talent management, managers should provide other resources to support their effectiveness and create new opportunities in competitive markets and environments. Practically, findings of this study are important to be applied to service industry because service employees, to a large extent, rely on the socio-emotional support and recognition of talent management, employee engagement to build long-term and close interactive relationship with customers. In addition, engaged managers is likely to promote followers' creativity, Management should build mutual trust and respect between employees and managers by fostering a corporate culture that enhances individual creativity, team work and organisational performance.

Although, talent management are significantly related with organisational performance but the degree of significance is low. By adding employee engagement their relationship improves more. So it is also suggested that managers should facilitate development by cultivating and sustaining an organisational climate that nurtures development and retention efforts among individual employees in order to build a strong relationship between talent management and organisational performance.

LIMITATIONS OF THE STUDY:

Although this study expands our knowledge of the role of employee engagement on talent management and organisational performance viable prospects for further research are still there. All the precautionary efforts were made to ensure the objectivity, reliability, and validity of the study, yet certain limitations were discovered. These limitations were considered for any future references regarding the findings and implementations of the study. These limitations are discussed as under. The data was collected from private banks only, so the results lack generalisability. Proper list of employees were not provided by the management. Therefore convenience sampling technique was applied and the study is cross-sectional in nature.

FUTURE RESEARCH:

For future direction following points should be considered. Same study can be conducted in other sectors. Other moderating variables should be examined in order to build strong relationship between talent management and outcomes. Future research can be conducted in other sectors like telecom, insurance, hotels etc. Comparative study between different organisations i.e. private and public can be undertaken.

CONCLUSION:

Our findings strongly support the proposition that employee engagement moderate the relationship between talent management and organisational performance. The results offer both theoretical and managerial implications that are useful for researchers and for practicing managers of service firms in designing management practices and formulating human resources policies. This study opens up a new line of enquiry into this neglected situation of talent management and organisational performance in the field of organisational behaviour.

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FIGURE & TABLE

Figure 1: Theoretical framework

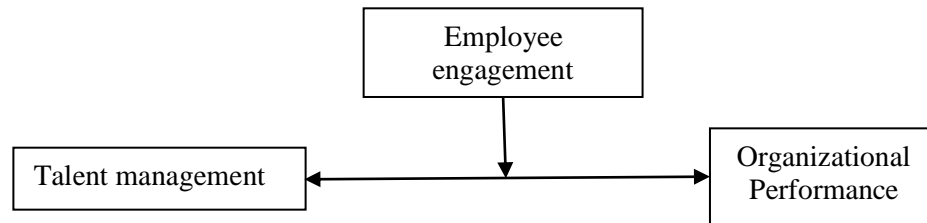


Table 1: The Results of Scale-Level Reliability and Validity Assessment

Construct	Standardised loadings	Cronbach's alpha	Composite Reliability	Average Variance Extracted
Talent management		0.792	0.982	0.770
Talent identification	.982			
Succession planning	.662			
Talent development	.581			
Talent retention	.857			
Employee Engagement		0.860	0.982	0.874
Strategic narrative	.874			
Engaging manager	.993			
Employee voice	.682			
Integrity	.949			
Organisational performance				
OP 10	.943	0.793	0.988	0.639
OP 8	.553			
OP 6	.500			
OP 7	.563			

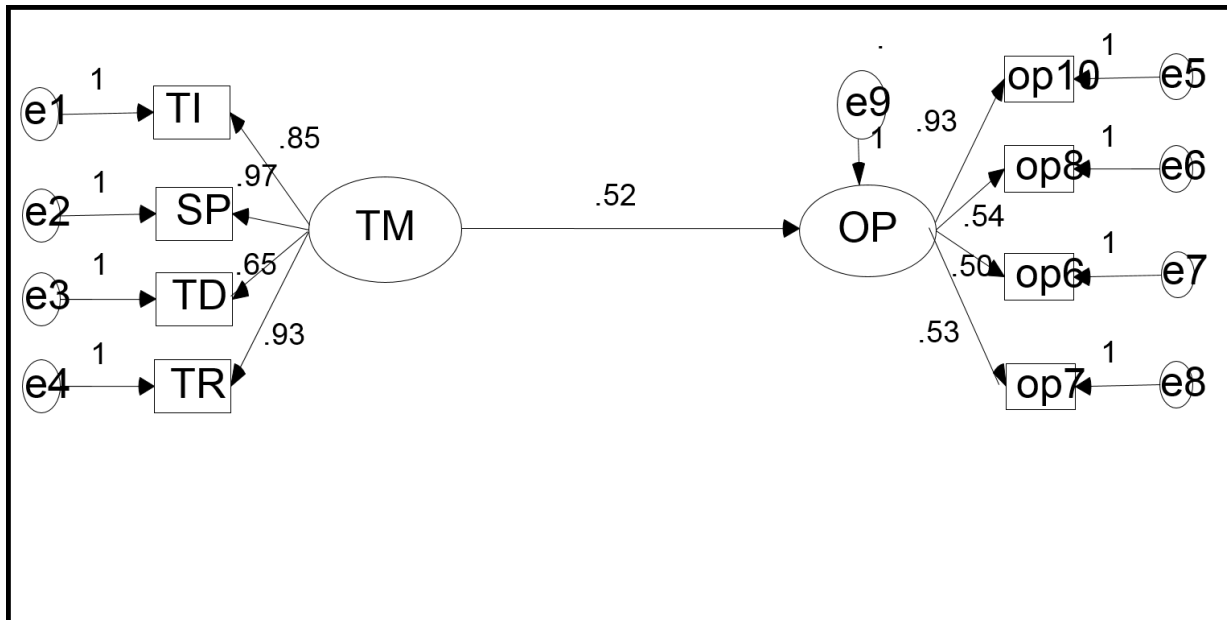
Table 2: Discriminant and Correlation Matrix

AVE Discriminant	Talent management	Employee engagement	Organisational performance
Employee Engagement	.770		
Talent management	.177 (.421**)	.874	
Organisational performance	.051 (.227**)	.082 (.287**)	.639

Note: Values on the diagonal axis represent Average Variance Extracted, Squared correlations are given below the diagonal axis and values with the matrix represent correlation.

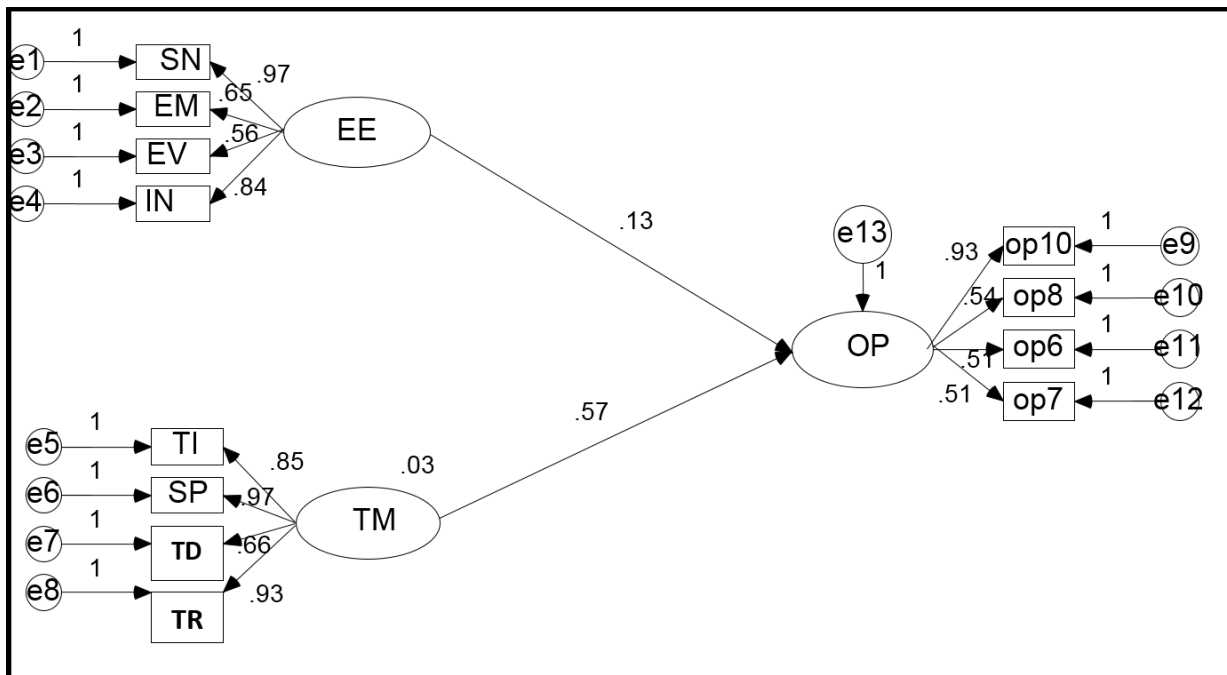
Cross- validation of Measurement Model

Model – 1



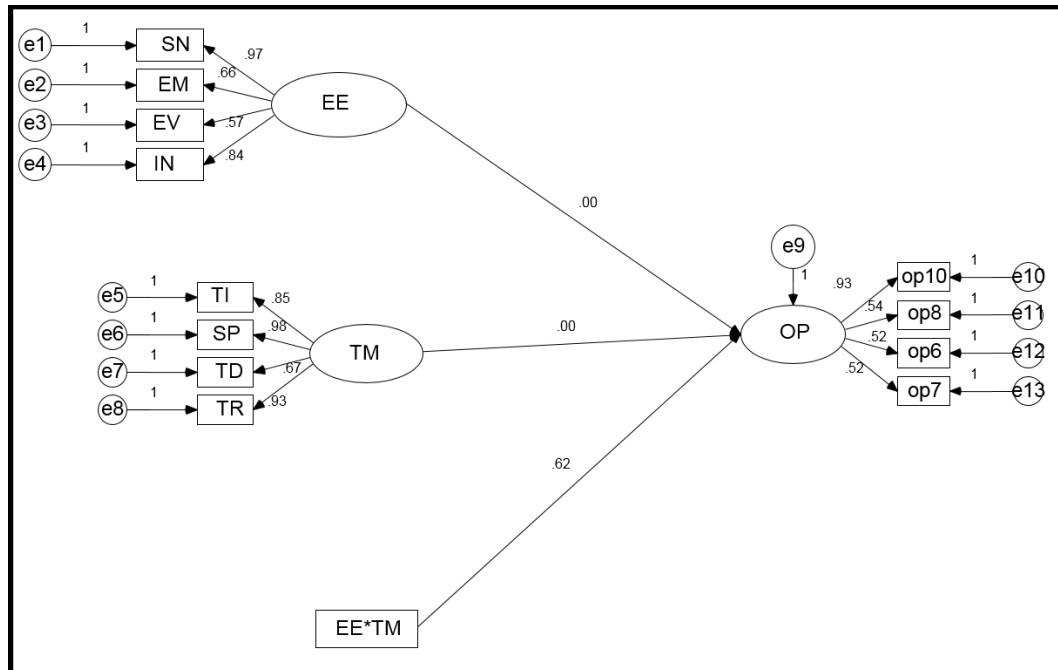
Key: TM = Talent management (Predictor), OP = Organizational performance (Outcome), TI= Talent identification, SP = Succession planning, TD=Talent development, TR = Talent retention, op6 to op10 = Manifest variables.

Model – 2



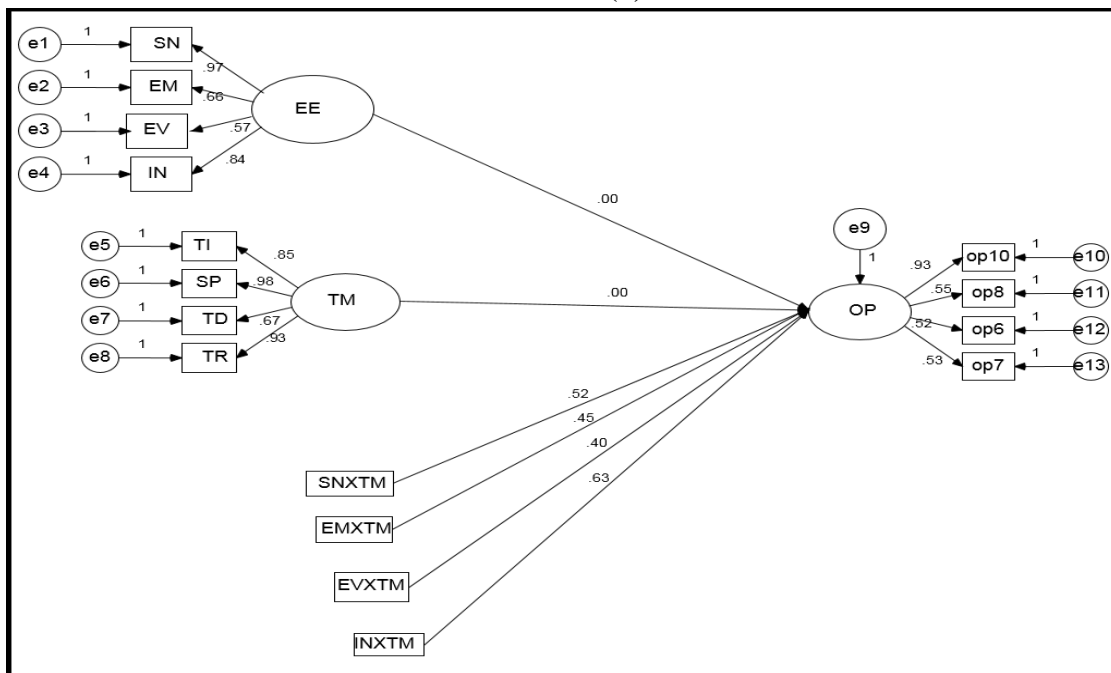
Key: EE = Employee engagement (Moderating variable), TM= Talent management (Predictor), OP = Organisational performance (Outcome), TI= Talent identification, SP = Succession planning, TD = Talent development, TR = Talent retention, SN = Strategic narrative, EM = Engaging managers, EV =Employee voice, IN = Integrity, op6 to op10 = Manifest variables.

Model – 3(a)



Key: EE=Employee engagement (Moderating variable), TM = Talent management (Predictor), EEXTM = Interactive effect, OP = Organisational performance (Outcome), TI = Talent identification, SP = Succession planning, TD = Talent development, TR = Talent retention, SN = Strategic narrative, EM = Engaging managers, EV = Employee voice, IN = Integrity, op6 to op10 = Manifest variables.

Model – 3(b)



Key: EE = Employee engagement (Moderating variable), TM = Talent management (Predictor), OP = Organisational performance (Outcome), TI = Talent identification, SP = Succession planning, TD = Talent development, TR = Talent retention, SN=Strategic narrative, EM = Engaging managers, EV = Employee voice, IN = Integrity, op6 to op10 = Manifest variables.
