IMPACT OF BUSINESS STRATEGY ON TALENT MANAGEMENT PRACTICES IN INDIAN PRIVATE BANKS

Dr. Roomi Rani

Assistant Professor in Commerce

Govt. SPMR College of Commerce

Abstract

This study examines linkages between business strategy and talent management practices in private banks. The data was collected from bank managers (N= 200) working in three private banks (J&K, HDFC and ICICI). The scales have been purified and validated with the help of exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). The conceptual model has been tested with SEM (structural equation modeling). The results of SEM revealed business strategy has significant impact on talent management and its practices. Further, this study suggested practical/managerial implications, which should be practised by the mangers for managing their strategies and talented employees more effectively.

Introduction

The first requirement for the business is to actually have a clear and detailed Business strategy (BS). Business strategy is essentially an ongoing process to evaluate how successful a company is and how to continue or improve that success. BS is concerned with how businesses achieve competitive advantage and compete in an industry or market (Henderson, 1989). Porter (1985) has explored three types generic strategies i.e. innovation, differentiation and cost leadership. The two dominant frameworks of business strategy are: 1) focus on proposed rate of product-market change, and 2) focus on customers and competitors. Successful business strategy implementation is required for superior performance (Olson et al., 2005). BS that depends on the improvements in customer service and the front-line workers would have to be considered pivotal for the success of that strategy (Branham, 2005). Right workforce skills and behaviors are needed to implement and sustain BS. An organization can create the best business strategy, make the right acquisitions, and invest in the right programs. However, if the organization does not acquire and develop the necessary talent, those strategies will fail to be implemented. The synergies from business transactions will fail to materialize and investments will not earn desired returns (Heinen & O'Neill, 2004).

On other hand, TM is essential for achieving the organizational goals, which requires strategic attention and resources for successful execution (Puvitayaphan, 2008). Therefore, the foremost requirement of TM is its strategic alignment with business strategy (Jyoti and Rani, 2014; Horvathova & Durdova, 2010). In this context, Piansoongnern et al. (2011) suggested that exclusive business strategies for managing talent need to be developed, which are helpful to meet the organizational goals and differentiating them in the marketplace.

A survey by Morton (2005) revealed that one of the most important internal success factors for TM is its alignment with strategic business goals and making it an integral part of the business strategies (McDonnell, 2011). Hence, business strategy is the first step and a building block for employing talent strategy in an organization (Jyoti and Rani, 2014). This strategic integration (fully or partially) becomes a core element of TM to assess, attract, identify, develop, engage and retain high potentials (Iles et al., 2010; Kumar AP, 2019) for best utilization of tools and processes to deliver TM solutions. Additionally, business strategy is also linked with SP, which is very essential to obtain requisite set of skills for the future and to grow or expand into new markets (Farashah et al., 2011). Greer and Virick (2008) explained that for identifying the range of competencies and for designing the developmental experiences required by the successor, succession planning must be integrated with business strategies. This process should be continuous and flexible because the competencies for key personnel are likely to change in the future. Hence, on the basis of above discussion, we hypothesized that:

H1: Business strategy has significant impact on the talent management.

H1(a): Business strategy has significant impact on the talent acquisition

H1(b): Business strategy has significant impact on the talent attraction.

H1(c): Business strategy has significant impact on the talent identification

H1(d): Business strategy has significant impact on the succession planning

H1(e): Business strategy has significant impact on the talent development

H1(f): Business strategy has significant impact on the talent engagement

H1(g): Business strategy has significant impact on the talent retention

Research Design and Methodology

If organization has a well planed and updated business strategy, then it will easy for it maintain and retain talented employees for long period of time. This study tries to develop theoretical relationship between business strategy, talent management and its practices in private banking sector, which was tested with the help of appropriate techniques.

Scale generation (Measures): The self-generated questionnaire was used in this study, which was validated by the expert of Human Resource Management and one branch manager of each bank. A five-point Likert scale was used in order to achieve uniformity ranging from 5-strongly agree to 1-strongly disagree.

Business Strategy (BS): In the literature, BS comprised different types of strategies such as cost strategy, innovation strategy, and differentiation strategy. But, this study has generated twenty one item scale from Lee et al. (2010); Bethke-Langenegger et al. (2011) to measure banking business strategies, which encompass three dimensions namely, TM strategy, cost strategy and innovation strategy.

Talent Attraction (TA) included self generated nine items that assessed the attractiveness of the bank for both, current as well as upcoming employees with the help of Highhouse et al. (2003).

Talent Identification (TI) dimension consisted of ten-items, which have been self-generated after reviewing the following relevant literature such as Piansoongnern et al. (2011); Horvathova and Durdova (2010); Edwards and Bartlett (1983).

Succession Planning (SP) has been assessed with eight-items, which have been generated from Piansoongnern et al. (2011); Bano et al. (2010).

Talent Development (TD) has been assessed with twelve self generated items from the following research papers such as Yarnall (2011); Bano et al. (2010); Collings and Mellahi (2009).

Talent Engagement (TE) scale consisted of ten-item scale, which has been adopted from Lockwood (2007).

Talent Retention (TR) construct consisted of ten-item after reviewing the related literature on retention of the employees such as Piansoongnern et al. (2011); Hausknecht et al. (2009); Bhatnagar (2007).

Sample

Total 225 branch managers and immediate senior manager/officer have been contacted, out of which 158 responded back. Out of 158 managers, about 78% are male. Further, majority of managers have age between 41-50 years and average monthly income is about Rs. 54563. Near about 41% are branch managers, 39% are senior assistant managers, about 20% are senior executive managers respectively. Out of total, about 48% managers have 11 to 20 years work experience in banking sector. Further, majority of managers are post graduates (38%). About 61% managers are involved in identifying talented employees within the bank by giving special assignments/tasks. Majority of managers (45%) spent 10 to 20 % time on talent related issues.

Data Analysis

The data has been purified with the help of exploratory factor analysis (EFA) and validated through confirmatory factor analysis (CFA).

Scale Purification-Exploratory Factor Analysis (EFA)

➤ **Business Strategy (BS):** This scale got reduced from twenty one items to eleven items and converged under three factors namely, innovation strategy, talent strategy and cost strategy (Table 3.16). The KMO (0.897) value supported adequacy of sample size to yield distinct and reliable factors. The BTS (x^2=969.671, df=55, p<0.001) value shows the existence of correlations (not zero identity matrix) in the dataset. The total variance explained by BS is about 73%. The factor loadings and communality values are above the threshold criterion (>0.50). The three factors identified have been briefly explained below:

(a) *Innovation Strategy (IS)*: The factor consisted of four items (α=0.87) that are explaining about 27% of the total variance. Eigen value of this construct is 5.82, which represents greater amount of variance contributed by this factor in explaining BS. The items included are '*stress on employees education to create innovative ideas*', '*new ways of doing transactions*', '*customer feedback to introduce new service*' and '*stress on improvement of existing structure, procedure, service'*.

(b) *Talent Strategy (TS):* This factor consisted of four items (α=0.81), which are explaining about 26% of the total variance. Eigen value of 'Talent strategy' has arrived at 1.24. The items included in this factor are '*determines which employees are most important for achieving success*', '*exercising talent management program*', '*long-term strategy for attracting, developing, connecting & deploying the workforce*' and '*arrange conferences/ seminars/ workshops*'.

(c)   Cost Strategy (CS): This factor included three items, which are explaining about 19% variance out of total variance. Eigen value of this factor (i.e. 1.01) indicates its valuable contribution under BS construct. Further, the alpha value (0.78) shows internal consistency of this factor items. The items included are **'***sufficient funds are allocated for talent management***'***, *'cost reduction through internal recruitment for higher positions'* and **'***talented employees are sent for development programmes at bank's cost***'**.

Overall Talent Management Practices in Private Banks (Managerial Perspective): After applying practice-wise factor analysis, it has been carried on again on all the practices collectively with retained items in the previous step. The KMO value (0.718) and BTS measure (chi square=1841.972, df=406, p<0.001) signified the presence of correlation among the variables and proved that the data are appropriate for the application of factor analysis. In the final run, thirty six items got reduced to twenty nine items that converged under eight factors, namely succession planning (F1), talent retention (F2), talent development (F3), formal talent identification (F4), talent acquisition (F5), talent attraction (F6), informal talent identification (F7) and talent engagement (F8). The total variance being explained by talent management practices is about 66%. Further, Eigen value of each factor is also greater than 1.0, which denotes that the total amount of variance is explained by each factor. The factor loading and communality values are also within the acceptable range (>0.50). Besides this, the Cronbach's alpha of all the factors is also greater than 0.70, which indicated the internal consistency.

Results

Scale Validation: Confirmatory Factor Analysis (CFA)

Talent Management Practices (Managerial Perspective): Initially, CFA has been run on eight factor model of talent management, which are extracted after EFA. In this analysis, two-step procedure has been adopted i.e. first order CFA model and second order CFA model. In first order model, twenty nine items got reduced to twenty six items under eight factors model. The model fit indices reveal excellent fit to the data (x^2/df=1.357, RMR=0.037, GFI=0.853, AGFI=0.810, NFI=0.793, CFI=0.933, RMSEA=0.048). The results of second order factor model with eight first layer latent construct revealed good fit indices (x^2/df=1.405, RMR=0.051, GFI=0.838, AGFI=0.804, NFI=0.769, CFI=0.919, RMSEA=0.051). Further, all the dimensions are significantly loaded (p<0.001) on talent management construct. On the other hand, SRW values of latent variables of second order model are excellent as compared to correlations of first order model. Hence, this study has employed second order factor model of talent management to examine reliability, convergent validity, discriminant validity, and nomological validity in the private banks.

Reliability

The study computed the Cronbach's alpha (α) value and composite reliability for checking the realibility of the scales i.e. business strategy and talent management. The result stated that BS and TM are above the recommended criterion that is 0.70, the scales are considered to be reliable (Table 1).

Table 1: Summary of Reliability and Validity

Construct	Cronbach's Alpha	CR	AVE
Talent management	.96	.94	.92
Business strategy	.99	.98	.90

Validity

Content Validity: Content validity of the scales used in the current research is established by extracting relevant items from the extant literature and developing self-designed items through deliberations with the subject experts, academicians and bank managers.

Convergent Validity: The results of the study suggested the average variance extracted (AVE) values of overall talent management and business strategy are above the threshold criterion of .50, which yield the existence of convergent validity (table 1).

Discriminant Validity: The result revealed that the correlation between measurement scales estimates are not greater than square root of AVE, which proved discriminant validity in the study (table 2).

Table 2: Discriminant Validity and Correlation Analysis

Constructs	TM	BS
TM	.96	
BS	.35**	.95
Note: values on the diagonal axis represents square root of AVE. Off the diagonal are correlation values. ** p <0.01		

Structural Equation Modeling (SEM)

This study has used structural equation modeling for testing the hypothesized relationships (Arbuckle and Wothke, 2004). In the present study, the relationship between business strategy and talent management has been assessed (Figure 1) and the result revealed that business strategy has significant and positive impact on talent management (BS→TM=0.78***) in the private banks. Since, first hypothesis i.e. *business strategy significantly affects talent management* stand accepted, figure1. Further, the impact of business strategy (BS) on talent management practices also has been assessed, which is significant for all TM practices i.e. BS→ TA=0.70***, BS→FTI=0.41**, BS→ITI=0.23**, BS→SP=0.51**, BS→TD=0.40**, BS→TE=0.21**, BS→TR=0.53*** and BS→ TAQ=0.53***, figure 2. Further, the model fit indices are good (x^2/df=1.414, RMR=0.048, GFI=0.783, AGFI=0.753, NFI=0.726, CFI=0.898, RMSEA=0.051). Hence, it's providing support for accepting hypothesis 1(a), 1(b), 1(c), 1(d), 1(e), 1(f) and 1(g) i.e. *business strategy significantly affects talent management practices stand supported.* The results revealed that business strategy has highest impact on talent attraction.
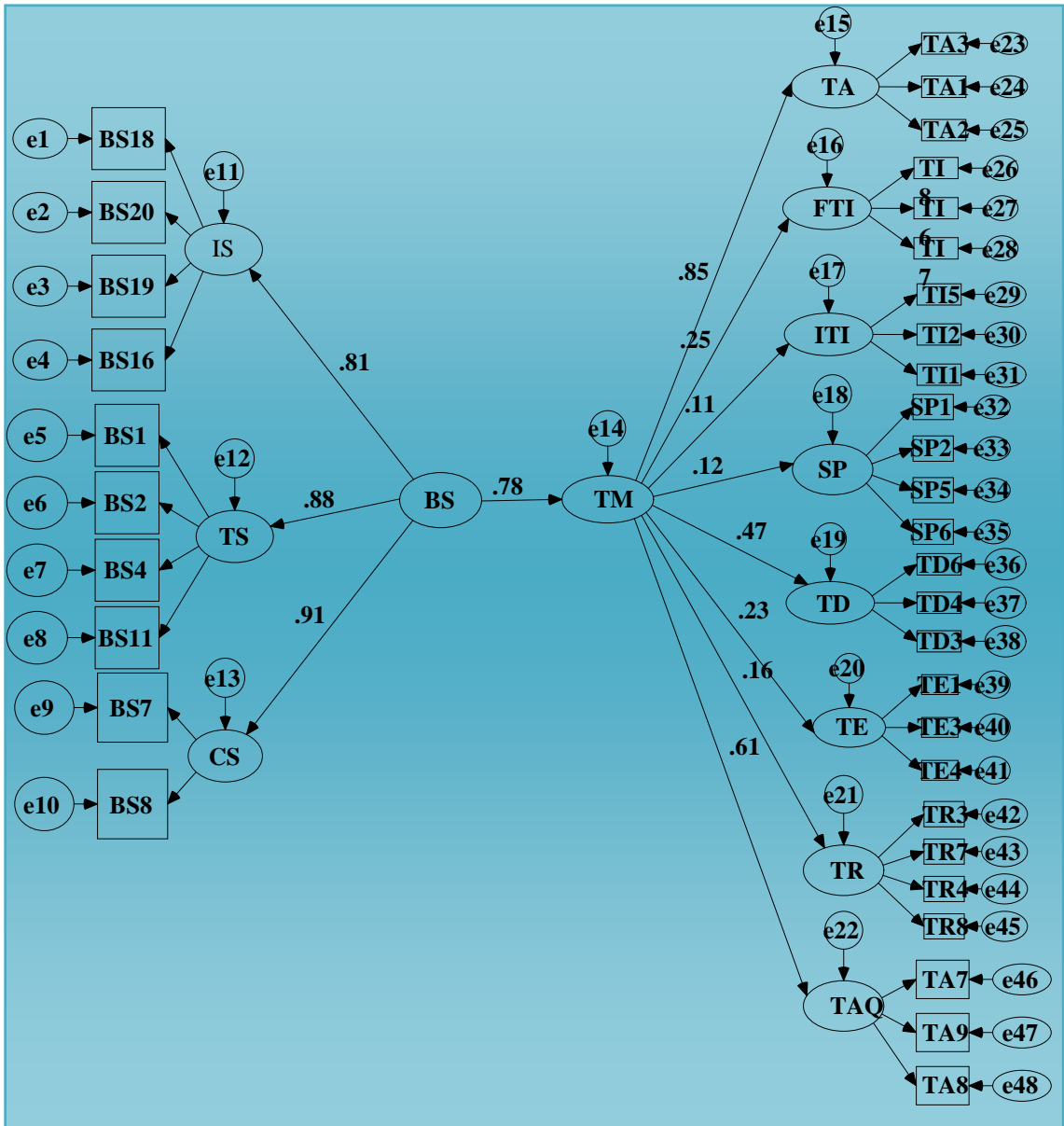
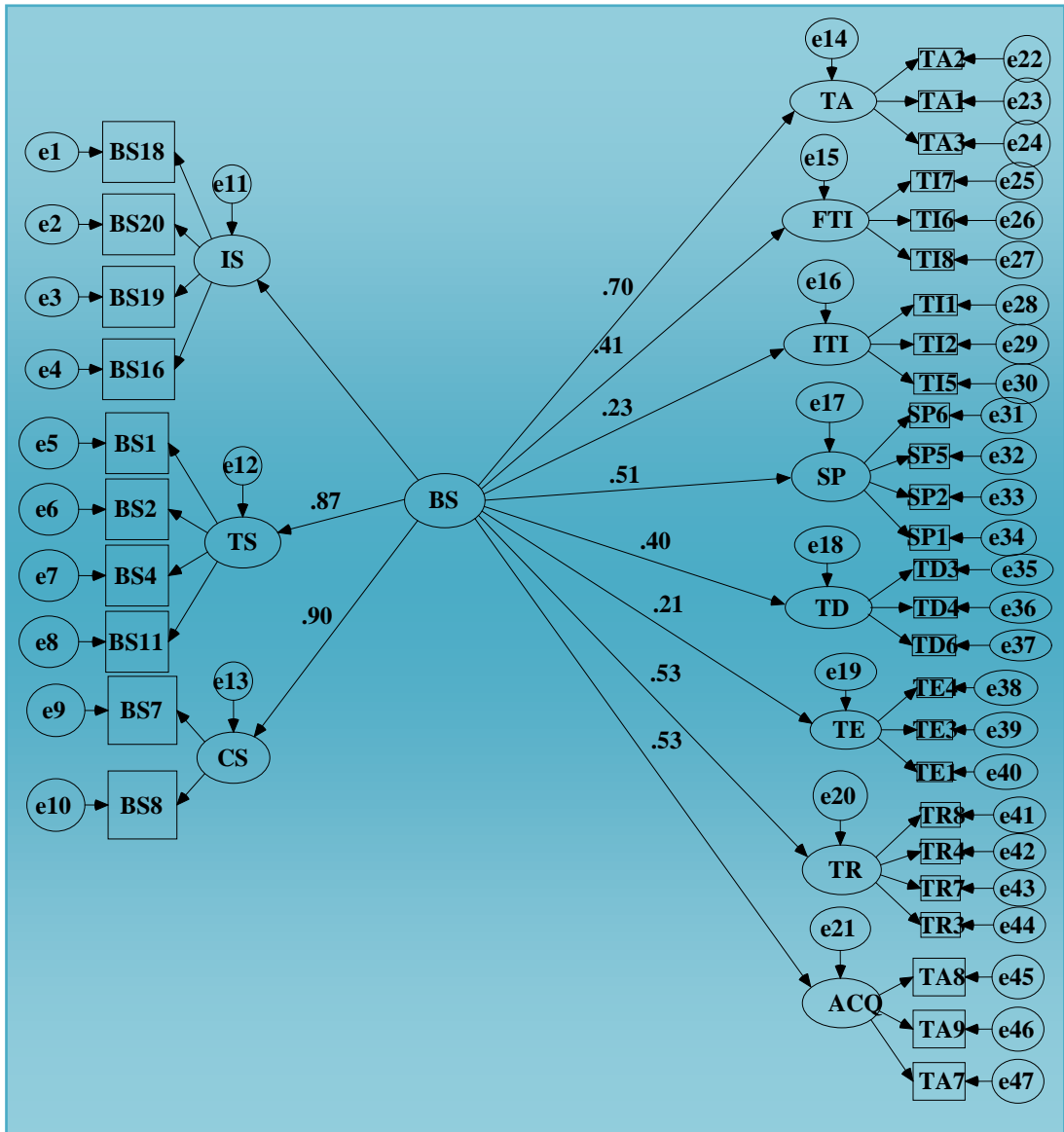**Figure 1: Impact of Business Strategy on Talent Management**

Figure 2: Impact of Business Strategy on Talent Management Practices

Major Findings

➤ Talent management is being practised in private banks (Manager's Mean=4.58).

➤ Private banks have structured business strategies (M=4.13) to manage and engage their employees for long term of time. It consisted of three strategies i.e. innovation strategy (M=4.17), talent strategy (M=4.05) and cost strategy (M=4.22).

➤ Talent management is a multi-dimensional construct consisting of eight practices i.e. talent attraction, formal talent identification, informal talent identification, succession planning, talent development, talent engagement, talent retention and talent acquisition. All the practices are positively correlated with each other.

➤ Business strategy is a significant predictor of TM and its all TM practices.

Theoretical Implications

In private sector, the study also has developed talent management as a multi-dimensional scale consisting of eight practices namely, talent attraction, formal talent identification, informal talent identification, succession planning, talent development, talent engagement, talent retention and talent acquisition. This is the major contribution in the field of talent management as it offers a reliable and valid new framework of TM. It provides a unique methodological, conceptual and strategic approach for measuring TM.

Managerial implications

Business Strategy: The present study revealed that business strategy is a significant predictor of TM and all it practices in the private banks. So, banks should align business strategy with talent oriented practices for right people with the right skills focused on the right initiatives at right time at right place to drive the accelerate business outcomes. This alignment also helps to develop and manage the best employees. The study has revealed that innovation strategy, talent strategy and cost strategy are the important dimensions of business strategy in banking sector, which help to implement TM and its practices successfully. Accordingly, managers need to focus on each strategy individually and implement them successfully to for best talent management. It also helps to provide special attention to high potential employees with unique and modernize HR strategies. So following strategic implications are recommended to enhance the business strategy.

➢ Banks should invest time and energy to develop innovative and flexible HR (especial talent oriented) practices, easy to use technologies for creative culture, which encourage employees to participate and innovate without a fear of failure.

➢ Banks should add more on operational innovation, product and service innovation, channel innovation, business and enterprise model innovation, innovation in internal process and innovation in payments. Moreover, mangers should also focus on creation and management of an innovation infrastructure, train and reward the employees for new ideas.

➢ Managers should also manage and maintain a portfolio of innovation investments and initiatives on products, services and HR for future decision makings. Overall, banks need to make the investment and sustain the environment and the culture of innovation.

➢ For innovation strategy, private banks should give continuous attention to their present as well as forthcoming products and services. As, the steadily growing range of products guarantees a modern banking experience that helps deepen existing customer relationships, attract new customers and also helps to motivate high potential employees within the workplace.

➢ Managers should give special attention to talent strategy at all level of management as it is key strategy, which helps organisations to identify, develop, deploy, engage and retain their critical talent. So, managers should have a good leadership quality for driving talent strategy in the system. The private banks should to constantly seek the new opportunities for managing and retaining their talented employees like job security. Further, talent strategy should focus on outcomes and measures for employee experiences, and on areas, which improve employee experience.

➢ Under talent strategy, banks should include talent review, talent analytics, talent identification, talent acquisition, talent engagement, talent development and talent retention strategies in their HR process. Finally, organisations should consider the TM practices, while framing strategic goals of the organisations.

Limitation and future research

Following are the limitation of the study: First, this study has single source of respondent i.e. bank managers, which might have been guided by their likes and dislikes. Second, this study is cross-sectional in nature, which can affect the extent of causality of relationship.

In the future, longitudinal study should be conducted. Further, researcher should tested more predictors of talent management like mentoring.

References

- Bano, S., Khan, M. A., Rehman, Q. H. U., & Humayoun, A. A. (2010). Schematizing talent management: A core business issue. *Far East Journal of Psychology and Business*, *2*(1), 4-16.

- Bethke-Langenegger, P., Mahler, P., & Staffelbach, B. (2011). Effectiveness of talent management strategies. *European Journal of International Management*, *5*(5), 524–539.

- Bhatnagar, J. (2007). Talent management strategy of employee engagement in Indian ITES employees: Key to retention. *Employee Relations*, *29*(6), 640-663.

- Branham, L. (2005). *The 7 hidden reason employees leave. How to recognize the subtle signs and act before it is too late* (1st edition). NY: AMACOM.

- Collings, D. G., & Mellahi, K. (2009). Strategic talent management: A review and research agenda. *Human Resource Management Review, 19*(4), 304-313.

- Edwards, M. R. and Bartlett, T. E. (1983), "Innovations in talent identification", SAM *Advanced Management Journal*, Vol. 48(4), 16-22.

- Farashah, A. D., Nasehifar, V., & Karahrudi, A. S. (2011). Succession planning and its effects on employee career attitudes: Study of Iranian governmental organisations. *African Journal of Business Management*, 5(9), 3605-3613.

- Greer, C.R., & Virick, M. (2008). Diverse succession planning: Lessons from the industry Leaders. *Human Resource Management, 47*(2), 351–367.

- Hausknecht, J. P., Rodda, J., & Howard, M. J. (2009). Targeted employee retention: Performance-based and job-related differences in reported reasons for staying. *Human Resource Management, 48*(2), 269-288.

- Heinen, J. S., & O'Neill, C. (2004). Managing **talent** to maximise **performance.** *Employment Relations Today, 31*(2), 67-82.

- Henderson, B. D. (1989). The origin of strategy. *Harvard Business Review, 67*(6), 139-143

- Highhouse, S., Lievens, F., & Sinar, E. F. (2003). Measuring attraction to organisations. *Educational and Psychological Measurement, 63*(6), 986-1001.

- Horvathova, P., & Durdova, I. (2010). The level of talent management usage at human resources management in organizations of the Moravian-Silesian Region. *Business and Economic Horizons*, *3*(3), 58-67.

- Horvathova, P., & Durdova, I. (2010). The level of talent management usage at human resources management in organizations of the Moravian-Silesian Region. *Business and Economic Horizons*, *3*(3), 58-67.

- Iles, P., Chuai, X., & Preece, D. (2010). Talent management and HRM in multinational companies in Beijing: Definitions, differences and drivers. *Journal of World Business, 45*(2), 179-189.

- Jyoti, J., & Rani, R. (2014). Exploring talent management practices: Antecedents and consequences. International Journal of Management Concepts and Philosophy, 8(4), 220-248.

- Kumar, A P, S. (2019). Aligning Talent Acquisition Practices to Strategic Business Objectives. *NHRD Network Journal*, 12(3), 261-269.

- Lee, F. H., Lee, T. Z., & Wu, W. Y. (2010). The relationship between human resource management practices, business strategy and firm performance: Evidence from steel industry in Taiwan. The International Journal of Human Resource Management, 21(9), 1351–1372.

- Lockwood, N. R. (2007). Leveraging employee engagement for competitive advantage: HR's strategic role. The Society for Human Resource Management Research Quarterly, 2-11.

- McDonnell, A. (2011). Still fighting the "war for talent"? Bridging the science versus practice gap. Journal of Business Psychology, 26(2), 169-173.

- Morton, L. (2005). *Talent Management Value Imperatives: Strategies for Successful Execution.* Research Report R-1360-05-RR, Conference Board.

- Olson, E. M., Slater, S. F., & Hult, G. T. M. (2005). The performance implications of fit among business strategy, marketing organisation structure, and strategic behaviour. *Journal of Marketing*, *69*(3), 49-65.

- Piansoongnern, O., Anurit, P., & Kuiyawattananonta, S. (2011). Talent management in Thai cement companies: A study of strategies and factors influencing employee engagement. *African Journal of Business Management*, *5*(5), 1578-1583.

- Porter, M. E. (1985). Technology and competitive advantage. *Journal of Business Strategy, 5*(3), 60-78.

- Puvitayaphan, A. (2008). Talent management practices in selected companies listed on the stock exchange of Thailand. *Educational Journal of Thailand*, *2*(1), 1-9.