

# IMPACT OF TALENT MANAGEMENT AND EMPLOYEE TURNOVER INTENTION ON ORGANIZATIONAL EFFICIENCY- A CASE OF TELECOMMUNICATION SECTOR OF PAKISTAN

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**ABSTRACT:** *Today only those organizations can survive who serve better than their competitors. This can happen only if organizations can manage their people effectively and efficiently. Current study examines influence of talent management (TM) and employee turnover intention (ETO) on organizational efficiency (OE) in telecommunication sector of Pakistan (TSP). Simple Random Sampling technique was used. Structured questionnaires were distributed to 350 employees working in franchises, regional offices, service centers and business centers currently operated in Lahore. 273 questionnaires were returned filled. SPSS 17 was used to analyze the data. Study results indicate that by reducing ETO organizations can enhance their efficiency. Research results revealed an interesting dimension of talent management which reflects negative relationship with organizational efficiency in TSP. This finding exposes that TM sometime elevates ETO and reduces the OE. TSP needs to reduce employee turnover rate by managing the talent properly to elevate OE.*

**Keywords:** *Talent management, Human resource management, employee turnover intention, organizational efficiency.*

## 1. INTRODUCTION

This study is based on discussion that how talent management and employee turnover intention influence organizational efficiency in telecommunication sector of Pakistan (TSP). Telecommunication sector of Pakistan has a major contribution in the economic growth of the Country [1] which is reported as more than 54% of total foreign direct investment in 2007 [2]. TSP provided about 1,366,698 direct & indirect jobs in 2007 [2] including downstream jobs, vendor industry and sub-contractors. According to an estimate 58,000 direct and indirect jobs would be created in coming years by this sector. The success of an organization depends on employee retention which helps the organization in reducing employees' turnover intention and enhancing organizational efficiency [3].

Talent management is the systematic attraction, identification, development, engagement/ retention and deployment of those individuals who are of particular value to an organization, either in view of their 'high potential' for the future or because they are fulfilling business/operation-critical roles [4].

Talent management is a complex set of human capital management (HCM) processes designed to manage a company's greatest asset: people. The set of applications needed to support these processes are defined differently by industry analysts and consultants, but most define talent management as: recruitment, performance management, competency management, succession management, career development, learning, and compensation [5].

Employee turnover is defined as how long employees stay in an organization. If staff quit voluntarily, it's a major loss for organization [6] as it is expensive and time consuming to hire and train new placements. Retention of employees needs two way communication and a negotiating environment in organizations [7]. Peter Holland, Cathy Sheehan and Helen De Cieri [8] conducted a survey in Australia and data was collected from about 1400

professionals; the result of research revealed that: (i) those organizations which are using retention attraction and development in human resource management are more efficient and high performers; (ii) organizations pay more attention on retention and attraction rather than recruitments and selection to survive in competitive environment.

Organizational efficiency means that how efficient an organization is in achieving the outcomes the organization intends to produce [9]. Leader should serve the team and guide team members in a way which improves organizational efficiency and helps organization to retain talent and reduce turnover rate. Demotivated employees and significant turnover negatively influence organizational effectiveness and disrupts efficiency and productivity [6].

## 2. LITERATURE REVIEW, THEORETICAL FRAMEWORK AND HYPOTHESES

### Talent Management (TM)

The concept of talent management originated during World War II [7]. In the current century it is becoming a fast growing strategy which is implemented in almost all organizations throughout the world [10]. Talent management is an important component of corporate strategies in most of the organizations [11].

The basic purpose behind talent management development is to improve the process of recruitment, selection, retention, and employee development in order to meet current challenges faced by organization and improve organizational performance by fulfilling organizational needs [10].

Cappelli [7] spotlights the need of talent management in the organization and also said that most of the firms do not have a full functional and well organized talent management process. Research by Peter Cappelli [7] considers talent management parallel to succession planning and its importance in organizational efficiency and performance. He further suggests that if there is any vacancy in an organization, then the management of organization should prefer internal hiring over others. Otherwise it will come up

in the form of critical issues such as (i) the candidates feel betrayed because succession planning generates an implicit promise and (ii) investment on development of candidates is wasted. Most of the organizations need to change their succession plans every year or when people quit frequently or description and specification of the job changes.

Talent Management ensures that an organization has a continuous supply of highly productive individuals in the right job and at the right time [12]. Talent management ensures that organization has competent employees with the appropriate skills required to achieve the expected outcomes of the organization [13].

To protect the investment on talented employees [7] try to glue talented employees with the organization by assigning them more challenging tasks, assignments which enhance employees' loyalty to the organization [6]. The ultimate goal of an organization is "making money" which requires an understanding of costs as well as the benefits associated with the talent management [7].

Edward Lawler [14] comes with the point that only hiring the right talent in the organization is an incomplete step toward organization's goal of achieving competitive advantage. Along with right talent placing that talent on right place at the right time is mandatory for organizations to win the race of talent.

#### **Employee Turnover Intention (ETO)**

Maria Osteraker [15] suggested that success of organization stands on two basic pillars which are employees' satisfaction and retention. Sahin [16] revealed that negative relationship exists between job satisfaction and employee turnover intention. Osteraker [15] concluded from previous studies that organization's success has two dimensions first social and second mental/physical. These dimensions are constructed on the basis of social circle, personal relationship development skills, job description and all circumstances connected with the skills required to perform the job. The social dimension accounts for the employee's social circle and personal relationships both inside and outside the organization. The socialization of employee is the base of this dimension. Mental dimension involves employee retention factor by providing flexible tasks, working environment which makes them able to use their knowledge then practicing it and putting their maximum effort in order to get the forecasted results. So it talks about workplace environment and compensation which is somehow helpful in retaining talented employees. Organizations should gain full access on the information regarding such dimensions which stick employees with their organizations as well as keep them motivated.

Job hopping has a direct and significant effect on employee turnover rate. Job hopping has two parts; firstly, people switch jobs because of no genuine reasons. They do this just because of their nature as they cannot stay at one single place for more time or sometimes switch jobs just for fun. Edwin Ghiselli [17] stated it as hobo syndrome. Secondly, job hopping activities exist because of turnover culture. Michael Abelson [18] supports the argument by defining turnover culture as shared perception of employees in

organization that affects employee's decision regarding job switching. When turnover culture supports the job hopping as an acceptable behavior of employees, then, if an employee stays in an organization for a long period of time he will bear a strong pressure to switch to other job.

According to Hong Kong Institute of Human Resource Management [19] the turnover can be calculated as:

$$\text{Turnover Rate} = (\text{total no. of voluntary resignations} / \text{average number of total staff}) \times 100$$

Chun-Fang Chiang, Ki-Joon Back and Deborah Canter [20] linked training of employees with employee retention or employees' decision to stay in an organization. He further researched and came out with the conclusion that employee turnover is directly related to job satisfaction and job satisfaction is directly related to trainings provided to the employees. So, job satisfaction has a positive relationship with employee turnover rate. However the quality of training provided to employees has an indirect relation with employee's intention to stick or quit the organization and job satisfaction here plays a role of mediating factor. So, he suggested that main root behind organization's success is trainings provided to the employees. Organizations should focus more on good training programs which are helpful for organizations to keep their talented employees with them and reduce turnover rate.

The telecommunication sector of Pakistan is currently facing the issue of employee retention as their employee turnover rate is on rise [6, 21]. Employee retention is becoming more and more difficult now a days in telecommunication industry. No organization can secure [21] success until and unless management takes care of turnover rate effectively and efficiently.

#### **Organizational Efficiency (OE)**

Anastasia Katou [22] measured the organizational efficiency (OE) by studying that how human resource management helps in enhancing the efficiency of organization. Research results expressed that human resource management policy that involves talent management, job analysis, job design, job description, compensation, rewards, incentives, training and development help enhancing efficiency of organization. Research conducted by Tzu-Shian Han and Chung-Hua Shen [23] shows that there is positive relationship between reward system, bonuses, other monetary benefits and organizational efficiency.

The essence of this literature review is depicted in this framework. The researcher draws this framework to save resources of organization as well as enhances organizational efficiency which keeps them competitive in intense competition in the market.

Organizational efficiency and employees efficiency both need to be observed and managed. Ellen Jackofsky [24] suggested that only fair appraisal practices can help classify superior and average performers to help organization to identify superior and talented performers for future investments in their development and retention. That will help organizations to save their resources [7] which they may spend on average performers and can rather spend efficiently to motivate and retain talented employees.

**Performance based evaluation of Employees**

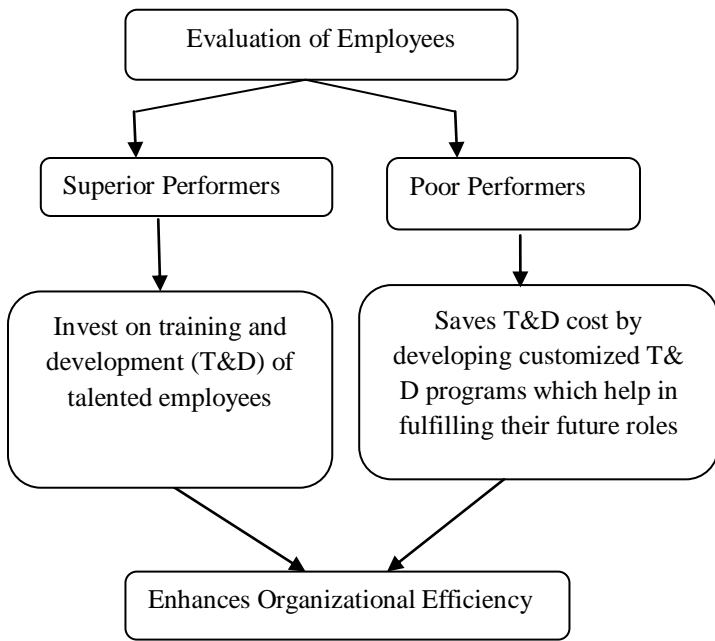


Figure 2.1: Developed from the basic concept of Jackofsky, Ellen, Academy of Management Review. 1984. 9: 74-83. Frederick Russ and Kevin McNeilly [25] commented that if organization compensates employees according to their efficiency then less efficient find employment somewhere else not only because of the fear of dismissal but in the nuisance of high compensations. Similarly in the case of superior performers if they are rewarded high enough they will not think of quitting and investment on these employees will remain safe [7], [24].

Organizations are adopting efficiency enhancing and progressive human resource management practices in order to stay in the market in a more challengeable way [26]. The tenure of employees association in an organization can be extended or reduced depending on how well organization manages its high performing talent [27]. Managing talented employees properly enhances the efficiency of organization. Extensive training and development sessions, incentives, rewards and recognition, team based production systems are helpful for organizations to enhance their efficiency [28]. Moreover several groups of researchers justified that there is positive relationship between human resource management and organizational efficiency [29], [30], [31], [32]

**Hypotheses**

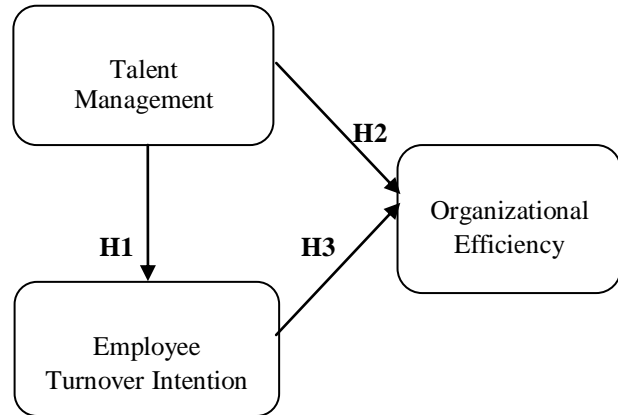
H1: Effective talent management has potential to reduce employee turnover intention.

H2: Talent management can enhance organizational efficiency of telecommunication sector of Pakistan.

H3: Employee turnover intention and organizational efficiency are directly correlated to each other.

Telecommunication sector providing cellular services all over Pakistan was selected to conduct the research. Data was gathered with the help of structured questionnaires from cellular service provider in the Country.

**Research Model**



**3. METHODOLOGY**

Simple Random Sampling Technique was used to collect the data [33]. The sample size for research was all five organizations providing cellular services in Pakistan which are Mobilink, Ufone, Telenor, Warid and Zong. Sample was chosen randomly after developing the list of all business centers, regional offices, branches and franchises at Lahore. Questionnaires were distributed to 100% employees of selected branches, business center, regional offices and franchises.

350 questionnaires were distributed to the respondents. The respondents of the research were executives, assistant manager, manager, senior manager and general manager.

**Data Analysis Technique**

SPSS 17 was used to evaluate variables engaged in the study. In order to investigate the influence of talent management and employee turnover intention on organizational efficiency several statistical tests were applied through SPSS 17. Data was interpreted by analyzing their descriptive statistics (percentages, frequencies, means, standard deviations, variances) reliability, regression and correlation.

**4. RESULTS AND DISCUSSIONS**

**Table 4.1 Demographics**

Variable	Categories	Frequency	%age	Commutative %
Gender	Male	195	71.4	71.4
	Female	78	28.6	100
	<b>Total</b>	<b>273</b>	<b>100</b>	
Age in Years	20 or less	8	2.9	2.9
	20-25	67	24.5	27.5
	26-30	141	51.6	79.1
	31-35	31	11.4	90.5
	36-40	12	4.4	94.9
	41-45	12	4.4	99.3
	51 and above	2	0.7	100
	<b>Total</b>	<b>273</b>	<b>100</b>	

<b>Education</b>	Bachelor's degree	75	27.5	27.5
	Master's degree	178	65.2	92.7
	Doctorate	19	7	99.6
	Post doctorate	1	0.4	100
	<b>Total</b>	<b>273</b>	<b>100</b>	<b>•</b>
<b>Experience</b>	Less than 1 Year	38	13.9	13.9
	1-3 Years	68	24.9	38.8
	3-5 Years	85	31.1	70
	5-10 Years	49	17.9	87.9
	10-15 Years	21	7.7	95.6
	More than 15 Years	12	4.4	100
	<b>Total</b>	<b>273</b>	<b>100</b>	<b>•</b>

**Table 4.2 Correlation Analysis**

Variables	Talent Management	Employee Turnover Intention	Organizational Efficiency
Talent Management	1		
Employee Turnover Intention	0.162**	1	
Organizational Efficiency	0.026	-0.124*	1

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

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

Correlation test used to measure the relationship between variables used in the study.

Talent management is insignificantly correlated with organizational efficiency. This interesting finding is extensively discussed in later part of this research article. Output of correlation also suggests that organizational efficiency is negatively correlated with the employee turnover intention in telecommunication sector of Pakistan providing cellular services. Employee turnover intention is negatively correlated with organizational efficiency.

**Table 4.3 Regression Analysis**

	Beta	Std. Error	t-value	p-value
<b>Constant</b>	2.339	0.342	6.843	0.000
TM	-0.051	0.037	-1.378	0.169
ETO	-0.127	0.057	-2.246	0.026
R2	0.348			
F	47.729			0.000

**Dependent Variable: OE**

The  $\beta$  - Coefficient determines that influence of talent management (TM) causes -5% variations in organizational

efficiency (Dependent Variable). Employee turnover intention (ETO) influences organizational efficiency (OE) with 12.7%. A slightly negative  $\beta$  -coefficient of 5% was reported in the case of impact of talent management on organizational efficiency in Telecommunication sector of Pakistan (TSP); following is the discussion from literature on this unique finding of current study:

In a team if only one person is in focus for succession planning and leader focuses on polishing the skills of specific person in the team. Consequently, other team members feel excluded. This talent management reduces organizational efficiency and enhances the employee turnover intention [34].

When leader gives their subordinate the authority to manage their own career, sometimes it will result in a good career management but mostly employees manage themselves in some other organizations [35].

McCartney explored that economic climate freezes the talented employee's career development, expands job timings, annual bonuses are reduced and middle management's bonuses are negotiated to lower rate which negatively effects the organizational efficiency and employees start thinking of switching to some competing organization [36].

Organizations fail to execute the talent pool if talented employees are unaware that leaders are developing succession plans for them, this misunderstanding result in the decrease in organization's efficiency [37].

$R^2$  tells the proportion of relationship with which independent variables (TM, ETO) influence dependent variable (OE). Value of  $R^2 > 25\%$  is acceptable. Results suggest 35% variation in organizational efficiency is being explained by talent management and employee turnover intentions in telecom sector of Pakistan.

According to results p-value of model is  $0.000 < 0.05$  which means that the research model is significant. The F statistics tells that independent variables (regressors) i.e., TM and ETO are significantly correlated with dependent variable (OE). Greater the value of F, higher the significance will be. Output shows  $F = 48\%$  which reflects a significant association of TM, ETO (Independent variables) with OE (Dependent Variable).

Talent management decreases the organizational efficiency and elevates the employee turnover intention in telecommunication sector of Pakistan. However the outcome is unexpected but it reveals an interesting dimension of talent management. Several studies justify this relationship and darker side of talent management.

Result of this study rejects H1 and H2. Hypothesis 1 was rejected because in telecommunication sector of Pakistan (TSP) talent management (TM) elevated the employee turnover Intention (ETO). Hypothesis 2 was rejected as it communicates that organizational efficiency can be enhanced by managing the talent. But output suggests that in TSP talent management shows a negative relationship with organizational efficiency. Although this is an unexpected outcome of the research, however, these findings are not

unusual as there are several studies which report darker dimension of talent management.

## 5. CONCLUSION

High employee's turnover can create concerns about organization's image. Results suggest lower the employee turnover intention higher the organizational efficiency. According to the results of this study talent management has meaningful direct impact on employee turnover intention and organizational efficiency. Therefore corporate leaders of Pakistan in general and in telecommunication sector in particular need to be more vigilant and conscious while developing succession and career development plans for the employees to elevate organizational efficiency and to retain talented and productive employees.

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