

# FACTORS INFLUENCING EFFECTIVE TALENT MANAGEMENT PRACTICES IN SELECTED FIRMS OF INDIA: AN ANALYSIS

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## **ABSTRACT**

*Human Resource is one of the vital resources for the success of any organization. With industry dynamics changing and the corporate work culture undergoing transformation globally, appointing and retaining the right talent has become immensely significant for the industries across the globe, more so for the Information technology sector. Leaders in present organizations working very hard to attract, hire, develop and retain talent. Because they believe that employees are the only assets that innovate in any organization and innovation is the only path to sustain performance. To nurture the skills, talents of the employees, talent management practices must be continuously reviewed, so that the company can capitalize on its talented employees, find the best fit, and expand into new markets. Thus, management should recognise the factors which influence talent management in the organisation, so as to review them time to time. In this context this research paper examines the perceptions of employees on factors influencing talent management in selected public and private sector units of India. The study has been conducted by taking 21 public and private sector firms of 390 respondents of Indian firms. The data has been used in the study are basically primary which has been collected through structured questionnaire, after the tests of validity and reliability. The data so collected have been analysed and presented in the form of tables, simple averages, percentages, weighted scores and factor analysis. Principal Component Analysis has been used mainly to identify the important factors influencing talent management practices. Analysis showed that working environment, salary and benefits are highly sensitive to the demographical variables. Therefore, organisations have to adopt multiple strategies for different educational as well as experience groups so as to ensure smooth functioning.*

**Keywords:** *Talent management, competitive advantage, sustain performance, working environment, salary and benefits.*

## 1. Introduction

Currently, world environment is under severe challenge facing enormous competition. One of challenges is employee talent management that has become a potential powerful source of competitive advantage and sustainability (Ingham et al, 2006). It is important for the organization to take aproactive role in identifying and cultivating their workforce who have capability and potential.

In today's dynamic business environment, organizations are giving more priority and investing continuously on their own human resources and manage them properly as human resources are the valuable assets of a business organization. Talent management is considered as an important tool for improvement in the recruitment process and brings out the best talents from the pools, which give rise to the utilization employee's skills and capabilities to achieve the organizational goal.

Again, in the present market scenario, one of the biggest challenges that every business organizations face is to successfully attracting, assessing, training and retaining the talented employees. Talent management consisting of the entire process of planning, recruiting, developing, managing, utilizing the skills and knowledge of the employees throughout the organization. The organizations have now realized the need and the requirement of effective talent management and trying to give emphasis on various methods to develop and retain the existing talent in their organization rather than trying to acquire new talents because the cost of identifying, developing and retaining is much more.

Furthermore, research by Bethke-Langenegger, Mahler, and Staffelbach (2011) has shown that talent management practices with a strong focus on strategy have a statistically significant higher impact on the attractiveness of the company, the achievement of business goals, customer satisfaction and corporate profit. If the social responsibility of business is to increase profits, as Milton Friedman once wrote, the above proves that talent management is a tool for achieving increased profits. Despite this, prominent researchers within human resource management and strategy write that "*the workforce is the most expensive yet poorly managed asset in most organizations*" (Becker, Huselid, & Beatty, 2009, p. 56).

## 2. Review of Literature:

As stated before, organizations face challenges of varying nature and magnitude while attracting the best talents and strategically retaining them in the organisation. It is for this purpose that the present study has been undertaken to examine the various factors that contribute to the talent retention in the Indian context and the inter-relationships that exist among these factors. In order to be more focused on the broad objectives of the study, and to be able to find the research gap and further to be able to fit the working relationship between the variables that the different studies already conducted on talent management within and outside India have been reviewed as follows:

Dhanabhakym, M. and Kokilambal, K. (2014) have conducted a study on ***“A study of existing talent management practices and its benefits across industries”*** with the aims to bring out talent management practices which are adopted in four major industries such as Banking, Healthcare, Manufacturing and IT industry of India. The study result indicated that there is a direct impact of talent management practices on the overall benefits of the organisation.

LeAnn M. Brown. (2014) has conducted a study entitled ***“A proposed talent management model for leader – managers in State Owned Enterprises (SOEs) in China”***, with the objective to study the talent management models and its implication in SOEs in China. The study was conducted by conducting phenomenological interviews with 11 state-owned companies and 17 leader-manager participants. The findings of the study synthesized, to introduce a proposed talent management model for SOEs in China. It provides HR practitioners a framework to manage talent within their organizations, in particular in the areas of recruiting, developing & retaining successful leader-managers within SOEs in China.

Tajuddin, D. et al. (2014) have conducted a study entitled ***“The need of talent management as a business strategy for Malaysian banking institutions”***, with the objective to identify the need of talent management as a business strategy for Malaysian banking institutions. To examine the purpose, there are three variables, namely Talent Management Practices (TMP), Employee Value Proposition (EVP) and Talent Brand Strategy (TBS) are considered against 12 indicators of Malaysian banking sector and tested the direct and indirect relationships with the TM.

Jindal, P. and Shaikh, M. (2015) have conducted a study entitled, ***“A study of behavioural training as talent management strategy in organisations”*** with the purpose to clear the concept of behavioural trainings and talent management and the impact of behavioural training on organizations for talent management. The study led to the findings that the organizations are realizing the importance of behavioural training which can be a strategy of talent management.

Rachel, D. et.al. (2016), have conducted a study entitled ***“Impact of Talent Management on Organisation Culture”***, with objective to identify the impact of talent management in terms of organizational effectiveness which includes cost cutting, maximum output, time saving techniques, perfection increased, better control and employee performance and also recruitment, retention, employee development, leadership, workforce planning and so on. The study result highlighted that talent management helps to increase workplace productivity and increases the effectiveness of the organisation. Further, it also helps to increase the process of attracting, capability mapping, developing new capabilities and retaining the human capital with the right current and future work capabilities. Thus by implementing all these strategies, organizational readiness for the future will be achieved.

Moayedi, Z. and Vaseghi, M. (2016), have conducted a study entitled ***“The Effect of Talent Management on Organizational Success”***, found that organization’s efforts to recruit, develop and maintain talent, directly linked to their success in the business environment.

Further, financial value of the organization depends on the quality of their talents, and talents quickly increase the financial value of the organization

### 3. Objectives of the study

- To identify the factors affecting effective talent management practices.
- To measure the effectiveness of talent management practices.

### 4. Methodology

The following methodology has been adopted for the study:

#### **Data Source and method of data collection**

The study has been conducted mainly on primary data collected through our own developed attitude scale. The scale consisting of 27 items describing effective talent management were distributed among the respondents selected through convenient sampling from 21 different public and private sector Indian organizations out of which 10 are public and 11 are private sector units and collected back upon being filled up by the respondents.

#### **Sample size and sampling**

A total of 450 sets of questionnaires were distributed among the respondents of which 390 questionnaires were included in the study for being complete in all respect.

#### **Demographic profile**

The sample respondents of 390 included in the study has a distribution of 185 from public sector units and 205 from private sector units; 108 from banking and financial services, 106 from manufacturing, 81 from power and energy, 67 from IT/ITES, 11 from healthcare, 6 from pharmaceuticals, and 11 from education; 224 male respondents and 166 female respondents; 169 respondents from 20-35 age group, 127 respondents from 36-50 age group and 94 respondents from above 50 years of age. Also, the respondents included 94 graduates, 131 post graduates and 165 with professional and technical degrees. Finally, the respondents also consist of 153 of 2-5 years of working experience, 132 respondents of 6-10 years of experience and 105 respondents of more than 10 years of work experience.

**Tools and techniques used:** The important statistical technique used in the study is Factor Analysis with the calculation of Kaiser-Meyer-Olkin measure of sampling adequacy, Bartlett's test for sphericity and Principal Component Analysis. Principal Component Analysis has been used to identify the important factors influencing talent management practices. SPSS 23.0 version package has been used for all the statistical calculations.

### Factors affecting effective talent management

In order to find out the effective talent management a list of 27 attributes has been chosen through extensive review of literature. These 27 attributes have been assigned codes as indicated in Table 1.1.

**Table 1.1: Table of variables and assigned code**

Attribute No.	Variable described in the statement	Variable Code	Attribute No.	Variable described in the statement	Variable Code
1	Identifying and retaining the potential employees	VAR00001	15	Management commitment	VAR00015
2	Systematic approach	VAR00002	16	Open and clear feedback	VAR00016
3	Talent development	VAR00003	17	Regular training program	VAR00017
4	Inspiring leadership and ideology	VAR00004	18	Healthy peer relationships	VAR00018
5	Carefully tackling the barriers	VAR00005	19	Intrinsic rewards as a motivation	VAR00019
6	Creates readiness	VAR00006	20	Create enthusiasm	VAR00020
7	Identifying the talent pools	VAR00007	21	Efficiency of personnel department	VAR00021
8	Talent development strategies	VAR00008	22	Rewards, incentives and bonus	VAR00022
9	Salary as a motivation tool	VAR00009	23	Improving performance	VAR00023
10	Team performance	VAR00010	24	Fair selection	VAR00024
11	Career development system	VAR00011	25	Work environment	VAR00025
12	Flexible working hours	VAR00012	26	Regular communication	VAR00026
13	Talent retention strategies	VAR00013	27	Personal growth and advancement	VAR00027
14	Appreciation at work place	VAR00014			

## 5. Data analysis and interpretation

The result of the Factor Analysis has been described in Table 1.6. However, before conducting the factor analysis that the sample adequacy has been checked by using KMO and Bartlett's test methods displayed in Table 1.3. Moreover, other necessary conditions such as total variance and rotated component matrix have also been checked with the results displayed in Table 1.4 and Table 1.5 respectively before conducting the factor analysis.

### Test of sample adequacy

So as to analyse the sample adequacy of the data collected KMO and Bartlett's test have been conducted. Table 1.3 displays of sample adequacy.

**Table1.2: Test of Sample Adequacy**

<b>KMO and Bartlett's test for components of talent management</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.746
Bartlett's Test of Sphericity	Approx. Chi-Square	5116.632
	Df	351
	Sig.	.000

Table 1.2 shows the KMO and Bartlett's test which found that the sample adequacy value 0.746 and the Chi Square value 5116.632 are statistically significant at 95% confidence level. This implies that the twenty seven variables of talent management are adequate in explaining the concept. Similarly, the sampling distribution is also normal to explain the effectiveness of talent management.

### Test of Variances

The implication of properly segregated predominant factors has been expressed through the test of total variance in Table 1.3.

**Table1.3: Total variance explained for components of talent management**

Compo nents	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.902	18.156	18.156	4.902	18.156	18.156	4.059	15.035	15.035
2	3.562	13.193	31.349	3.562	13.193	31.349	3.109	11.516	26.551
3	2.631	9.745	41.094	2.631	9.745	41.094	2.689	9.961	36.512
4	1.981	7.336	48.429	1.981	7.336	48.429	2.200	8.149	44.660
5	1.675	6.205	54.634	1.675	6.205	54.634	2.114	7.829	52.490
6	1.450	5.371	60.005	1.450	5.371	60.005	2.029	7.516	60.005
7	1.291	4.783	64.788						
8	1.117	4.136	68.924						
9	.934	3.461	72.385						
10	.900	3.332	75.718						
11	.830	3.074	78.791						
12	.728	2.696	81.487						
13	.663	2.457	83.944						
14	.590	2.186	86.130						
15	.554	2.053	88.183						
16	.445	1.649	89.832						
17	.403	1.494	91.326						
18	.353	1.306	92.632						
19	.322	1.193	93.825						
20	.312	1.154	94.980						
21	.276	1.021	96.001						
22	.248	.920	96.921						
23	.236	.874	97.795						
24	.204	.754	98.549						
25	.178	.660	99.209						
26	.137	.506	99.714						
27	.077	.286	100.000						

Extraction Method: Principal Component Analysis

The factor analysis in the study has been extracted by fix number of factors, i.e. 6, instead of Eigen values greater than 1. If Eigen values greater than 1 have been taken, more number of factors would have been extracted. So, fixed number of factors has been taken in the study to restrict it up to 6 only. Cumulative frequency of the extracted sum of squared loadings with six factors is 60.005. From the above table it is found that the thirty variables are reduced into six major factors with Eigen values 4.059, 3.109, 2.689, 2.200, 2.114, and 2.029 are statistically significant. The six major factors also possess significant individual values 15.035, 11.516, 9.961, 8.149, 7.829 and 7.516 with total cumulative variance 60.005. This clearly indicates the very existence of six major factors with their respective variable

loadings. Further, Table 1.4 shows the Rotated Component Matrix for factorisation of variables.

### Rotated component matrix

The factorisation of the twenty three variables has been done through Rotated Component Matrix as displayed in Table 1.4.

**Table 1.4 Rotated Component Matrix**

	Component					
	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
VAR00007	<b>.910</b>	.078	.476	-.146	.083	.045
VAR00002	<b>.880</b>	.083	.483	-.146	.197	.063
VAR00001	<b>.751</b>	.067	.418	-.153	.249	.098
VAR00021	<b>.664</b>	.091	-.032	-.310	.026	.051
VAR00005	<b>.609</b>	-.138	.138	-.037	.227	-.516
VAR00018	.183	<b>.849</b>	-.052	.081	-.262	.012
VAR00003	.196	<b>.844</b>	-.061	.071	-.279	.042
VAR00017	.087	<b>.821</b>	.057	.097	-.222	-.042
VAR00008	.053	<b>.743</b>	.483	-.146	.197	.063
VAR00006	-.653	<b>.692</b>	-.021	-.311	-.048	-.056
VAR00026	-.735	-.105	<b>.871</b>	-.097	.037	.025
VAR00010	-.708	-.085	<b>.809</b>	-.108	.030	.091
VAR00015	.020	-.159	<b>.779</b>	.022	.093	-.036
VAR00016	-.025	-.090	<b>.641</b>	-.060	.026	.060
VAR00014	.046	.218	<b>.503</b>	.076	.171	.706
VAR00004	.275	-.043	<b>.436</b>	.709	-.098	.333
VAR00013	.297	.038	.081	<b>.893</b>	-.117	.350
VAR00009	-.002	-.218	-.136	<b>.805</b>	-.153	.338
VAR00023	.125	-.241	.145	<b>.669</b>	.813	-.051
VAR00019	.104	-.261	.132	<b>.530</b>	.802	-.052
VAR00025	.227	-.575	.200	.203	<b>.752</b>	-.255
VAR00024	.252	-.559	.133	.221	<b>.701</b>	-.298
VAR00012	-.053	-.087	-.867	-.149	<b>.508</b>	.013
VAR00022	-.059	-.055	-.858	-.132	<b>.461</b>	.034
VAR00020	.025	.078	.264	.054	-.155	<b>.862</b>
VAR00011	.019	-.006	-.100	.033	.158	<b>.663</b>
VAR00027	.207	-.044	.236	-.195	.201	<b>.535</b>

Table 6.5 indicates that variables coded as VAR00007, VAR00002, VAR00001, VAR00021 and VAR00005 have been clubbed together as the first major factor of talent management. Similarly, the variables coded as VAR00018, VAR00003, VAR00017, VAR00008 and

VAR00006 have been merged as the second component of talent management. Furthermore, the variables coded as VAR00026, VAR00010, VAR00015, VAR00016, VAR00014 and VAR00004 have been group together as the third essential factor of talent management. Likewise, the variables coded as VAR00013, VAR00009, VAR00023 and VAR00019 have been clubbed together as the fourth prime factor of talent management. Similarly, the variables coded as VAR00025, VAR00024, VAR00012 and VAR00022 have been grouped as the fifth factor of talent management. Finally, the variables coded as VAR00020, VAR00011 and VAR00027 have been merged as the sixth factor of talent management.

**Identification of attributes**

The factors extracted through Rotated Component Matrix have been rearranged in the Table 1.5 with their attributes.

**Table 1.5: Principal factors along with attributes**

Sl. No.	Principal factors	Variable No.	Attributes	Factor score					
1.	<b>Talent acquisition</b>	VAR00007	Identifying the talent pools	<b>.910</b>					
		VAR00002	Systematic approach	<b>.880</b>					
		VAR00001	Identifying and retaining the potential employees	<b>.751</b>					
		VAR00021	Efficiency of personnel department	<b>.664</b>					
		VAR00005	Carefully tackling the barriers	<b>.609</b>					
2.	<b>Talent development</b>	VAR00018	Healthy peer relationships		<b>.849</b>				
		VAR00003	Talent development		<b>.844</b>				
		VAR00017	Regular training program		<b>.821</b>				
		VAR00008	Talent development strategies		<b>.743</b>				
		VAR00006	Creates readiness		<b>.692</b>				
3.	<b>Talent engagement</b>	VAR00026	Regular communication			<b>.871</b>			
		VAR00010	Team performance			<b>.809</b>			
		VAR00015	Management commitment			<b>.779</b>			
		VAR00016	Open and clear			<b>.641</b>			

			feedback						
		VAR00014	Appreciation at work place			.503			
		VAR00004	Inspiring leadership and ideology			.436			
4.	<b>Talent retention</b>	VAR00013	Talent retention strategies			.893			
		VAR00009	Salary as a motivational tool			.805			
		VAR00023	Improving performance			.669			
		VAR00019	Intrinsic rewards as a motivation			.530			
5.	<b>Work environment</b>	VAR00025	Challenging and supportive work environment				.752		
		VAR00024	Fair selection				.701		
		VAR00012	Flexible working hours				.508		
		VAR00022	Rewards, incentives and bonus				.461		
6.	<b>Career development practices</b>	VAR00020	Create enthusiasm					.862	
		VAR00011	Career development system					.663	
		VAR00027	Personal growth and advancement					.435	

(Source: Extracted from Table 1.4)

From the aforesaid analysis, it is found that talent management practices of the Indian industries get influenced by six major factors. They are (i) Talent Acquisition, (ii) Talent Development, (iii) Talent Engagement, (iv) Talent Retention, (v) Work Environment, and (vi) Career Development Practices.

## 6. Findings

Different factors such as talent acquisition, talent development, talent engagement, talent retention, work environment and career development practices are mostly affecting the talent management practices in Indian organizations. The study result reveals that talent engagement is the most important factor of talent management practices followed by talent acquisition and talent development. The fourth factor extracted through factor analysis was talent retention. Work environment also influence the effective and best practices of talent pools within the organization which motivates the employees. Career development practices

of the young masses were found as the sixth talent management competency which makes the practices more effective.

## 7. Conclusion

The objective of the study was to identify the different factors of talent management practices in Indian firms. Majority of the employees in Indian firms believe that the talent acquisition followed by talent development, talent engagement, talent retention, work environment and career development practices of talent pools have effect on organisational development and effective talent management. Again the analysis showed that working environment, salary and benefits are highly sensitive to the demographical variables. Therefore, organisations have to adopt multiple strategies for different educational as well as experience groups so as to ensure smooth functioning.

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