A study on examining the effect of investment in talent on the organizational performance with special reference to retention in Indian MNCs

Ms.G.Zipporah [1]

Research Scholar, Department of Business Administration, Osmania University, Hyderabad, Telangana, India

Dr.G.S.V.Prasada Reddy [2]

Associate Professor, Pendekanti Institute of Management,Hyderabad, Telangana, India

Abstract

Industries today are operating in the most dynamic and volatile environments, requiring competent workers especially for the IT sector. Many years ago it was the e-commerce players who felt that India lacked talented programmers in meeting the demands of the industry and then lot of work went into investing into talent so as to retain them. The present study works to examine the importance of investing into talent so that organizational performance can be measured by paying attention to employee retention in the Indian MNCs. We can notice the following three hypothesis in the study. Primary data was collected from employees belonging to 12 Indian MNCs giving rise to 50 responses. On the basis of statistical analysis correlations between the variables are examined. The implications showed that there is a significant relationship between investment made on the employee and the organizational performance. The more the company is ready to invest on talent the more likely is the employee to stay and contribute their best to the success of the organization.

Keywords: Organizational performance, Investing, Employee retention.

Introduction

The present days world of work is more than just jobs. It is also a platform that links business leaders and individual employees. Hence its high time to think of value-creation and pliability as nurturing talent enables sustainable employment. Developing a sustainable workplace requires ability to understand and fit skills, investing in education and upskilling, creating a creative environment. Companies today have understood that people are the most crucial assets to help in creating a competitive advantage for a better organizational performance. Hence talent management has become a critical part of any organization. Nichole Viviani, chief people office at Atlanta-based fintech company Xplor Technologies, notes that some of the obvious costs of turnover include ad spending for newly open positions and the extra time commitment of training new employees – but that does not form the whole crux. “It takes a while for new employees to ramp and fully onboard into a new role and a new company,” said Shirley Grill-Rachman, COO of San Francisco-based AI company Skai. “Turnover can have dual implications of opportunity cost, while that role is backfilled, [and] the cost of that ramp time for a replacement hire.” However, the most substantial impact of turnover is not a financial cost, but the damage done to your remaining team. Your people are absolutely essential to your business’s success. Without them, current employees need to take on additional responsibilities, and your company may have to abandon or postpone plans to scale. In short, a high turnover rate cuts much deeper than meets the eye, but these are some of the factors you should be aware of.

According to estimates, the cost of losing an employee is 1.5 to 2 times the amount of the exiting employee’s salary. If the organization does not try to invest into the talent and its development there are high chances that the company suffers higher turnover, leading to lower productivity, lesser rate of employee engagement, higher training costs and a very bad reputation for employee attrition. This is how companies start to realize the value of an employee in the success of an organization. Thus they feel that the employee should stay longer so that they become more and more productive learning and adapting to the culture and setting an example for the younger generations to come and set their base for a longer stay. This is how the company carries its legacy in making “staying longer” one of the practices at the organization.

Talent management is defined as the methodically organized, strategic process of getting the right talent onboard and helping them grow to their optimal capabilities keeping organizational objectives in mind. The process thus involves identifying talent gaps and vacant positions, sourcing for and onboarding the suitable candidates, growing them within the system and developing needed skills, training for expertise with a future-focus and effectively engaging, retaining and motivating them to achieve long-term business goals. The definition brings to light the overarching nature of talent management – how it permeates all aspects pertaining to the human resources at work while ensuring that the organization attains its objectives. It is thus the process of getting the right people onboard and enabling them to enable the business at large.

Literature Review

Lewis and Heckman (2006) say that talent management has prospected from three different angles. The first one declares that TM is a human resources management department which makes all employees stand on the same side of the ship with no differences between them even when it comes to talents (Snell, 2007). The second one demands to build talented pools by means of securing current talented personnel and developing them (Creelman, 2004). The third one focuses on separate employees` performance where evaluation plans are set to identify and keep class A and B employees and expel grade C employees (Rothwell, 2011).

According to Betchoo (2014) leadership needs to relate to TM, in this, supervisors with little expertise were needed to mould themselves with the organization's present requirements. It is not only the acquisition of information or the receipt of appropriate training under leadership that is important, but also the desire to develop talent as a result of successful management practices. The research begins by emphasizing the significance of leadership as it relates to talent. From this vantage point, the researcher selects effective leadership policies that have been implemented as a result of its positive worldwide experience.

According to Alias, Nor, and Hassan, R. (2016), the introduction of information technology has improved the nation's economic situation. However, since technology is man-driven, it is critical to select a group of highly competent employees to handle interrupted system operations so that progress may be made with fewer setbacks. As a result, there is a constant demand for a pool of clearly gifted individuals.

Rana (2017) discusses the use of TM in the IT sector in his research on the subject. It has been observed that one of the biggest obstacles for businesses globally is the creation and retention of a strong staff. Managers and the human resource team have placed a greater emphasis on developing a basic human resource by appointing, attracting, and absorbing competent employees. It is a challenge to find, develop, and maintain an unrivalled collection of individuals, but it is seen as a tool that can be accomplished with appropriate application. The goal of the study is to categorize the factors that contribute to the enhancement of job productivity by managing human resources in companies.

Investing in the right talent and seeing to it that the employees grow in the organization is a good sign that the organization is healthy. If the employee is taken care of in the best way possible, he will never make an attempt to leave the company but will show loyalty which is like playing a role model for the generations to come. Thus a strong work culture is built only on the foundations of performance where each employee competes with another creating healthy competition. Thus the building blocks for any organization is its talent pool that’s creative and loyal, thereby increasing longevity of the organization.

Research Methodology

Instrument of Research

In order to achieve the objective, a questionnaire was developed consisting of 25 questions for checking the performance of Indian MNCs in terms of investment into talent, employee retention and organizational performance.

Data Collection

In order to obtain primary data, 35 Indian MNCs were contacted through mails. The questionnaire was mailed to various companies with the intent of getting their best opinion on the objective of this paper. The final sample consisted of 12 Indian MNCs providing 50 responses. Out of the 50 responses 79% of them were male and 21% of them were female respondents. Likert 5-point scale was used in the questionnaire where the respondents were expected to give"1" if they strongly disagree and a "5" if they strongly agree.

Data Analysis

Using SPSS three tests were conducted to test the hypothesis. Firstly reliability test was conducted and then correlation test was conducted to check as to what extent there is a relationship between factors responsible for measuring an organization which are investment on employees, retention of employees and performance of employees. Factor analysis was used for the same. Regression analysis was also used between investment on employees(dependent variable) and organizational performance(independent variable).

This paper mainly focusses on the role of the organization investing on the employees so that they can be retained and they have utmost job satisfaction which finally leads to better organizational performance.

Cronbach's reliability test was conducted to study the employees views on the practices of the organization in relation to investment into the employees, the efforts taken to make the employees feel contented about their job and their views on what the company really offers the employees so that there is greater value addition. Cronbach's alpha is observed to 0.721 which indicates that there is moderate reliability on the data.

Factorial Validity of Variables

The factor-analysed items measuring organizational performance using principal component factor analysis is as follows for which four factors of organizational performance were identified as critical. Factor 1 consists of work environment which is accounted at 31.11% variance. Factor 2 is considered to be work life balance which accounts for 26.56% variance. Factor 3 is considered to be leadership which accounts for 16.29% variability. Factor 4 is considered to be culture which accounts for 13.46% variance.

Factorial Representation

Table No.1

Components of Organizational Performance	Factor 1	Factor 2	Factor 3	Factor 4
1.Work Environment				
Psychological and social support	0.618			
Clear leadership and expectations	0.711			
Equality	0.549			
Rewards and Recognition	0.736			
Workload Management	0.612			
2.Work Life Balance				
Focus on well-being		0.623		
Stress Management		0.589		
Realistic Workloads		0.638		
Managing change		0.614		
Recreation		0.527		
3.Leadership				
Hiring rightly			0.689	
Integrity			0.589	
Responsibility			0.659	
Organising and Managing			0.643	
Behaviour			0.634	
4.Culture				
Value and belief system				0.725
Humane Orientation				0.619
Standards				0.634
Individualism and Collectivism				0.697
Competitiveness and Cooperativeness				0.539
Extraction Method: Principal Component Analysis.				

Correlation Analysis

The below table provides Pearson's correlation between the factors relating to organizational performance. It can be seen that psychological and support given by the organization has a significant correlation with clear leadership and expectations, equality and rewards and recognition. It can also be observed that clear leadership and expectations have the highest correlation of 0.489 with the support lent by the organization. It can be noted that correlations of 0.10 or more are significant at 0.05 level and correlations of 0.15 or more are significant at 0.01 level.

Table 2: Relationship between factors of employee performance

	Factors	1	2	3	4	5
1	Psychological and social support	_				
2	Clear leadership and expectations	0.489*	_			
3	Equality	0.456*	0.389**	_		
4	Rewards and Recognition	0.213**	0.311**	0.21**	_	
5	Workload Management	0.216**	0.012	0.007	0.106	_

*Correlation is significant at 0.05 level (2- tailed). **Correlation is significant at 0.01 level (2-tailed)

Table 3: From the below table it can be observed that organizations investment on employees has a significant correlation with employee turnover. It can be also be seen that there is significant correlation with boosting company's reputation too.

Table 3: Relationship between factors of investment on employees

	Factors	1	2	3	4	5
1	Equipping employees to manage themselves	_				
2	Training on teamwork	0.016	_			
3	Employee turnover	0.319*	0.237**	_		
4	Attract new talent	0.002	0.019	0.029	_	
5	Boosting company's reputation	0.298**	0.306*	0.189	0.197	_

Table 4: From the below table it can be observed that organizations effort for employee retention has a significant correlation with career planning and development and the benefits.

Table 4: Relationship between employee retention

	Factors	1	2	3	4	5
1	Respect	_				
2	Career planning and development	0.466*	_			
3	Benefits	0.426*	0.323*	_		
4	Training	0.156**	0.011		_	
5	Leaders role	0.02	0.017	0.003	0.015	_

Findings and Conclusion

The present study is conducted to understand the importance of investing on employees so that organizational performance can be improved. Results showed that reliability statistics for 25 items of organizational performance at 0.721 indicates moderate reliability. The factors used for analysis were subject to principal components factor analysis. The present result of the study reveals that there is a significant correlation between factors of investment on employees on the organizational performance leading to employee retention. The analysis showed that clear leadership and expectations(Pearson's coefficient=0.489) have an impact on the performance of employees. A better leader paves way for better performance of employees. Also when employees are treated equally they tend to perform well as their commitment and confidence in the organization increases. When the organization plans to invest on the employees, the company can witness a lower turnover rate(Pearson's coefficient=0.319). When the company plans to invest on the employees the company is in turn enhancing their recognition. When the company plans well for the career planning and development of employees(Pearson's coefficient=0.466) the retention of employees can be possible. It can also be observed that the employees are attracted by the benefits the company has to offer. Thus the companies have to bear in mind the strategies they need to concentrate on for their own development.

The study focusses only on the IT sector and the results for other sectors may vary depending on what the companies offer to the employees in the form of investments. There is huge scope of research on other areas to where the companies have a question mark on what needs to be done for enhancing their performance.

References

1. Morton L (2004) Integrated and integrative talent management: a strategic HR framework. Research Report R-1345-04-RR, the Conference Board, New York, NY.

2.Margaret D (2008) Talent management, work-life balance and retention strategies. International Journal of Contemporary Hospitality Management 20: 792-806.

3.Mehdi B, Glenn M (2008) Managing talent across national borders: the challenges faced by an international retail group. Critical perspectives on international business 4: 25-41.

4.Pallavi S, Jyotsna B (2008) Talent acquisition due diligence leading to high employee engagement: case of Motorola India MDB. Industrial and commercial training 40: 253-260.

5.Berger LA, Berger DR (2003) The talent management handbook: creating organizational excellence by identifying, developing, and promoting your best people. McGraw-Hill Professional, New York.

6.Khatri N, Fern CT, Budhwar P (2001) Explaining employee turnover in an Asian context. Human Resource Management Journal 11: 54-74.

7.Brewer, G. (2005). In the eye of the storm: Frontline super-visors and federal agency performance. Journal of Public Administration Research and Theory, 15, 505–527

8. Aguinis, H., & Kraiger, K. (2009). Benefits of training and development for individuals and teams, organizations, and society. Annual Review of Psychology, 60, 451-474.
9.Aguinis, H., Mazurkiewicz, M. D., & Heggestad, E. D. (2009). Using web-based frame-of-reference training to decrease biases in personality-based job analysis: An experimental field study. Personnel Psychology, 62, 405-438.
10.Ashford, S.J. & Cummings, L.L. (1983). Feedback as an individual resource: Personal strategies of creating information. Organizational Behavior and Human Performance, 32, 370-398.
11.Goby, V. (2007). Business communication needs: A multicultural perspective. Journal of Business and Technical Communication, 21, 425-437.
12.Matthews, B. & Beaman, L. (2007). Exploring gender in Canada: A multi-dimensional approach. Toronto: Pearson Prentice Hall.
13.Manoharan, T.R., Muralidharan, C. & Deshmukh, S.G. (2010). Analyzing the interaction of performance appraisal factors using interpretive structural modeling. Performance Improvement, 49(6), 25-35. doi: 10.1002/pfi.20158
14.Shah, J. B., & Murphy, J. (1995). Performance appraisals for improved productivity. Journal of Management in Engineering, 11(2), 26.
15.Lawson, R., T. Hatch and D. Desroches. 2011. What influences achieving benefits from corporate performance management? Cost Management (November/December): 24-36.
16. https://hrcsuite.com/organization-performance/
17. https://bernardmarr.com/key-tools-and-techniques-for-performance-management/
18. https://www.hr.upenn.edu/for-managers/performance-management/effective-performance-management
19. https://www.lbmc.com/blog/managing-employee-performance-issues/
20. https://www.ckju.net/en/dossier/team-performance-management-how-provide-effective-feedback-teams