



The role of talent-perception incongruence in effective talent management



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ABSTRACT

This study examines the effect of talent management (TM) practices, differentiation strategies, and incongruent talent perceptions in terms of psychological-contract fulfillment. The outcomes of the quantitative analysis of 2660 respondents within 21 organizations show the importance of actively attending to talent-perception incongruence. Incongruence occurs in situations where the organization's executives perceive an individual as 'talent', but the individual is unaware of this, and also the other way around: the situation in which the organization's executives do not consider an individual as 'talent' while the individual believes that they do. Although the increased use of TM practices is related to higher psychological-contract fulfillment, this relationship is negatively affected by incongruent talent perceptions. Our results show the importance of clearly defining talent and communicating this clearly to all employees. This is particularly important when the talent strategy is perceived as exclusive rather than inclusive.

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1. Introduction

Although access to the best talent has always been essential if organizations are to be successful, talent management (TM) and talent-differentiation strategies have taken on heightened importance in the Human Resource Management-discipline as a result of a combination of demographic, labor market, and competitive pressures (Boudreau & Ramstad, 2007; Cappelli, 2008; Cheese, Thomas, & Graig, 2008; Farndale, Scullion, & Sparrow, 2010). Even though these developments are recognized, empirical research regarding the effects of TM and talent differentiation remains scarce. TM practices can be seen as communication mechanisms, ones that signal the expectations of the organization regarding the desired behaviors of employees, and also the organization's reciprocal promises to these employees (Guest & Conway, 2002; Sonnenberg, Koene, & Paauwe, 2011). Based on these signals, employees make sense of their employment relationship, they will

adjust their behavior based on how they think the organization perceives them in terms of value and potential. In line with this, it is important to understand the influence of organizational choices with regard to TM and talent differentiation on the individual employee.

Organizations vary in their definition of talent and the degree to which they make the distinction between the 'talented' and others explicit. Currently, the discussion on how to manage and differentiate talent is focused on organizational-level approaches (CIPD, 2006). As a consequence, the impact on employees remains unknown. In order to fill this void through research, this study investigates the effects of TM practices and the differentiation strategy of an organization on the employment relationship in terms of employees' evaluation of their psychological contract, i.e. the degree to which employees perceive the organization has lived up to promises made. In previous empirical research, this has been linked to several TM outcomes such as turnover and commitment (e.g. McLean Parks & Schmedeman, 1994; Robinson & Rousseau, 1994). Insights into how to influence psychological-contract fulfillment is especially of great value to organizations with regard to their 'talented' employees.

In order to have the desired impact on employees' attitudes and behavior, it is essential that employees' perceptions are in line with the distinction made by the organization. Incongruence in talent perception occurs in situations where the organization's executives perceive an individual as 'talent', but the individual is

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unaware of this, and also the other way around: the situation in which the organization's executives do not consider an individual as 'talent' while the individual believes that they do. In these situations, the talent perceptions of the employee and of the organization do not match, and are thus incongruent. To date, the effect of incongruence on the effect of TM on employees' attitudes and behavior is an unexplored domain within TM research. Alongside investigating the relationship between TM practices and the talent-differentiation strategy on the one hand and employees' psychological-contract evaluation on the other, we therefore also examine the mediated effect of differences in talent perception on this relationship.

In the sections that follow, we first discuss the theoretical background to the study and establish the relevance of psychological-contract fulfillment as an important variable and outcome of TM and talent-differentiation strategies. We also investigate the mediating role of incongruence in talent perception on the relationship between these organizational-level activities and the psychological contract. This leads to the formulation of our hypotheses (Section 2). The research methodology is presented in Section 3, followed by the results of our analyses in Section 4. The results are then discussed in Section 5. In Section 6, the limitations and implications for the future of TM research are described. Our main conclusions are presented in Section 7, and the managerial relevance and implications discussed in Section 8.

2. Theoretical background

2.1. Psychological-contract fulfillment

In recent years, the concept of the psychological contract has gained increased attention. It is now seen as an important concept in understanding the exchange relationship between organizations and employees. In essence, it connects the individual to the organization. In line with Rousseau (1995, p. 9), the psychological contract can be defined as "an individual's belief, shaped by the organization, regarding reciprocal obligations". Psychological contracts are shaped by the interaction of an individual with his or her organization through several organizational practices (e.g. Sonnenberg, 2006; Westwood, Sparrow, & Leung, 2001). Although psychological contracts tend to be unique to each individual, an organization's particular practices encourage the development of one type of contract over another through the sort of messages or 'signals' they send to employees. Three elements of the psychological contract are distinguished in the current literature (e.g. Freese, 2007; Rousseau, 1995):

- Perceived employee obligations: such as the obligation to cooperate well, promises about commitment and performance, loyalty, and respect;
- Perceived employer obligations: such as promised possibilities for training and development, career opportunities, and a good working environment;
- Psychological-contract evaluation, which can be measured in terms of perceived fulfillment or violation of employer obligations.

Contrary to formal legal contracts, psychological contracts are subjective and exist only in the minds of the individual/employee (Suazo, Martinez, & Sandoval, 2009). This inherently provides room for different interpretations (Rousseau & Tijoriwala, 1998). When the employee's interpretation of the employer's and/or the employee's obligations that constitute the psychological contract diverge from their interpretation by the organizational representatives, conflict situations can occur. These in turn will influence the evaluation of the psychological contract and subsequent attitudes and behaviors.

A great deal of research has focused on the evaluation of psychological contracts and the consequences for individual performance. Psychological-contract fulfillment reflects an employee's perception that the organization has fulfilled its side of the psychological contract (Henderson, Wayne, Shore, Bommer, & Tetrick, 2008). Social exchange theory (Blau, 1964; Shore & Barksdale, 1998) suggests that employees seek balance in their employment relationship and will reciprocate according to their perception of the existing balance. When employees feel that the organization is not living up to its promises (in terms of fulfilling the psychological contract), they will modify their behavior accordingly. Previous research has found relationships between the degree of psychological-contract fulfillment and outcomes such as neglect, intention to leave, satisfaction, organizational citizenship behavior, turnover, intention to remain, loyalty, and voice (Lewis-McClear and Taylor, 1998; Robinson & Morrison, 1995; Robinson & Rousseau, 1994; Turnley & Feldman, 2000). All these are relevant outcome variables when considering the effectiveness of TM strategies and practices. In this study, we therefore focus on the degree of psychological-contract fulfillment as our dependent variable, and assume a close connection with these types of highly relevant attitudinal and behavioral outcomes.

Researchers recognize that psychological contracts develop at key moments in the employment relationship, such as when recruited, at performance reviews, during training, during compensation discussions and outcomes, and during other events where organizations express their plans for the future (e.g. Robinson, Kraatz, & Rousseau, 1994; Rousseau & McLean Parks, 1993; Rousseau, 1995). As such, the way that TM is designed in organizations, through its strategies, practices, and actions aimed at managing and shaping the employment relationship, can therefore be considered as particularly instrumental in shaping psychological contracts. Given the TM practices and talent strategy of the organization, employees are able to make sense of their employment relationship. Through these aspects, employees are provided with information on what skills and behaviors the organization values, and the how the organization perceives them in terms of value and potential or talent. TM in essence has a 'signaling' value (Spence, 1973) and communicates all kinds of values and expectations of the organization to its (talented) employees.

2.2. Talent and talent perception

Clearly, a starting point for all studies concerning TM is the definition of the concept of talent (e.g. CIPD, 2006). For our study, this raises two immediate questions:

- (1) Is it really effective to have a single universal definition of 'talent'?
- (2) Whose perspective of talent should be considered (i.e. employee or employer)?

In fact, organizations differ widely in their perspective on talent. A common distinction that organizations make concerns whether talent is seen as relating to a specific group of employees or to all employees (e.g., Lewis & Heckman, 2006). Although it might seem that the latter approach makes no distinction, in practice people implicitly have an understanding of who the 'talents' of their organization are. Most organization that do make a distinction between groups of employees tend not to label a specific group as 'talents'. The most commonly mentioned distinctions in the literature refer to so-called 'high-potentials' and 'high-performers' or some combination of both (e.g., Blass, 2007; CIPD, 2006; Tansley, 2011). High-potential employees might, for instance, be defined as employees who have the ability,

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