

# LINKAGE BETWEEN TALENT MANAGEMENT, PSYCHOLOGICAL CONTACT AND ORGANIZATIONAL EFFECTIVENESS IN I.T. SECTOR

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## Abstract

The present study has made an attempt with a single objective of studying the linkage between Talent Management, Psychological Contract and Organizational Excellence in IT industry. The hypothesis tested is that there is no significant mediator role of psychological contract in between Talent Management and organizational effectiveness.

SEM was used for validity analysis, confirmatory factor analysis, coefficient of path analysis and regression analysis using AMOS 20. There is a significant direct and indirect effect of TM on OE. The present study concluded that the Talent Management has a significant impact on both psychological contract and organizational effectiveness whereas the psychological contract is also making a significant effect on organizational effectiveness in IT industries.

*Keywords: Talent Management, Psychological contract, Organizational Effectiveness, Linkage, Path analysis*

## INTRODUCTION

There is a transfer of people management to talent management in recent years especially in service industry (Schuler, 2015). The organizations have to implement the talent management to endure in the market place and to gain assorted individual and organizational benefits (Collings and Mellahi, 2009). The implementation of Talent Management gained competitive advantage in the market which results in organizational effectiveness (Farndale et al., 2010). The psychological contract (PC) between the employers and employees plays an important role in the achievement of the objectives of Talent Management (TM) (Gallardo et al., 2015). The PC acts as a mediator role in between TM and organizational effectiveness (Kahu, 2015). These are empirically tested and proved by fasting and Schafer, (2014) and Sonnenberg et al., (2014). The IT sector is not an exceptional case. Amiri (2015); Rostam and Azizi (2019) and Pillaria (2005) found and proved the influence of TM on the organizational effectiveness. However, there is no exclusive study related to the evaluation of mediator role of psychological contract in between TM and OE in IT sector at the national

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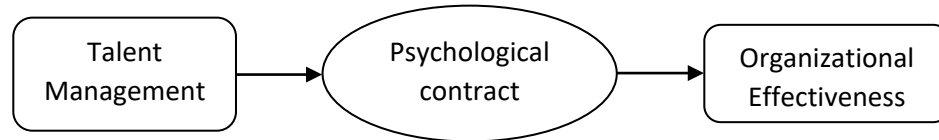
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level. In this juncture, the present study has made an attempt on this aspect with a single objective of studying the linkage between TM, PC and OE in IT industry.

### **THEORETICAL FRAME WORK**

The theoretical part of the research work covers the explanation, meaning, and measurement of three important constructs namely TM, PC and OE. The linkage is presented below.



### **TALENT MANAGEMENT**

Silger and Dowell (2010) defined the TM as a set of processes, programs, and norms, designed and applied to attract, organize, develop, and retain talent to meet imminent business needs. Talent management is the current capability of an employee to deliver exceptional performance in relation to what the organization wants to achieve (Swales 2013). TM focuses on the systematic identification, attraction, placement, development, engagement and retention of highly potential employees (Sonnenberg et al., 2014). In the present study, the talent management covers the aspects of training, job rotation, organizational learning, workshop and events, coaching by managers, knowledge sharing, development programmes, and conferences (Ashton and Morton, 2005).

### **PSYCHOLOGICAL CONTRACT**

The psychological contract first used by prgyris (1960) who considered the formal, implicit and unwritten agreement between two parties. The PC refers to the beliefs of individuals regarding terms and conditions of a mutual exchange agreement between the individual and organization (Rousseau, 1989). It is based on perceived promises between the employees and their organization (Morvison and Robinson, 1997). It is a set of assumptions and expectations between a specific employee and specific employer (Edwards and Karau, 2007). In the present study, it is estimated by career path in the organization, reciprocation of the organization, expectation to grow in the organization, feel of attachment, organizational motivation, reasonable chance for promotion, organizational citizenship behaviour, reward for hard work in the organization and team spirit (Katou, 2015).

### **ORGANIZATIONAL EFFECTIVENESS (OE)**

Organizational effectiveness is the effectiveness of the organization to fulfill its goals within a prescribed time (Price, 1972). It is the efficiency of organization to convert the inputs into output (Roy and Dugal, 2005). The OE is also defined as the effectiveness of organization to fulfill its stakeholder's expectations (Coronolly et al., 1980). It refers the effectiveness of the organization to develop both employees and organization in a balanced way (Quinn and Rohrbaugh 1981). In total, it is the ability of organization to achieve its goals, satisfy the stakeholders, to adjust and adopt the changes, optimize the resources, compete the competitors, delivery of innovative product, and right produce at right time at right price (Potnuru and Sahoo, 2016). In the present study, it is measured by adaption to new market conditions, Innovate new products/services, identify new business opportunities, anticipate potential market, Quickly adapt for market changes, react to new information about the market, to responsive to new market demands, streamline its internal processes, and decrease market response times (Fapohunda, 2014).

## REVIEW OF PREVIOUS STUDIES

Raja and et al., (2004) found the significant impact of TM on psychological contract. Thunnissen (2016) noticed the enrichment of OCB by the implementation of talent management. Wadongo and Abdel (2014) found the positive relationship between psychological contract and organizational effectiveness which is also supported by Banerjee et al., (2012). Potnuru and Sahoo (2016) noticed the mediator role of psychological contract in between HRM practices and organizational outcomes. Abdullah (2017) revealed the significant mediator role of psychological contract in between talent management practices and organizational effectiveness which is also confined by Festing and Schafer, (2014), Based on the reviews, the present study formulate the Null hypothesis.

$H_N$ : There is no significant mediator role of psychological contract in between Talent Management and organizational effectiveness.

## RESEARCH METHODOLOGY

The present study is casual in nature since it evaluates the cause and effect relationships between the three important constructs. The required data for the study were collected from employees in IT field at Chennai. Population of the study was top and middle level management staff serving in IT companies at Chennai. The population of the study is 69,886. The sample size of the study was calculated by using Yamane (1967) formula of  $n = \frac{N}{N^2 + 1}$ . The sample size came to 398. The online survey questionnaire was used to collect the required data. Nulty (2008) justified the response rate on online questionnaire as 20 to 25 per cent. But the present study reached 39.91 per cent to 398.

## INSTRUMENT AND MANAGEMENT

Talent management was measured by practices recognized by Tatoglu et al., (2016). Psychological contract was estimated by 9 items whereas the organizational effectiveness is measured by 8 items. All items are measured by seven point scale. SEM was used for validity analysis, confirmatory factor analysis, coefficient of path analysis and regression analysis using AMOS 20.

## DATA ANALYSIS AND RESULTS

The validity analysis was carried out initially. The results are shown in Table 1.

TABLE 1

Sl. No	Constructs	Mean (SD)	Skewness (std error)	Kurstosis- (std error)	Correlation coefficient		
					1	2	3
1.	Talent Management (TM)	3.45 (0.89)	-0.06 (0.15)	-0.69 (0.31)	1		
2.	Psychological contracts (PC)	4.13 (1.09)	-0.52 (0.13)	-0.18 (0.24)	0.43*	1	
3.	Organizational Effectiveness (OE)	4.24 (1.11)	-0.64 (0.15)	-0.14 (0.22)	0.47*	0.46*	1

The mean value of TM, PC and OE are 3.45, 4.13 and 4.24 respectively with the standard deviation of 0.84, 1.09, 1.11 respectively. The skewness and kurtosis were computed to check the data normality. These are only in the acceptable range of -3 to +3 (Ghasemi and Zahediosl, 2012). The correlation coefficients are only at a moderate level but these are lesser than 0.90 which avoid the problem of multi collinearity (Tabachnick and Fidell, 2007).

The reliability is tested by composite reliability, Average variance extracted and Cronbach alpha, These are given in Table 2.

**TABLE 2 Reliability Analysis**

Sl. No.	Constructs	Constructs alpha	Factor loading	Composite reliability	Average variance Extracted (in%)
1.	Talent Management	0.9291	>0.6899	0.8997	58.82
2.	Psychological contract	0.8704	>0.6411	0.8522	54.91
3.	Organizational effectiveness	0.8846	>0.6599	0.8417	53.42

The internal consistency in each construct is proved by Cronbach alpha which is greater than 0.70 (Nunnally, 1978). The content validity is proved since the factor loading of variables in each construct are greater than 0.60 (Fornell and lencker, 1981). The convergent validity is justified due to the composite reliability and AVE respectively (Hu and Bentler, 1999).

### HYPOTHESIS TESTING USING STRUCTURAL EQUATION MODELLING (SEM)

The SEM was used to evaluate the direct, indirect effects of constructs developed for the study. The evaluated results are shown in Table 3.

**TABLE 3 Direct and Indirect effect**

Sl. No	Paths	Direct Effect	Indirect effect	Total effect	Ration of indirect effect to total effect
1.	TM OE	0.4734	-		
2.	TM PC	0.4806*	-		
3.	PC OE	0.3411*	-		
4.	TM PC OE	0.3642*	0.6043	39.73%	

\*Shows  $P < 0.05$ ; TM-Talent Management; PC-Psychological Contract;

OE- Organizational effectiveness.

The above table shows the significant direct effects of the three constructs developed for the study since its path coefficients are significant at five per cent level. The higher significant positive relationship is seen between TM and PC since its path coefficient is 0.4806. There is a significant direct and indirect effect of TM on OE whereas the direct effect of 0.3642 and indirect effect of 0.2401 are significant at five per cent level. The contribution of indirect effect of TM on OE i.e., through PC is 39.73 per cent which reveals the significant mediator role of PC in between TM and OE which reject the Null hypothesis developed for the study.

### CONCLUDING REMARKS

The present study concluded that the Talent Management has a significant impact on both psychological contract and organizational effectiveness whereas the psychological contract is also making a significant effect on organizational effectiveness in IT industries. The psychological contract is also playing a significant mediator role in between the talent management and organizational effectiveness. Hence the present study recommends that the initial focus of

talent Management should be on psychological contract among their employees and their organizational effectiveness in IT sector.

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