Chapter I

Introduction to Talent Management Strategies and Challenges

This chapter presents an Introduction to Talent Management practices followed in the Indian IT and BPO industry, Meaning and definition of Talent Management, concept of talent DNA model. Also, the focus and the importance of talent management along with the conceptual aspects like talent management strategies in global era, importance of organization culture, role of Performance Management System in the organizations in relation to talent, work life balance and its application, retention management and its strategies are mentioned in this chapter.

1.1 Talent Management: An Introduction

In today’s challenging business environment of going global and competition becoming intense, organizations have mounting pressure to perform better than before. Over the years, creation and preservation of knowledge has become a key tool in accelerating competitiveness and enhancing organizational capabilities to respond to market changes (Bryan, 2004)\(^1\), wherein employees’ skills and personalities are
appropriately deployed to optimize performance, is a critical and difficult task. Furthermore, identifying and developing executives who have leadership potential, like every other vital strategic function, is a demanding process that is equal parts of Arts and Science (Judy Klein and Stephen A. Miles, 2003).²

To carry out this mission, organizations should develop and deploy talented people who can articulate the passion and vision of their organizations. Though operating excellence, technical competence, marketing savvy, energy and drive are always important, talent-intensive organizations also require soft skills that facilitate execution across departments.

Not only Software and BPO Companies, no organization can rest in peace under the assumption that once they have recruited the employee in place, their job is done. The real challenge that is faced by these industries is not hiring the right person for the right job, neither their Performance Management System, nor their Work Climate nor Culture, but in retaining the employee. It is proven beyond argument that it is the people who make or break the organization.
Managing the talent of key employees is critical to achieve the success in long-term by any organization.

Talent management involves individual and organizational development in response to a changing and complex operating environment. It includes the creation and maintenance of a supportive, people oriented organization culture.

1.2 Meaning of Talent Management

The term Talent Management is being used to describe sound and integrated human resource practices with the objectives of attracting and retaining the right individuals, for the right positions, at the right time. Organizations are run by people, and the talent of these people will determine the success of organizations. So, talent management is management’s main priority (Michaels, Handfield-jones, H. & Axelrod, 2002). Today’s businesses face increased global competition, shifting markets, and unforeseen events. No wonder they are finding it more difficult than ever to attract, develop, and retain the skilled workers they need (McCauley & Wakefield, 2006). Talent management is “a conscious
and deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organizational needs” (Derek Stokley)⁵.

Talent management, also known as Human Capital Management, is the process of recruiting, managing, assessing, developing, and maintaining an organization’s most important resource – i.e. its people (Bhatla, 2007)⁶. Talent management initiatives must involve dialogue and engagement with business in order to hire, retain and develop the talent that is needed to achieve the business goals. (HR Focus, 2008)⁷. Talent management involves individual and organizational development in response to a changing and complex operating environment. It includes the creation and maintenance of a supportive and people oriented organization culture.

Talent Management refers to identifying the employee talent and utilizing it effectively and retaining the same talent to compete with similar organizations. Talent is a competitive advantage. According to (Christonel, 2002)⁸, “New Value Systems will converge and reinforce each other, creating a company capable of winning big.” Most of the
organizations fail to identify the suitable candidates at the first place, and in case they do identify they fail to retain them.

As per knowledge infusion, “talent management” is defined as “the integrated process of ensuring that an organization has a continuous supply of highly productive individuals in the right job at the right time”.

1.3 Need for Talent Management

Talent Management is on HR professionals’ minds these days, as HR works to obtain, retain and develop manpower. For talent management to be effective, what is important is to hire employees who seem to be the best fit in the organization. Organizations are taking steps to manage talent most effectively and also to develop their own employer brand. These brands simplify decision-making and communicate the value they create for their customers. Likewise, employees also identify themselves with certain organizations (Shravanthi and Sumanth, 2008) especially in the light of forecasted labour shortage. Organizations that formally decide to "manage their talent" undertake a strategic analysis of their current HR processes. This is to ensure that a co-ordinated, performance oriented approach is adopted.
Quite often, of late organizations are adopting a Talent Management approach and are focusing on co-coordinating and integrating various aspects, such as:

Recruitment, Retention, Employee development, Leadership and "high potential employee" development, Performance management, Workforce planning and Culture.

The Researcher found from the present study that, there is a tremendous change in human resources in the past decades. The reasons behind are the changes in technology and global economic environment. Even though organizations are aware of the need for human talent they were neglecting it all these years without giving comprehensive outlook.

The novel Economy is a different place from the aged one and requires a shift in value systems to become accustomed. To deal with this changing world the present age bracket needs to be aware of its contributions, developments and ability to manage both the present and future.
Therefore, it is important for the organizations to develop adequate and appropriate plans and put in efforts to attract the best pool of available candidates, and also to nurture and retain the current employees.

1.4 Talent Management Models

Researcher found in the study that, to manage talent effectively, organizations have to follow certain models which help them in smooth functioning. The following are the two models identified in the study which are explained in detail:

1. DNA model
2. Peter Cappelli’s Model

Talent management is a continuous process that plans talent needs, attracts the very best talent, speeds time to productivity, retains the highest performers, and enables talent mobility across the organization. In order to successfully balance the notion of talent supply with business demand, there must be a match between capabilities and needs.
Knowledge infusion was approached to different talent management centers on the concept of “talent DNA”. In order to successfully balance the notion of talent supply with business demand, knowledge infusion breaks down the talent DNA model into three parts.

Talent management, on the other hand, focuses on enhancing the potential of people by developing capacities. Capacities are the basic DNA of an organization and also of individual potential. In fact, the following appropriately describes the role of talent management:

**Table 1.1**

**Talent DNA Model**

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<thead>
<tr>
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<tbody>
<tr>
<td><strong>Point of Departure</strong></td>
<td><strong>Navigation</strong></td>
<td><strong>Point of Arrival</strong></td>
</tr>
<tr>
<td>Translating organizational vision into goals and mapping the required level of capacities and competencies to achieve goals.</td>
<td>Aligning individual values and vision with organizational values and vision.</td>
<td>Clear understanding of the varied roles within the organization and appreciation of the value-addition from self and others leading to building a culture of trust, sharing and</td>
</tr>
</tbody>
</table>
1. Skills and capabilities required throughout the organization.
2. Skills and capabilities must be able to relate to job position.
3. Organizations must be able to hire the right people.

With all three components in place, organizations can apply the talent DNA Model to virtually any HR supply and demand process - whether it’s recruiting, on boarding, staffing, or development.
2. Peter Cappelli’s Model: A Wide Outlook of Talent Management

Talent management is simply a matter of anticipating the need for human capital, and then setting out a plan to meet it. In addition to working on effective policies for recruitment, selection, performance management, recognition and rewards, education and development and the like, talent management exists to support an organization’s overall objectives. Peter Cappelli has proposed a talent-on-demand framework similar to just-in-time manufacturing for the development of empire. This approach to managing talent uses four particular principles drawn from operations and supply chain management. They are as follows:

**TABLE No 1.2**

**Peter Cappelli’s Model**

<table>
<thead>
<tr>
<th>Principle 1</th>
<th>Principle 2</th>
<th>Principle 3</th>
<th>Principle 4</th>
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<tbody>
<tr>
<td>Make or buy to Manage Risk</td>
<td>Adapt to the Uncertainty in Talent Demand</td>
<td>Improve the Return on Investment in developing employees</td>
<td>Preserve the Investment by Balancing Employee-Employer Interests</td>
</tr>
<tr>
<td>A deep bunch of talent is expensive. So, companies</td>
<td>This principle tells about managing the talent demand.</td>
<td>Get employees to share in the costs of development.</td>
<td>Talent development is a perishable commodity. To</td>
</tr>
</tbody>
</table>
should undershoot their estimates of what will be needed and plan to hire from outside to make up for any shortfall. Firms should be thoughtful about their precious resources in development of organization. Talent Management is an Investment, and not an Entitlement. So, every organization should think carefully the requirement of talented people.

| Bring employees from all the functions together in an 18-month course that teaches general management skills, and then send them back to their functions to specialize, instead of putting them as Management Trainees through a three-year functional program. | That might mean asking them to take on additional stretch of assignments on a voluntary basis. Maintain relationships with the former employees in the hope that they might return someday, bringing back the investments in their skills. | reserve the investment in development efforts as long as possible, balance the interests of employees and employer by having them share in advancement decisions. To retain talent, organizations must elevate talent as a priority throughout the company by developing a sound employee value proportion. |


Therefore, it is important for the organizations to develop adequate and appropriate plans and put in efforts to attract the best pool of available candidates and the nurture and retain the current employees.
1.5 The Focus of Talent Management

Individuals get motivated by different value propositions. To keep the workforce motivated, organizations today have to adopt certain practices which are as follows:

1. **Capacity to learn** [measured as Learning Quotient (LQ)]
   Enhancing an individual’s capacity to learn improves the person’s awareness towards his work.

2. **Capacity to think** [measured as Conceptual Quotient (CQ)]
   Enhancing an individual’s capacity to think helps the person not only learning for a higher level, but also improves Creativity, Analysis and Judgments.

3. **Capacity to relate** [measured as Relationship Quotient (RQ)]
   Another important capacity for an individual is to be able to relate to his learning and thoughts. This comprises of Listening, Empathizing and Trusting.

4. **Capacity to act** [measured as Action Quotient (AQ)]
   Action is an individual’s ability to enact his intentions - ability to organize his time and resources in order to convert intentions into reality. Implementing includes focus on the right process. Performing under pressure is another component which talks about ability to
work under any circumstances.

Thus:

\[(LQ + CQ + RQ + AQ) \times \text{Values} = \text{Talent}\]

1.5.1 Talent manifests into performance as follows

- Talent
- Organizational Vision/Mission/Strategy
- Skills & Competencies
- Position & Configuration
- Prospect
- Support & Acknowledgment
- Training & Development
- Instruction
- Action Plan & Goals
- Resources

Performance Management System

Talent Performance
Thus, the sphere of influence of talent management not only focuses on development of individual’s intrinsic capacities, but also on culture building, which provides the other elements, listed above for manifestation of talent into performance.

1.6 Talent Management Best Practices in Global Era

Every organization struggles hard to meet the global market competition for its success, and hence the War for Talent. Creating enriching workplace experiences to attract and retain the high caliber is needed. Therefore, it is important for organizations to moot retention as first priority and recruitment second place.

There are several key practices to be followed by organizations. They are as follows.

1. **Experience based learning:** Most of the organizations define Job Description to their employees very narrowly and they have no access with others, which makes them boring and monotony in their work. If the organizations relax them for some time and have exposure to innovative things, they will give rise to the increased output, as well as retention.
2. Mentoring: A particular form of relationship is designed to provide personal and professional support and guidance to an individual, wherein specific issues and ideas can be discussed and developed. Mentoring is required to a new employee, so that, organization can avoid job hopping.

3. Business focus: Organizations are linking key business initiatives with talent management principles to rapidly address new business opportunities and challenges. After years of paying lip service to the concept, now they have realized that “their workforce is their greatest asset”. By increasing productivity and motivating workforce behavior, talent management leads to higher levels of organizational performance.

4. The Swift in Workforce: Today’s greatest challenge lies in aligning the right people with the right skills and identifying the competencies of the workforce. Organizations need to forecast the current workforce and assist in enabling the execution of business plans that manage the supply and demand of talent.

5. Developing Business Leaders: Developing leaders with a shared vision can empower the workforce, whilst instilling organizational values and personal accountability, by understanding the macroeconomic trends and role of emerging technologies.
6. **Employee feedback is an effective tool:** Organizations have to emphasize on feedback from the employee about various aspects of the organizations, e.g. Corporate Culture, Work Environment, Training Programs, Compensation and Supervision, etc. These feedback surveys offer invaluable insight into employee attitudes and opinions that can ultimately affect employee retention.

7. **Interaction with management is imperative:** For effective talent management practices, it is essential to involve the top management and practice it at the strategic level. For e.g., Infosys, where the HR Department is in constant touch with the Board of Directors about talent development.

8. **True value of HR is Return on Investment (ROI):** ROI allows calculating of a payback period. It can be used to revolutionize and transform the human resource function in order to bring more value throughout the organization. It also helps in comparison of one department returns with the other department.

9. **Create Teams of Businesses** with HR and IT employees who “own” and “manage” the talent management processes. These teams stay
engaged over a period of years to make sure that the involved processes are refined, managed, measured and improved.

1.7 Role of IT - ITES in India

The Indian IT Industry has been making a marked shift by offering services in IT consulting, system integration, remote infrastructure management, network consulting, KPO and integration processing services.

The IT R&D services currently account for more than 15 percent of the total IT exports. India’s strengths have been its large growth potential, increasing outsourcing trend, large talent pool availability, high quality educational infrastructure, low operating costs, R&D strengths, and the government initiatives. Around 175 of the Fortune 500 companies have R&D operations in India.

A vast network of state-owned national research laboratories provides world-class support. The IT-ITES Industry’s contribution to the Indian GDP had increased from approximately 1.4 percent in 1998-99 to 5.2 percent in 2006-07. The IT-ITES industry includes hardware,
peripherals, networking, training, and domestic and export market for IT services and software and ITES-BPO.

**Department of Information Technology (DIT) fact sheet**

**Table 1.3**

<table>
<thead>
<tr>
<th>DIT Fact Sheet and Potential Employment</th>
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<tr>
<td><strong>Generation in Indian IT Industry (Year 2008)</strong></td>
<td></td>
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<tr>
<td>Software and Service Sector</td>
<td>2.2 million</td>
</tr>
<tr>
<td>ITES/BPO</td>
<td>1.1 million</td>
</tr>
<tr>
<td>Indirect</td>
<td>2-3 million</td>
</tr>
<tr>
<td><strong>Hardware Sector</strong></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>1.6 million</td>
</tr>
<tr>
<td>Indirect</td>
<td>3.2 million</td>
</tr>
<tr>
<td><strong>Total Employment Generation - over 9 million.</strong></td>
<td></td>
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As per NASSCOM Report, there were already one million professionals contributing to the growth of IT-ITES industry in 2004-05 and the sector hired an additional of around 1.5 million personnel in 2006. Further, they hired 2.2 million in 2008. In India, manpower has
been the most crucial resource in the IT-ITES industry. Professionals are the backbone of any organization. As the demand for skilled professionals is very high, there is a possibility of moving from one job to another, one organization to another and one country to another.

Comparing with BPOs, the Software Industry is a little better off in managing the challenge of retaining the talent. But, the employee is always threatened in the organization by either Perform or Perish.

Many corporate leaders are using assessment tools to find out executives’ assessment, which reflects on an organization’s talent. They are as follows:

1. The first dimension measures the organization’s current and future strategic needs;
2. The second dimension measures the competition; and
3. The third dimension measures the overall talent marketplace.

With the help of these assessments, organizations lay down the foundation for winning talent strategy. For putting the right people in the right positions at the right time, they invariably clarify the processes that monitor performance and develop capabilities. Assessments also
allow companies to maximize the value of executive education programs and creating custom-fit learning strategies for their next generation of corporate leaders.

Indian BPOs are facing an enormous challenge in reducing attrition rate and to develop innovative Talent Management initiatives. A budding industry needs to draw parallels and examples from other industry practices to meet with the challenges in the competitive era.

There are varied reasons for the attrition rate. Some of them are as follows:

a) No Career development
b) Night Shifts
c) Monotonous / boring Job
d) Other reasons.

The Researcher found some important above reasons for high attrition rates, which are pretty steep and are around 40-50 percent. Currently, it is about 35 percent in non-voice and 45 percent in voice call centers. About 80 percent of them look for better careers within the
same industry. Agents want to become team leaders. Team leaders want to become supervisors. Supervisors want the job of CEO.

As seen from the above, BPO Industry indeed has a huge challenge before it and its approach has to be proactive and it has to develop Innovative Talent Management Strategies, in other words a satisfied employee knows clearly what is expected from him/her every day at work. Changing expectations keep people on the edge and creates unhealthy stress. This creates insecurity and makes the employee feel unsuccessful. An employee’s deliverables at work must be communicated to him clearly and thoroughly. The quality of the supervision an employee receives is critical to its talent retention.

1.8 Importance of Organizational Culture in value based Corporate System.

Organizational culture assumes immense significance as a central theme for attaining competitive advantage. Organizational culture is hypothesized to play a decisive role in the development of a unique corporate identity, which in turn provides organizations with the opportunity to leverage their corporate identity to achieve strategic
leadership. Cultural influences have a strong bearing on the character and persona of an organization.

Peters and Waterman (1982) have opined that excellent companies focus on building an enabling corporate culture. Organizational culture is defined as shared managerial beliefs and assumptions about employee nature and behavior.

Deal and Kennedy (1982) define organizational culture as the way things get done around here. Schein (1990) describes it as a set of shared assumptions, values, beliefs and expectations shared by organization members. Ouchi (1981) puts it as a set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of an organization.

Robbins (1988) indicates that it takes a long time for culture to form and once established it becomes entrenched. Therefore, the culture of an organization should be treated as an important influence on employees’ behavior. Culture conveys important assumptions and norms governing activities and goals.
1.9 Role of Performance Management System in relation to Talent Management System

The Talent Management System (TMS) is an effective tool for creating a symbiotic relationship between talent and the organization to dramatically accelerate performance improvements.

Performance management is the process of creating a work environment to perform to the best of one's abilities. Performance management is a whole-work system that begins when a job is defined as needed. A performance management system includes Selection, Job description, setting performance standards, providing effective orientation, education, and training with on-going coaching and feedback. By conducting quarterly performance and rewarding people for their contribution to organization also helps in their career development, coupled with exit interviews to understand WHY valued employees leave the organization. Infosys has a comprehensive and integrated role-based performance management system. It is a combination of task and competency evaluation based on predefined
parameters for each role. This system integrates with the reward systems as well as with the training systems (Farah Naqvi 2009)\textsuperscript{18}.

1.10 Work-life Balance in relation to Talent Management

There is no agreed definition of work-life balance, but it does appear that the ‘right’ balance for one person may differ from the next.

Work-life balance, in its broadest sense, is defined as a satisfactory level of involvement or ‘fit’ between the multiple roles in a person’s life. A good work-life balance means something simple - to work to support Life, and not the other way round.

Work-life balance policies can assist employees achieve a balance between their work and personal commitments. Our work and personal lives change across the life span with associated responsibilities, and thus the need for work-life balance policies, change all the time.

1.11 Talent Retention as a challenge.

Recruiting the best and talented employees is one of the most important HR functions. But, the major duty of and challenge for any HR Manager is to retain their organization’s high performers.
Especially in this Global era, retaining the Human Resource calls for special skills and strategies. Hence, retaining employees is the key for any business success. It is a major challenge for organizations to retain skilled employees once they have been hired and trained. In addition to reasons like lack of growth opportunities, low pay packages and inability to adapt to the organization, high turnover has also been identified as a cause for higher attrition rate. According to studies conducted by US Department of Labor and Merck (Ken Jacobs, 2007)\(^\text{19}\), investing in staff is far less expensive than replacing them, whose estimated cost is about one-and-a-half years of a departing staffer’s annual salary.

**Organization of the Thesis**

The thesis has been organised as follows:

- The first chapter provides an introduction to the concept of Talent Management and its need in the organization, talent management models and its role in the organization with respect to Indian IT and BPO sectors.
The second chapter reviews various research studies in Talent Management literature with a focus on Strategies and Challenges and other related attributes like culture, performance management, and work-life balance and retention management. The main purpose of this chapter is to identify the gaps in the research based on review of literature and position the proposed study to address these gaps.

The third chapter describes the Research methodology adopted for the study.

The forth chapter presents the statistical results and analysis pertaining to Talent Management. This chapter tests the hypotheses pertaining to the impact of culture, performance management, work-life balance and retention on talent management.

The fifth chapter presents the summary of conclusions, recommendations and implications of the study.

To conclude, largely, superiors are not so open to a new idea that challenges their thinking. They may even withhold rewards for exceptional performance. If people do their jobs much better than expected, they should be rewarded for their performance.