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Exploring talent management in India: The neglected role of intrinsic rewards

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ABSTRACT

The challenge of global talent management is critical to firm success. Even with the global economic slowdown of 2008 and 2009, there are continuing challenges in attracting, managing, and retaining talent, especially in the developing regions of the world where economic activity has outpaced the availability of skilled employees. To examine this situation, we develop and test a model of talent management across 28 Indian firms involving 4811 professional-level employees. The intrinsic rewards experienced are a critical element in employee retention, satisfaction with the organization, and career success. We explored four antecedents of intrinsic rewards: the social responsibility of the employer, pride in the organization, manager support, and performance management (PM). We found support for the importance of intrinsic rewards as a mediating variable, as well as for the moderating role of certain hygiene factors. Our research suggests multinational, international, and national employers may have non-pecuniary mechanisms to promote retention and employee satisfaction, even in challenging labor market environments. We conclude by proposing implications for research and global HRM practices.
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1. Introduction

For organizations across the globe, talent management of knowledge workers and managers is of strategic importance. Organizations are facing severe difficulties recruiting and retaining the necessary talent to support global operations (Scullion, Caliguiri, & Collings, 2008). Although companies are facing talent management difficulties in several regions of the world, the challenges are most acute for young professionals and new managers in emerging markets—India is a prime example. There have not been enough qualified candidates to meet the demand for talent during periods of economic expansion, corporate growth, and low unemployment. For example, a McKinsey study reported human resource professionals would consider hiring only 10–25% of India's 14 million university graduates to work in multinational companies because they lack the necessary training, language skills, and cultural awareness (Holland, 2008) required in global corporations. Equally challenging has been their retention of knowledge workers beyond 2–3 years. In India, the information technology (IT) and business process outsourcing (BPO) sectors experience annual attrition rates of 30–45% (Bhatnagar, 2007). The economic downturn of 2008–2009 has had little effect on the retention challenges for IT professionals in India. Their value has increased when firms reduce their labor costs by laying-off unskilled and semi-skilled workers. Firms need their IT professionals to provide software and systems to replace these workers (Chopra, 2009).

The need for effective talent management is gaining attention in the area of cross-cultural influences on work motivation and job performance (Bhagat & McQuaid, 1982; Earley, 1997; Steers & Sanchez-Runde, 2001; Triandis, 1995). Yet, there has been little research taking a comprehensive view of talent management in emerging markets—i.e., the best practices for the attraction, on-boarding, development, appraisal, motivation, retention and/or redeployment of professional talent. Research that investigates the degree to which professional employees' engagement in their work might influence retention is sparse. One study, with a modest sample, suggests that the intrinsic rewards associated with work engagement may lead to high retention (Bhatnagar, 2007). Larger samples across firms with reliable construct measures are needed to advance our understanding of how the intrinsic rewards experienced affect the talent management of knowledge workers in emerging markets.

In the *Call for Papers* for this issue, Scullion, Caligiuri, and Collings note that organizations are often unsuccessful in deploying their talent effectively once recruited (Bryan, Joyce, & Weiss, 2006). The expensive process of hiring is followed by attrition as on-boarding, managerial support, and PM systems are often ignored for these

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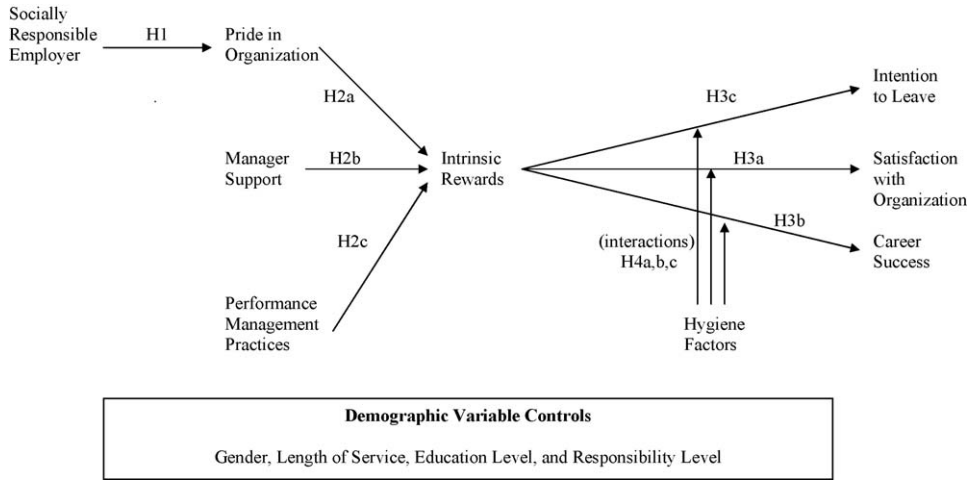

Fig. 1. Proposed model of talent management in India.

newcomers. By examining organizational and intrinsic influences on employee retention in Indian companies, we respond to the call for greater attention to these challenges in defining and testing our research questions (Campbell, Daft, & Hulin, 1982; Cascio, 2008; Sackett & Larson, 1990). As Luthans, Zhu, and Avolio (2006) note in their study of efficacy, there is an urgent need to empirically investigate the relevance and operation of constructs to critical organizational issues in non-Western cultures.

The Indian environment presents an especially interesting setting for exploring these questions. India is one of the world's largest and most dynamic economies. India was not only the first poor country in the world to choose a democratic form of governance, it also was the first country with grinding poverty to give priority to the development of technical skill and the state-of-art education in technology.[3] As a post-Colonial country, India retains strong vestiges of the British approach to organizations and hierarchy. Notwithstanding recent strides, India's notorious "License Raj" involved an elaborate system of licenses, regulations and accompanying red tape in order to establish a business. This continues to hamper the country's development. These characteristics blend and interact with indigenous (pre-colonial) cultures that are, in turn, related to India's diverse ethnic, religious, and geographic make-up to create a complex and challenging business environment. When compared to the United States and Western European countries, Indian culture has been found to be high in "power distance"—Indians are comfortable with, and accepting of, differences in power and influence in societies and organizations (Hofstede, 2001). India is also much more "collectivist" than the Untied States or Western Europe, suggesting that rewards and incentives may need to be structured differently than in Western cultures (Hofstede, 2001).

Drawing on prior research on global HRM, talent management, and motivation (for reviews see Ambrose & Kulik, 1999; Mowday, Porter, & Steers, 1982; Pinder, 1998; Steers, Mowday, & Shapiro, 2004), we investigate variables grounded in research that contribute to talent management and retention across a variety of employers – MNCs, those with international operations, and nationally focused. The study involved designing a survey based on research on global HRM practices that would have practical relevance to Indian employers so as to gain sponsorship with a random sample of their employees. Six talent management variables (intrinsic rewards, hygiene factors, performance management, pride in the organization, manager support, and social responsibility) and three outcomes (satisfaction with the organization, career success, and intention to leave) met these criteria.[4]

Our theoretical perspective focuses on the role of intrinsic rewards in contributing to employee satisfaction with their organization, career success, and intention to leave (Hall & Chandler, 2005; Mowday, Porter, & Steers, 1982; Steers, Mowday, & Shapiro, 2004). These intrinsic rewards with outcome relationships were expected to vary based on employee satisfaction with a cluster of hygiene factors—compensation, benefits, and location (Herzberg, 1966). The remaining four variables of interest were viewed as antecedents of intrinsic rewards (Mitchell, Holtom, Lee, Sablynski, & Erez, 2001): PM practices (Macey & Schneider, 2008), pride in the organization (Branco & Rodrigues, 2006), manager support (Gomez & Rosen, 2001), and social responsibility (Bhattacharya, Sen, & Kerschun, 2008). A model of these relationships is shown in Fig. 1, placing intrinsic rewards in a central position.

2. Talent management and intrinsic rewards

This model views critical aspects of retention – satisfaction with the organization, career success, and intention to leave – as being shaped by employee perceptions about their organization (being socially responsible, worthy of pride, providing managerial support, and employing fair PM practices), in addition to hygiene factors (Herzberg, 1966). A variable which has been generally neglected in discussions of retention in emerging markets is the intrinsic rewards associated with performing work (Bhatnagar, 2007). This is particularly relevant to those in professional and managerial positions. We address this by including a well-validated measure (Thomas, 2009b; Thomas, Jansen, & Tymon, 1997; Thomas & Tymon, 1994).

2.1. Social responsibility

Social responsibility is hypothesized to contribute to pride in the organization. Branco & Rodrigues (2006) argue that a good

[3] Amartya Sen, IT and India (Keynote address at the NASSCOM 2007 India Leadership Forum in Mumbai on 7 February, 2007) online edition of The Hindu. http://www.hindu.com/nic/itindia.htm.

[4] The project was a two-year collaboration among a faculty team from the Villanova School of Business, Villanova University and a global HR/talent management consultancy, Right Management, on workplace practices and employee attitudes in emerging markets. The academic researchers, including two faculty members with experience in professional service firms, were approached by Right Management to design a rigorous study to better understand retention challenges and talent management practices within India as the "war for talent" was beginning to cripple profitable growth. The academic researchers were responsible for the development of all constructs and measures.

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