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TALENT MANAGEMENT – A STUDY ON INDIAN IT SECTOR

Swati Seth , Deepali Malhotra   and Minny Narang

Assistant professor, Department of Commerce, Delhi School of Economics

Abstract:-Talent – a long used term in many Human resource departments of most companies, is a scarce resource, which needs to be managed effectively. McKinsey in their 1997 study coined the expression "War for talent". Since then throughout literature different interpretations have been identified for talent management. There are various aspects and steps to follow talent management from planning, acquiring, developing, managing and retaining talent. With the growth of Information Technology (IT) industry in India in the past two decades, the number of employees joining this sector has increased manifold. Thus, there is a need to understand as to how the talent in this sector is effectively managed and what are the perceptions of the employees in the IT sector with the related dimensions of talent management, which can be broadly classified as employee engagement, retaining talent, training & development, rewards & recognition and succession planning.

Keywords: Talent, Talent Management, IT Industry, McKinsey.

INTRODUCTION

TALENT

Talent a common use term in HR dictionary is something of relevance. Talent could be understood as being synonymous with the word "people". Talent can loosely be defined as referring to all those high performing and high potential individuals who are capable of making a difference to the organization and are of significant value to its goals achievement. Most recently it is recognized as the ability of the person to undertake tasks and accomplish them in a faster and efficient manner. An organization is always on the lookout for such talent who can help increase organizational productivity in the minimum possible time.

Our literature also throws some light on the definition of talent. "According to Gagné (2000), talent exists in the few individuals who have the necessary capabilities to make a difference in a given field of human endeavour, whether it is academia, arts, leisure, sport, social action, technology or business. Gagné (2000) argues that talent emerges from ability as a consequence of an individual's learning experience. Talent designates the superior mastery of systematically developed abilities and knowledge in at least one field of human endeavour. (see also Heller et al., 2000, p. 67)" (Tansley, C. , 2011)

A US consultant McKinsey & Co. was the first to coin the expression 'war for talent' in a 1997 study. Since then, the term 'talent management' has been increasingly common in the world of HR and is frequently used as an effective tool for the management and retention of the companies' greatest asset: the human resource. It was suggested that one of the important competitive advantages for the organizations in the 21st century would be the ability to retain, manage and develop the scarce talent.

McKinsey, in their paper, suggested four 'imperatives' for winning the war:

1.Create a winning value proposition for talent.

Two things are considered primarily important to talented individuals: the company's brand and their jobs. Any organization should therefore focus on building these two to make it an interesting proposition for attracting the talent. The brand constitutes how outsiders view the culture and values embedded in the organization. McKinsey has formulated the seven main characteristics that constitute a great job:

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i.Elbow room to allow individuals space to manoeuvre.
ii.Head room to allow them to take responsibility to make important decisions.
iii.A clear link between business activities and business results.
iv.A position that stretches but does not defeat.
v.A position that offers them something new to work on as often as possible.
vi.Great colleagues
vii.Highly competitive compensation, particularly long-term wealth accumulation.

2.Elevate talent to a burning corporate priority.

According to Mckinsey, that leadership groups should be directly responsible for applying standards for talent to the top 200 to 500 executives. The existing talent should be assessed with regular, effective, overarching performance reviews. The human resource department should be dynamic and proactive consisting of individuals with business credibility and stronger relationships with other departments.

3.Source talent broadly and creatively.

The talent war requires the organizations to be on constant look out for talent with a clear understanding of what is required and where it can be obtained from. Chambers et al suggest developing detailed profiles of the type of individuals that the organization intends to recruit by analyzing the characteristics of current high performers, and trying to match them with new recruits. The organization can seek ready-trained recruits from other organizations or develop them internally.

4.Develop talent aggressively.

McKinsey argued that for the talent to be developed aggressively the organization should provide an opportunity to the individuals who have the potential to rise to the challenge and develop rather than those who are currently doing the job. Similarly, having a sound feedback system that recognizes the high performers is essential for retaining and maintaining the talent.

TALENT MANAGEMENT

Talent management can be understood as a strategic process which starts form the time the employee enters the organization till the time employee exits. How effectively is the talent in the organization being managed? It basically deals with various aspects like acquiring the right talent, engaging them effectively, nurturing, and finally sustaining them. With so many developments taking place, the emergence of talent management tools has helped to take this process one step further. These tools help the companies work smarter, being organized, engaging the workforce, empowering the employees to contribute strategically towards the organizational objectives.
"Several recent articles in the practitioner-oriented literature describe "talent management" as "a mindset" (Creelman, 2004, p. 3); a key component to effective succession planning (Cheloha & Swain, 2005); and, an attempt to ensure that "everyone at all levels works to the top of their potential" (Redford, 2005, p. 20). Several authors fail to define the term (Frank & Taylor, 2004; Vicere, 2005; "Six ways you can help your CEO", 2005) or admit, "there isn't a single consistent or concise definition" (Ashton & Morton, 2005, p. 30)" (Lewis & Heckman, 2006)
Thus, talent management, a term though difficult to define, has certainly got strategic importance for Human Resource Management. Talent management hence means sourcing, attracting, selecting, training, developing, retaining, promoting, and moving such employees through the organization while being strategic and competitive. In fact, many authors have questioned replacing the term "Human Resources" with "Talent Management" (Lewis & Heckman, 2006).
Another view is of strategic talent management which relates to "activities and processes that involve the systematic identification of key positions which differentially contribute to the organisation's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organisation." (Collings & Mellahi,2009)
For many organizations there now seems to be a talent surplus with unemployment increasing across many countries and too many qualified people chasing too few jobs. This clearly indicates, though there is lot of research going on in theory, in practice there is still a long way to go.
The next section focuses on the broad dimensions of talent management.

DIMENSIONS OF TALENT MANAGEMENT

a) Employee Engagement: Schmidt et al (1993) defines employee engagement as a modernized version of job satisfaction, which is basically an employee's involvement with, commitment to and satisfaction with work. By concentrating on factors that can influence engagement, organization can create a strong and motivated workforce who is willing to put extra effort to achieve its goals, and yield return on HR's talent management investment. Thus, by focusing on talent management initiatives, organizations can drive employee engagement that correlate with competitive achievement. According to survey by Society for Human Resource Management's 2012 Employee Job Satisfaction and Engagement, relationship with immediate supervisor, opportunities to use skills and abilities, and autonomy and independence are important motivators for employee engagement. Survey also recommends that concentrating on talent management strategies in these areas may deliver considerable ROI. Therefore, organizations are required to implement talent management process wherein all employees and top management can together determine goals, objectives, capabilities, and career development strategies. Top management is also required to monitor the progress of employees and provide them necessary feedback. With such talent management framework, organization can achieve high levels of employee engagement.

b) Talent Retention: In the fast-growing competitive world, employee turnover is an inevitable event in any corporation. Hiring an employee is not a difficult task, but maintaining and retaining a talented employee is a biggest challenge for it as it involves huge costs including hiring costs, training and development costs, etc. Thus genuine efforts must be made by organizations to retain talented employee.

There are several challenges which an organization may face, like ageing workforce, high rate of attrition, lack of skills, etc. However, high attrition rate among employees is the most important challenge, especially in IT sector. Along with the enormous growth rate, IT companies also faces high attrition rate which can be seen from the following data:

Infosys – 16.3 %
Wipro – 14.1 %
HCL Technologies - 16.1 %
Cognizant – 11.7 %

It is essential for an organisation to identify the reasons why employees leave their jobs. Researchers have determined that most employees quit because of frustration, low salary, constant friction with their superiors or other team members, a negative environment at the workplace, lack of growth prospects and motivation, dirty politics, complicated hierarchies, lack of challenging work and poor supervision.(Bernthal & Wellins,)

High level of attrition rate requires a planned retention strategy. Employees can only be retained when they are satisfied with their working place. A study conducted by Dhar & Jain (1992) tried to explore the relationship between job satisfaction, job involvement and employee retention. Their study concluded that there exists a positive relationship between job involvement, job satisfaction and retention, which means that job involvement increases with job satisfaction and retention. According to Sinha & Sinha, 2008, a good retention strategy includes following components:

i.Motivating tasks
ii.Proper organizational culture
iii.Strong leadership
iv.Rewards and recognitions
v.Prospects of career growth and development

c) Training & Development: Training is of greater significance to organizations seeking to gain competitive edge among competitors. According to Brum (2007), "employee training is a complex human resource practice that can significantly impact a company's success." Organizations spend a lot on providing training to employees in the hope that it would increase worker productivity which would benefit the company. Many studies have proved that training has positive impact on employee commitment. "Training is a process whereby people acquire capabilities or develop their existing competencies to aid the achievement of organizational goals" (Sinha & Sinha, 2008). Providing training and development courses to employees is crucial for effective talent management as it persuade employees to acquire additional skills and knowledge, to prepare them for present and future jobs or the use new technology. Talent training specifically aims at bridging any gap between the existing and required competencies of the employees for better succession planning. Thus, providing training to employees and developing them to replace the executives at key positions in near future serve as reward for recognition and helps maintaining the talent for long term.

d) Rewards & Recognition: The emphasis on rewarding and recognizing key performers is important for talent management. Many organizations are focusing on providing financial rewards for retaining its employees, but money alone is not a sufficient motivator. Therefore, organizations are concentrating on different types of non financial rewards for high-performing talent like praise, constructive criticism, special recognition, job security, autonomy, more meaningful work experiences, etc. Corporations should be very careful in rewarding high performers. According to McMullen (2010), "There is a danger that "solid" performers — the vast majority of the employee population — can find themselves ignored in the rush to reward top talent and weed out poor performers." Therefore, organizations should adequately reward its employees for the positive contributions they make to boost their engagement level.

e) Succession Planning: Some researchers consider succession planning as planning who will become next senior member in the organization. For others, it involves helping people cross-skill so there is a well-equipped pool of suitably experienced talent for internal recruitment. For some it is wider which involves ensuring that the organization is "future-proofed" i.e. availability of the right person at the right time and at the right place doing the right work in place of current employee who may not be there. Putting it simply, "it is the process of identifying a long-term plan for the orderly replacement of key employees" (Sinha & Sinha, 2008). The need for replacing current employees may result from promotions, transfers, retirements, deaths, disabilities, departures or other reasons.

In today's dynamic business environment, only a brilliant talent management strategy can lead to effective talent retention in the organization – and ensure that the organization has the right skills at the right time and right place.

INDIAN IT INDUSTRY

Information Technology Sector in India has grown exponentially in the past two decades. It has created a level playing field among nations and created positive impacts on millions of people by connecting them, providing employment and also helping in the overall development of the economy. It has changed the way people communicate and do business.

The Indian Information Technology- Information Technology-Enabled Services (IT-ITES) industry has continued to perform its role as the most consistent growth driver for the economy. Service, software exports and BPO remain the mainstay of the sector. Over the last five years, the IT & ITES industry has grown at a remarkable pace. Consider some of the significant indicators for these remarkable achievements. The IT/ITES exports have grown to a staggering US$ 46.3 billion in 2008-09, the IT sector currently employing 2.2 million professionals directly and another 8 million people indirectly accounts for over 5% of GDP, a majority of the Fortune 500 and Global 2000 corporations are sourcing IT/ITES from India and it is the premier destination for the global sourcing of IT/ITES accounting for 55% of the global market in offshore IT services and garnering 35% of the ITES/BPO market. (Department of Electronics and Information Technology)

Statistics

Table 1: Production and growth trend of the Indian Electronics and IT-ITeS industry since 2004-05

Year	Production (Rs. crore)	Growth (%)
2004-05	152,420	28.9
2005-06	190,300	24.9
2006-07	244,000	28.3
2007-08	295,820	21.2
2008-09	372,450	25.9
2009-10*	411,220	10.4

Source: Ministry of Communications & Information Technology, Govt. of India

DATA & METHODOLOGY

For our study, we have undertaken a primary survey in the IT-ITES Companies with a sample size of 156 respondents; so as to understand how does talent management takes place in these companies. The respondents are majorly from the following companies: IBM, Wipro Technologies, Sapient, Computer Science Corporation, Infosys, Microsoft, Cognizant, ST Microelectronics, Mentor Graphics, Think Byte, Amdocs, Aricent and few others.
The next section gives the analysis and interpretations of the survey conducted.

ANALYSIS & INTERPRETATIONS

This section summarizes the results of our survey on practices related to talent management in IT sector. The survey reports trends in:

1.Employee engagement
2.Talent Retention
3.Training & development
4.Reward & recognition
5.Succession planning

1.EMPLOYEE ENGAGEMENT

How is employee feedback collected in your organization?

Nearly all respondents indicate that their organization uses one-to-one interviews to collect employee feedback (97%). Exit interviews/surveys are also used by IT firms (67%)
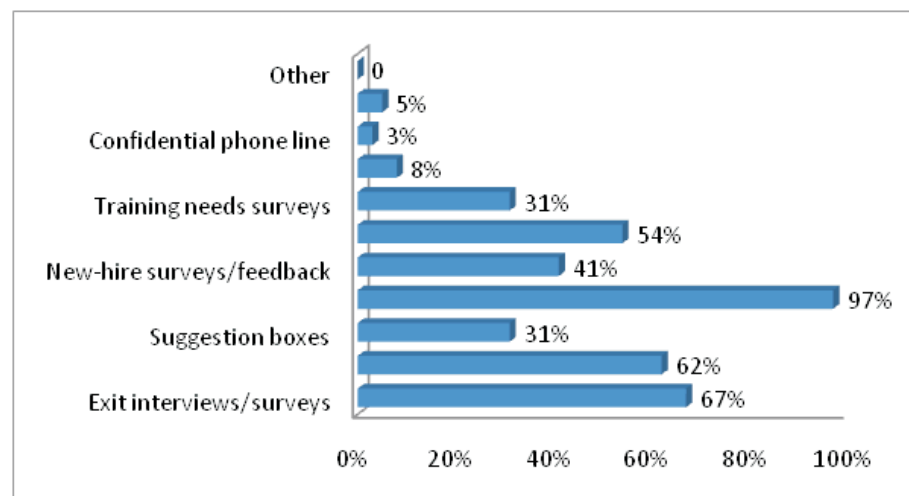
How does employee engagement or employee opinion survey take place in your organization?

The most common interval in which participants perform employee engagement or opinion surveys is quarterly (29%). The distribution for all of the time intervals is fairly consistent across all breakouts.
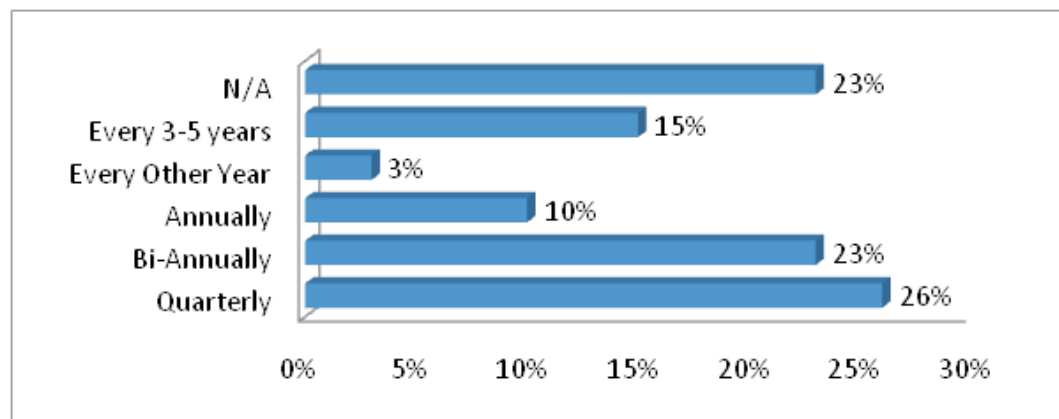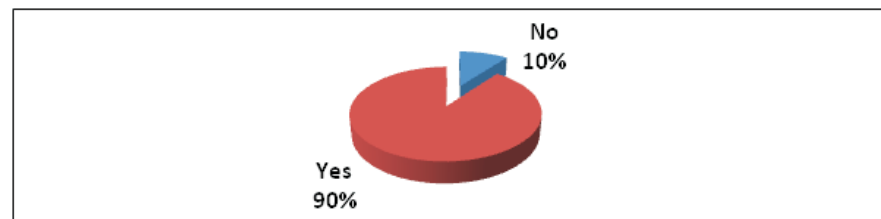

2.TALENT RETENTION

On which all parameters the top/key talent is identified in your organization?

Organizations use a wide variety of competencies/characteristics when identifying top/key talent. The most common characteristic is job expertise/ skills (77%), followed by overall performance- outcomes (74%).

Has the top/key talent been identified in your organization?

90% of IT firms indicate that they have identified individuals as top/key talent at their organization.

Please indicate how strongly you agree or disagree with the following statement: "Retaining top/key talent is currently a major challenge at my organization"

Around 70% of respondents are of the opinion that retaining top/ key talent is a major challenge in their respective company. However, 8% of respondents disagree with this statement.
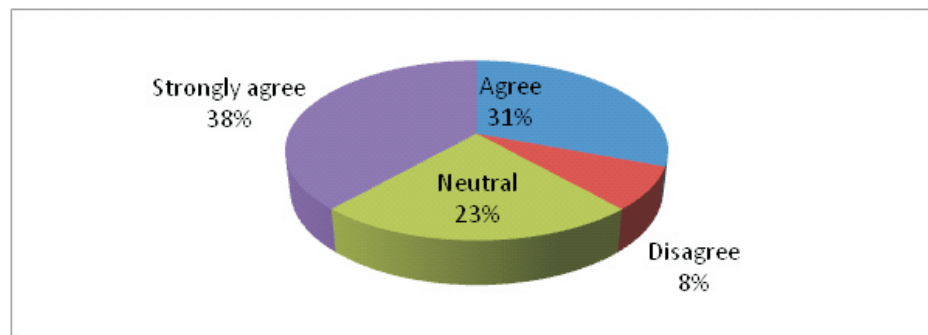
**Ways through which top/key talent is retained in your organization?**

Despite reporting a wide range of strategies to retain top/key talent, monetary strategies dominate i.e. competitive compensation (67%), bonuses (44%). Other prominent examples include addressing the personal needs of employees, i.e. work-life balance (44%).
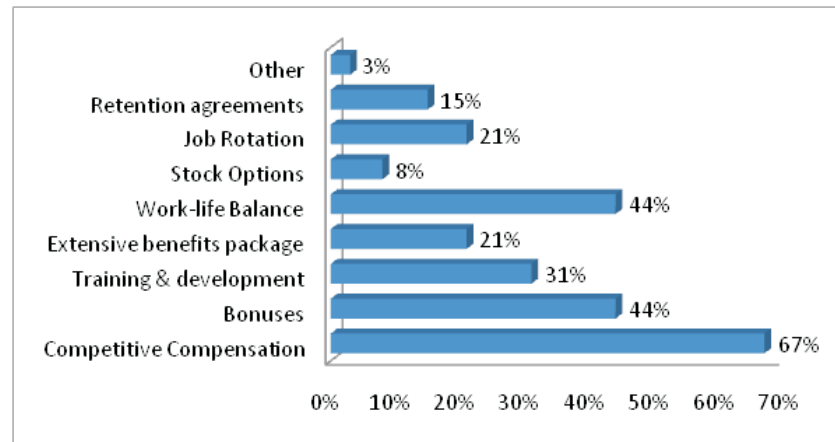

3.TRAINING & DEVELOPMENT

Does your organization provide financial assistance to employees to upgrade their skills for any of the following programs?

The most common types of financial assistance offered to employees are those with a direct connection to skills building for their current job. Formal educational programs are still offered by about thirty one percent of participating IT firms
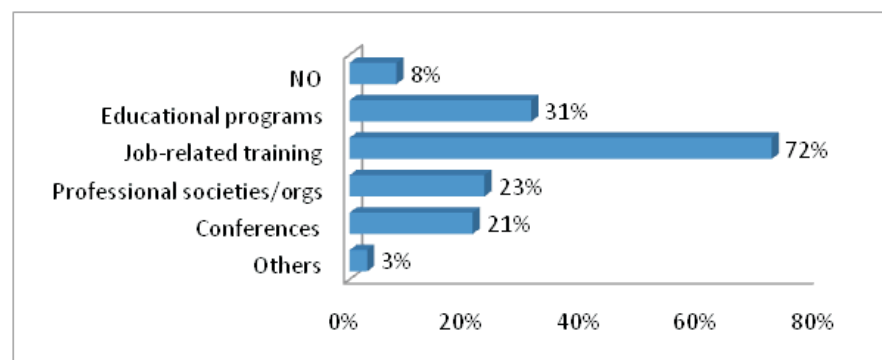
Does your organization have a career development program in place for employees?

Around 70% participants indicate that their organization does have a career development program in place for employees
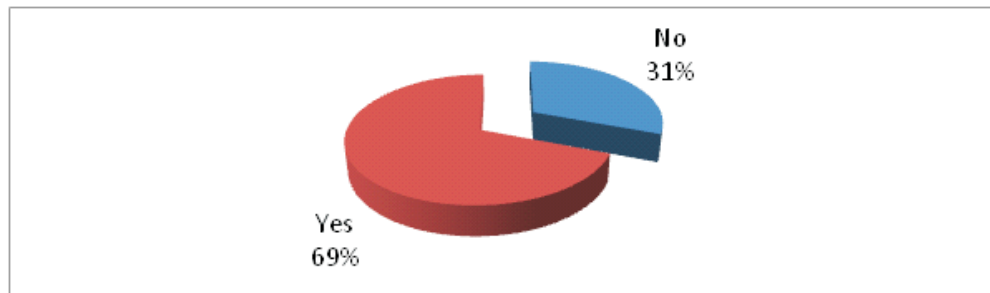
**Does your organization have a mentorship program in place?**

New employee mentorship programs are the most common type of mentorship program reported with 38% of respondents indicating they have this in place at their organization. Few IT companies (18%) have no mentorship (or similar) program.
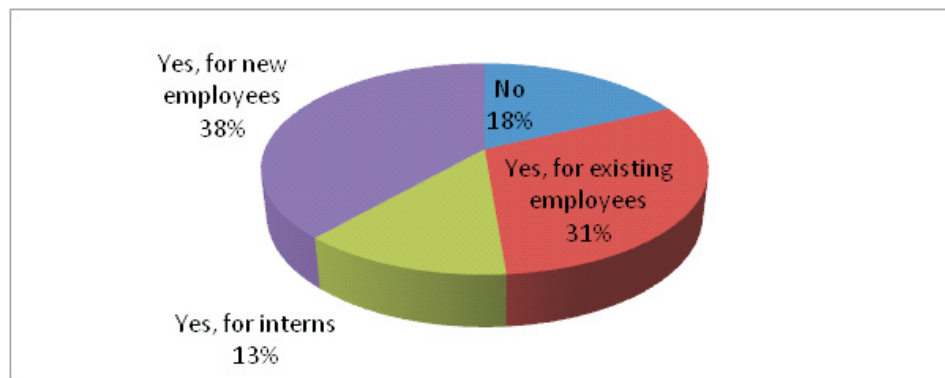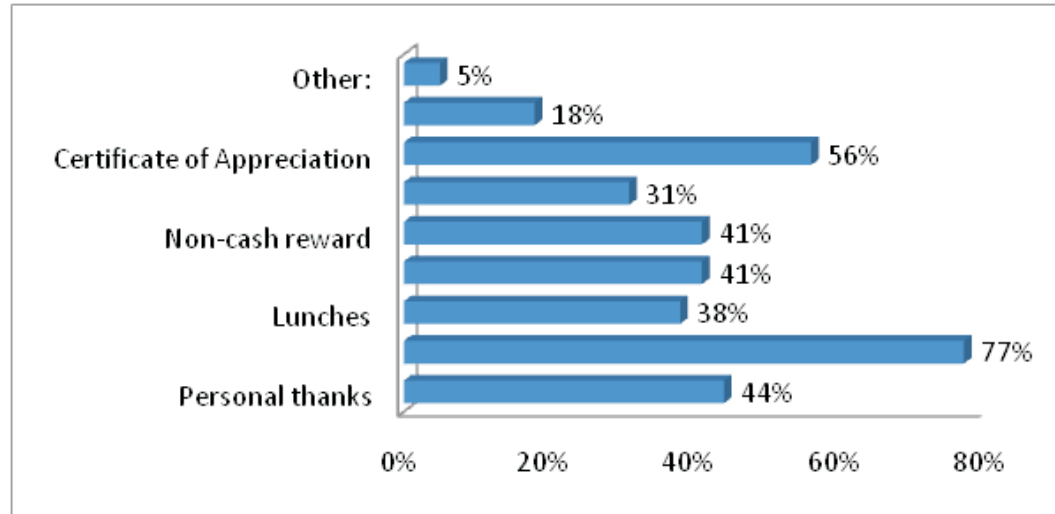

4.REWARDS & RECOGNITION

Which of the following pay for performance options are offered at your organization? *

Increments (82%) and bonuses (77%) are the most common performance options being offered by participating IT firms.
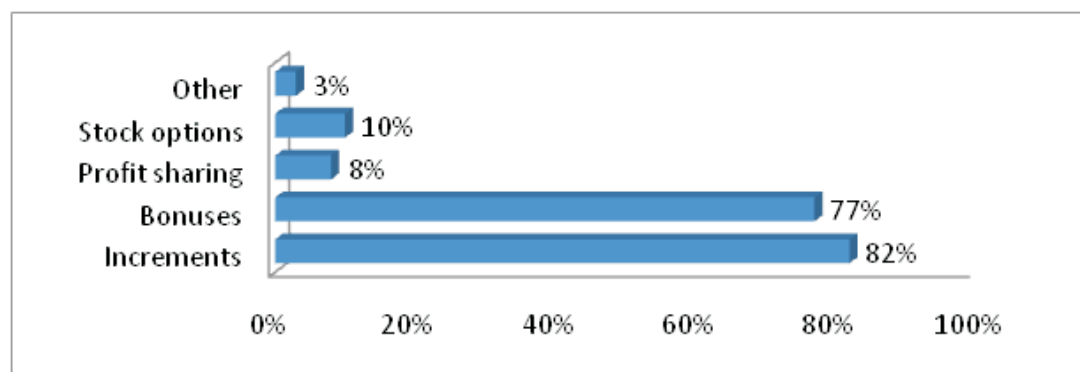

Does your organization use any of the following low-cost reward & recognition methods?

Individualized reward & recognition methods in the form of email praise (77%) or Certificate of Appreciation (56%) are the most common types of low-cost programs reported by participating organizations.


Any other method used for rewards & recognition?

The most common alternative forms of reward & recognition being utilized by participating organizations center around providing training/ development opportunities to employees (49%) or brainstorming new ideas (38%).
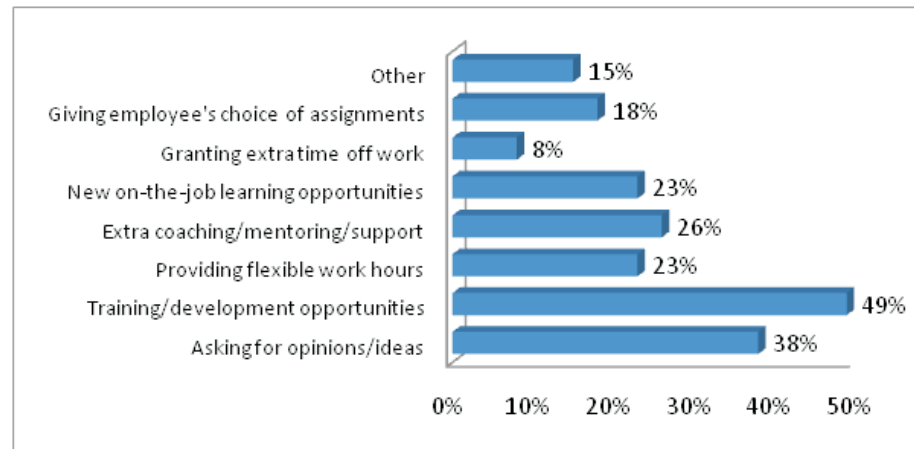

5.SUCCESSION PLANNING

Please indicate how strongly you agree or disagree with the following statement:
"My organization is well prepared for the departure of its top leaders."

Over half (51%) of all respondents indicate that their organization is well prepared for the departure of top leaders. Only 13% of organizations disagree with this statement.
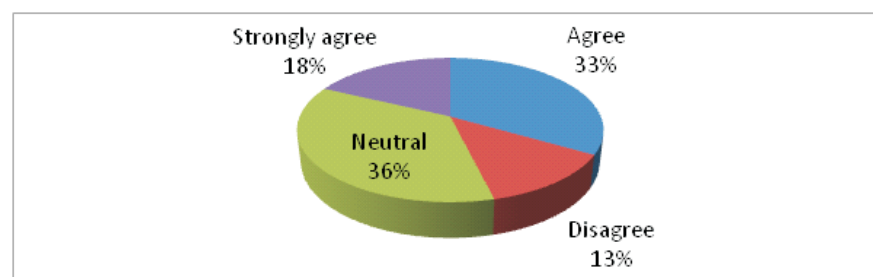
What type of succession plans are there in your organization?

Formal succession plans, one where there is an actual documented plan on file at that organization, are by far the most common type among participating organizations (59%).
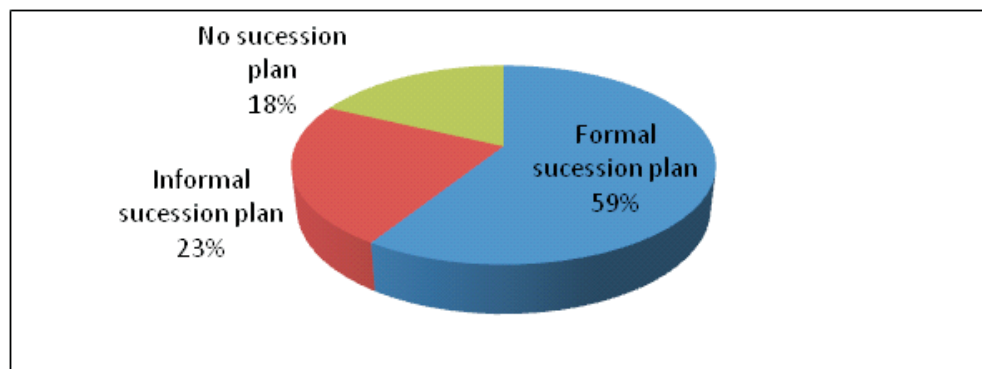
CONCLUSION & SUGGESTIONS

Around 90% of IT firms indicate that they have identified individuals as top/key talent at their organization. However, the majority of employees surveyed agree that retaining talent is one of the most difficult challenges for their organization. According to the survey, majority of IT corporations focus on monetary incentives rather than non monetary incentives. In order to retain efficient workforce for a longer period in an organization, top management should try to understand the key factors that influence attrition. Some other methods that organizations can use for talent management includes:

a.Providing appropriate compensation i.e. proper mix of monetary and non monetary incentives including flexible working hours, stock options, profit-sharing plans, special recognition, job security, autonomy, retention bonuses, etc.
b.Providing learning/ knowledge enhancements opportunities via coaching, mentoring programs, educational programs, enhanced orientation programs, better training and development programs.
c.Overhauling hiring practices by encompassing pre-employment testing, recruiting employees more cautiously.
d.Top management should try to obtain feedback from employees by conducting exit interviews at time of their departure and try to learn from their experience.
e.Proper long-term and cost-effective retention strategy should be chalked out.

SCOPE FOR FURTHER WORK

We have restricted our study to 156 respondents and few IT companies listed above. This can be expanded further to get more in-depth analysis as to how companies incorporate the concept of Talent Management in practice and how do employees perceive it to be. Moreover, each dimension can also be explored further to get one-on-one impact on the talent and its management.

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Swati Seth
Assistant professor, Department of Commerce, Delhi School of Economics

Deepali Malhotra
Assistant professor, Department of Commerce, Delhi School of Economics

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