Talent management: a burgeoning strategic focus in Indian IT industry

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Abstract

Purpose – *The purpose of this paper is to examine the talent management (TM) system in an Indian IT organisation.*
Design/methodology/approach – *Structured interviews were conducted to collect primary data and then content was analysed to develop the case study.*
Findings – *Recruitment, talent development, knowledge management, social media, performance management, and rewards are the main practices associated with TM.*
Research limitations/implications – *The authors acknowledge that the scope of the study is limited to the IT sector and the study is not empirically tested.*
Practical implications – *HR managers should embrace the practices of TM of the case organisation to effectively manage their workforce.*
Originality/value – *This is a first study to unravel TM in the Indian IT industry context.*
Keywords *India, Talent management, IT, Talent development*
Paper type *Conceptual paper*

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Introduction

Managing talent has become a grave HR challenge globally. Organisations must engage, retain, and develop talent to meet the constant demand. In particular, the changing nature of psychological contract and the volatile labour market have resulted in high talent mobility. This has brought that notion of talent management (TM) to the forefront of management discipline. Recent research suggests that TM is even more challenging in the emerging markets (Tarique and Schuler, 2010). Yet, there is limited scholarly research on TM in the emerging markets, particularly in India (Cooke *et al.*, 2014).

Ever since the term TM was coined, in the late 1990s, when a group of McKinsey consultants introduced the phrase "War for Talent" (Michaels *et al.*, 2001), it has received a remarkable degree of practitioner and academic interest as well as become increasingly popular in human resource management (HRM) domain. However, academic literature indicates that there is a lack of universally accepted definition of TM (Cappelli and Keller, 2014). There appears to be a tremendous diversity in defining TM as scholars and organisations from varied industries have coined their own conceptualisations (Gallardo-Gallardo *et al.*, 2013). Moreover, most TM research works are theoretical and exploratory in nature.

Talent is defined as high-potential employee, who displays ability, engagement and aspiration to succeed in more senior and pivotal positions. Importantly, TM is conceptualised from different perspectives. Collings and Mellahi (2009) defined TM as "activities and processes that involve the systematic identification of key positions that 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" (p. 304). Bersin (2007) provided a

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comprehensive framework of TM and argue that the TM process is a continuous cycle instead of a linear approach. The framework highlights a critical skills gap analysis for recruitment, training and development, and compensation and benefits for talented employees. Hughes and Rog (2008) conceptualised TM as "implementing an integrated, strategic and technology enabled approach to HRM, with a particular focus on human resource planning, including employee recruitment, retention, development and succession practices, ideally for all employees but especially for those identified as having high potential or in key positions" (p. 746). Similarly, Stahl *et al.* (2007) viewed TM as an organisation's ability to attract, select, develop, and retain key employees (in a global context). SHL (2007) defined it as a strategy as interconnected processes of recruitment, selection, performance, development, succession and competency management of talented employees in core and pivotal positions. Also, TM is conceived as a subset of broader HRM and encompasses selected HRM practices focussing on attraction, development, and retention of employees (Lewis and Heckman, 2006).

However, to better understand the concept of TM, some perspectives need to be explored. One popular approach of defining TM is *Talent Management as Succession Planning*. In this perspective, a key task is to develop "talent pipelines" to ensure the continuous supply of competent employees (Lewis and Heckman, 2006). It is the strategic management of the flow of talented employees through a variety of roles and jobs in an organisation in order to secure a supply for future roles (Duttagupta, 2005). The focus is more on developing an enterprise wide, holistic "talent mind-set" resulting in the talent pipeline management system. This approach is based on an operational research framework and relates to the succession planning and human resource planning. Iles *et al.* (2010) have emphasised on four possible scenarios: an inclusive approach that focusses on developing each potential employee; an inclusive approach that emphasises the development of social capital more generally in the organisation; an exclusive approach that focusses on developing specific elite individuals or an exclusive approach that focusses on key positions, roles and develops talent to fulfil these roles. The inclusive perspective is originated from humanistic ideology and views that potentially everyone in the organisation has "talent" and that the task is to manage all employees to deliver high performance. As a result, this approach has a broader view and recognises that everyone has the capability and potential to display talent, and therefore everyone should be given equal opportunity to develop his/her potential to achieve higher value. On the other hand, the exclusive approach has a narrow view and considers that all employees are not talented rather only few talented employees, who deliver superior performance and have potential and competence for future success (Gallardo-Gallardo *et al.*, 2013). Some scholars have advocated a hybrid approach because it enables organisations to reap the benefit of both approaches (Ford *et al.*, 2010). In this paper, we conceptualise TM as an integrative approach that contributes to attracting, developing, engaging, deploying, and retaining high potential or in key positions individuals, in order to bolster organisational performance.

In addition, TM in India is fraught with serious challenges such as high turnover rates. Research suggests that the turnover rates are as high as 40-45 per cent in the Indian IT industry (Bhatnagar, 2007). The Indian IT industry is one of the fastest growing industries of the Indian economy, which contributes to the fast-paced growth of the Indian economy. Recent estimates suggest that the Indian IT industry contributes roughly 9.5 per cent of total GDP and is projected to generate $225 billion revenues by 2020 (India Brand Equity Foundation (IBEF), 2015). The Indian IT industry is currently among the largest employers in the country with an estimated workforce of ten million (IBEF, 2015). To sustain such a growing industry, a continuous supply of competent and committed workforce to deliver performance is required. However, there is equally a flip side to IT's successful story, which is characterised by a recent spike in annual turnover rates, standing at 21.9 per cent during FY2016 (Deloitte, 2015). Thus, talent development and retention is a major challenge for the Indian IT industry. Further, with the rising workforce diversity and mobility, retaining top-tier talent is crucial. Also, the current workforce is multigenerational, constituted by three generations, namely, Baby boomers (1946-1960), Gen X (1961-1980), and Gen Y (1981-2000); wherein boomers are retiring and Gen X will soon to follow, thereby shifting the focus on Gen Y. By 2030, nearly three-fourths of the global workforce will comprise of Gen Y members and a significant portion of this will comprise of Indians.

The case organisation, ZIT[1] (pseudonym) is one of the largest Indian organisations in the IT industry, headquartered in southern Indian city of Bangalore (Silicon Valley of India). It is the world's first CMMi

Level 5 certified software services company and the first, outside USA, to receive the IEEE Software Process Award. As per recent figures, ZIT earned revenues worth US$7.7 billion and employs around 172,912 people worldwide as of 2016. The company provides enterprise application solutions, product engineering solutions, technology infrastructure service, and business process outsourcing services to finance, utilities, telecom, and entertainment sectors. ZIT has developed a culture of collaboration, process improvement, and innovation by embracing industry best practices.

Research methodology

The qualitative data were collected from the structured interviews of 21 HR executives at ZIT and the content was analysed to identify how talent is conceptualised and explore the practices associated with TM at ZIT.

TM practices

At ZIT, TM is a comprehensive function that provides innovative solutions to meet its talent requirements. ZIT has deployed PCMM (People Capability Maturity Model) level 5 to bolster its TM practices that encompass talent transformation, through learning and development, talent engagement, rewards and recognition, knowledge management (KM), and deployment of technology such as social media. It acts as an integrated system to meet business needs including forecasting of talent demand and supply, manpower planning, consistent with the quality, cost, and turn-around time. It offers resourcing and staffing plan to address employees' requirements, provide MIS/reports for employees and managers, and 24×7 helpdesk support (voice and non-voice) for employees across geographies.

Talent development

Talent development focusses on learning, career development, leadership development, performance feedback, and recognition. ZIT provides opportunities for challenging work assignments, a strong learning curve, and a career path to every employee. It provides employees with a unique online learning experience, customised to suit their individual learning requirements aligned with their professional objectives. It provides online learning modules to foster behavioural, technical, and domain competencies. For example, ZIT has designed a life cycle stage development programme, which selects the employees with the leadership potential and trains them. Mentoring is another talent development initiative biding used. In 2013, learning networks were launched as an online platform to allow employees to connect to experts and seek mentoring.

Performance management

ZIT provides flexible employee performance management (EPM) to assess and measure accurate performance reviews. EPM includes goal management, performance appraisals, multi-rater/360 feedback, succession planning, and development planning. The "Training and Learning" function caters to learning needs of more than 60,000 employees. Knowledge sharing behaviour measurement is a key parameter in the performance management system.

Recognition and rewards

ZIT emphasises on the recognition of employee accomplishments through various initiatives such as lucrative individualised benefits, stock options, and merit-based pay rise. Specifically, rewards are considered crucial to retain the talent pool. Therefore, monetary rewards including flexible benefits and variable pay component are used to effectively motivate and retain the high-performing employees. The variable component lies in between 5-50 per cent contingent upon the hierarchical level. Further, there is equity-based compensation through Restricted Stock Units for middle and senior management.

There are non-monetary rewards such as acknowledgement from senior, certificates of appreciation, reimbursed workshops and training sessions, membership to exclusive clubs, and

paid sabbaticals. Another initiative called "encore" provides a basket of non-monetary rewards to motivate employees and recognise their exemplary achievements. Also, the "feather-in-my-cap" award offers an instant recognition of an effort, important for project execution. Lakeside "dear boss" recognises the performance of a team leader. Finally, the "mastermind" award notes the most innovative solution or idea, while "hall of fame" recognises the high performers in individual and team roles (Figure 1).

KM

KM system creates, disseminates and provides access to business knowledge. There are yellow pages, discussion groups, special interest groups and communities to connect employees for knowledge sharing. Importantly, ZIT deploys tools/technology to enable free flow of knowledge across the business processes and form a common repository including SAP, CRM, etc. Also, there are KNET applications such as DocKNet – a repository of documents ranging from technical documents, training content, sales support, and industry updates. KoNnEcT– Yellow pages act as a database of experts, queries, and ratings.
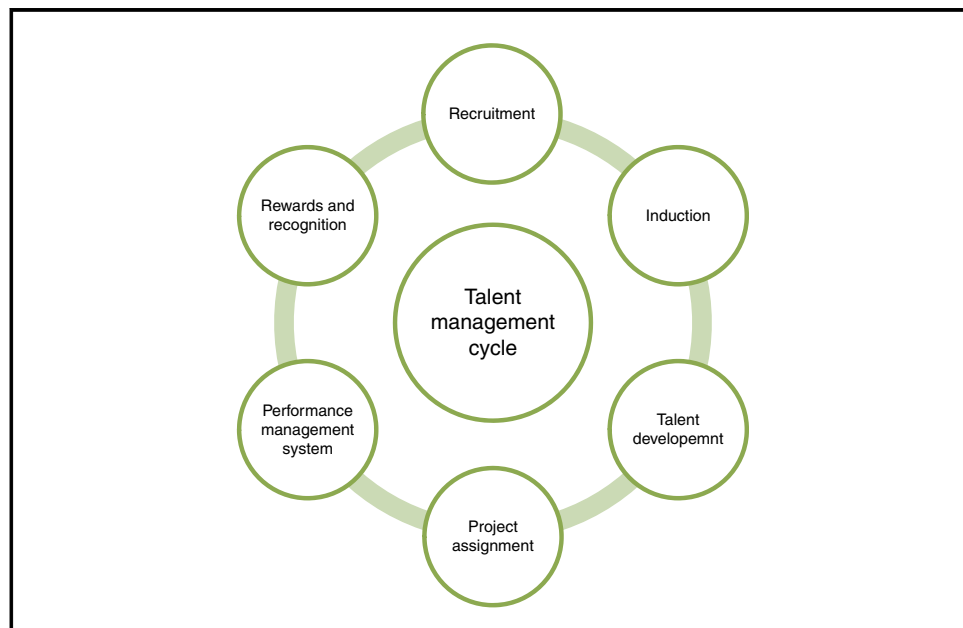
Social media

Social media is used for recruitment, engagement and empowerment, and retention of talented employees. ZIT launched "Channel W" as a communication channel, which also has classifieds and matrimonial listing sections. An internal social networking tool integrated with Twitter and Facebook that integrates employees' personal and professional lives. Besides, there are over 3,264 online communities to promote collaboration, networking, ideation, and innovation among geographically dispersed employees. Further, the company introduced "K-Net" a knowledge repository. Employees can comment on blog posts, chat with colleagues, and discuss various issues with HR. ZIT uses its website career page and Facebook page to attract prospective employees and to communicate their employer brand.

Conclusion

Importantly, the present young talent pool of Gen Y cohort craves continuous learning and developmental opportunities (Naim and Lenka, 2016). Talent development is a business

Figure 1 Talent management framework at ZIT

priority for ZIT. Therefore, it has implemented robust TM practices such as talent development, KM, rewards and recognition, and social media. Based on the interviews and subsequent content analysis, following themes were emerged: talented employees are the ones with high potential, or those holding key or pivotal positions, which directly contribute to superior organisational performance; TM is viewed as activities aimed at attracting, developing, engaging, deploying, and retaining such talented employees; and certain critical practices are identified namely talent development, KM, performance management, rewards and recognition, and social media.

Indian IT organisations are, therefore, recommended to revitalise their existing TM strategy by embracing aforementioned TM practices of ZIT. This will help to develop and retain their best talent for strategic competitiveness. Moreover, amidst India's huge population base, there is still a scarcity of talented employees possessing relevant skills and competencies required to excel in professional lives. Therefore, instead of focussing on acquisition, organisations should invest in talent development, i.e., nurturing the employees' competencies and skills.

Precisely, a talent development culture should be emphasised. In doing so, akin to the case organisation, it is worthwhile to adopt practices such as mentoring, social media for employees, knowledge sharing, and non-monetary incentives such as stock plans. In particular, considering the present demographic dynamics with an ever-increasing representation of young employees, i.e., Gen Y or Millennials (Naim and Lenka, 2017a), it is essential to encourage technological intervention such as social media for employees' use. Social media has the potential to foster internal communications, knowledge sharing, recognition programs, learning and development, which has significant implications for not only talent development but also for talent engagement (Naim and Lenka, 2017b; Vuori, 2012). In addition, Communities of practices should be developed to facilitate knowledge sharing within the organisation, which in turn, create learning opportunities to develop employees' competencies.

Note

1. Care has been taken not to reveal the organisation's real name.

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