

# PERFORMANCE MANAGEMENT – EFFECTIVE TOOL FOR TALENT MANAGEMENT

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## ABSTRACT

*In today's business environment due to high complexities and competitive priorities organizations need to devise, implement, monitor employees performance through systematic approach known as performance management. It plays a crucial role in motivating and retaining people. Performance management is a structured process which is helpful to achieve both individual and organizational objectives. Effective functioning of organization depends on how they hire, train, motivate and retain talent. In order to attain competitive advantage the main management strategies of organization are investment in development of human intellectual capital, motivate and increase the performance through various human resource applications. Thus performance management considered as a critical human resource application that impacts both individual as well as organizational performance. Present research is focused on how performance management acts as tool for talent management. The research is carried out by administering structured questionnaire to 300 IT employees who are working in different IT companies. Research findings revealed that the performance management plays major role in performance planning, motivating, developing and retaining talent in the organisation.*

**Keywords – Performance Management, Talent Management, Human resources.**

## I. INTRODUCTION

Performance management systems are the key determinants of an organization's long-term success or failure. If employees are not happy or do not agree with the performance management system, they are likely to be unwilling to take an active part in the process because they do not see any value of it. As a result, the organizational performance and productivity would decrease due to the inefficient employee performance. Performance management is the means through which managers ensure that employees' activities and output are congruent with the organizational goal. It is central to gaining competitive advantage, and comprises three phases- defining performance, measuring performance, and taking a feedback on the performance. Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by

the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees.

## II. REVIEW OF LITERATURE

Fletcher (1996) suggested that the main building blocks of a performance management system approach include: development of the organization's mission and objectives; enhancing communication within the organization so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation; clarifying individual responsibilities and accountabilities; defining and measuring individual performance; implementing appropriate reward strategies, and developing staff to improve performance, and their career progression further in the future. Bacal (1999) defines performance management as an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about: the essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance; how performance management will be measured, and identifying barriers to performance and removing them. Millar (2007) built a framework of talent management which consists of planning, recruiting, performance, learning, career development, succession planning, compensation, and measuring and reporting. In order to organize a company effectively, companies must rethink how they hire, train and reward their employees; therefore the employees could be encouraged to be competitive. Stevers & Joyce (2000) According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. According to this respect, performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity. Macky and Johnson (2000) pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee performance by using performance management system is a way to improve organizational performance.

## III. OBJECTIVES OF THE STUDY

- To identify the employees opinion towards existing performance management system in organisation.
- To find out the relation between performance planning and talent retention
- To assess whether talent development influences talent retention.
- To identify the role of motivational variables in talent retention.
- To suggest ways for effective implementation of performance management system in organisation.

## IV. RESEARCH METHODOLOGY

The Research study is descriptive in nature. The questionnaire was designed to collect the responses of the employees who are working in various selected IT companies. The questionnaires were distributed to 350

employees. Out of which 300 responses were received. The sample consists of various categories of employees which includes software engineer, senior software engineer and team leaders. The questionnaire consists of three sections. The first section consists of demographic profile of respondents. The section two consists of questions related to performance planning, performance motivation and performance development. The third section consists of questions related to employee talent retention behaviour. The respondents were asked to rate their opinion on Likert five point scale with the options of 5-Strongly agree, 4- Agree, 3-Neutral, 2-Disagree and 1 – Strongly disagree.

## **V. RESULTS & DISCUSSION**

The data was analyzed using IBM SPSS 21 version. First the data was tested for reliability by determining Cronobach's alpha which is 0.914.

## **VI. PERFORMANCE PLANNING AND TALENT RETENTION**

The performance agreement that emerges from the planning process is based on the joint discussion and agreement of roles, objectives, performance standards and capability requirements. Performance agreements set the direction and form the basis for measurement, feedback, assessment and development in the performance management process. They define expectations the results to be achieved and the skills, knowledge, expertise and capabilities required to attain these results. They also identify the measures used to monitor, review and assess performance. Provision is made for monitoring and reviewing progress without supervision being oppressive. Managers are prepared to provide whatever support is required by an individual through coaching and counselling. The overall mean score of performance planning is 3.71 which indicate performance planning plays major role in setting performance standards sets the direction for effective performance. The relation between performance planning and talent retention explained with correlation and regression.

## **VII. H<sub>1</sub>: PERFORMANCE PLANNING HELPS TO SET PERFORMANCE STANDARDS WHICH INFLUENCE TALENT RETENTION**

The performance planning in organisation considered as independent variable and talent retention as dependent variable. The influence of performance planning on talent retention is measured through correlation and regression analysis. Results of correlation stated that there is a positive relationship between performance planning and talent retention with r-value of 0.589 and significant at 0.01 level with p-value of 0.000 one tailed. The results of regression analysis reveal that model is significant with R<sup>2</sup> value of 0.347. The value of R<sup>2</sup> shows the fitness of the model as performance planning contributes 34.7 % of talent retention. The regression coefficient for independent variable is 0.589, which suggests that performance planning contribute 59% of change in dependent variable. On the basis of these results H<sub>1</sub> is accepted.

## **VIII. PERFORMANCE MOTIVATION AND TALENT RETENTION**

Continuous motivation helps employees to gain a sense of achievement. Talent expects empowerment with congenial climate for effective performance. Praise and appreciation of talent enhances talent retention rates.

The overall mean score of performance motivation is 3.54 which indicates that talent motivation is important in organisation. The relation between performance motivation and talent retention explained with correlation and regression.

## **IX. H<sub>2</sub>: PERFORMANCE MOTIVATION ENHANCES TALENT RETENTION**

The performance motivation in organisation considered as independent variable and talent retention as dependent variable. The influence of performance motivation on talent retention is measured through correlation and regression analysis. Results of correlation stated that there is a positive relationship between performance motivation and talent retention with r-value of 0.686 and significant at 0.01 level with p-value of 0.000 one tailed. The results of regression analysis reveal that model is significant with R<sup>2</sup> value of 0.485. The value of R<sup>2</sup> shows the fitness of the model as performance motivation contributes 48.5 % of talent retention. The regression coefficient for independent variable is 0.686, which suggests that performance motivation contribute 68.6% of change in dependent variable. On the basis of these results H<sub>2</sub> is accepted.

## **X. PERFORMANCE DEVELOPMENT AND TALENT RETENTION**

Performance management helps to develop skills and capabilities of employees. Continuous feedback, coaching and counselling helps to retain talent in the organisation. The overall mean score of talent development is 3.51 which indicates individual and team performance development leads to high talent retention. The relation between performance development and talent retention explained with correlation and regression.

## **XI. H<sub>3</sub>: PERFORMANCE DEVELOPMENT IMPACTS TALENT RETENTION.**

The performance development in organisation considered as independent variable and talent retention as dependent variable. The influence of performance development on talent retention is measured through correlation and regression analysis. Results of correlation stated that there is a positive relationship between performance development and talent retention with r-value of 0.487 and significant at 0.01 level with p-value of 0.000 one tailed. The results of regression analysis reveal that model is significant with R<sup>2</sup> value of 0.238. The value of R<sup>2</sup> shows the fitness of the model as performance motivation contributes 23,8 % of talent retention. The regression coefficient for independent variable is 0.487, which suggests that performance development contribute 48.7% of change in dependent variable. On the basis of these results H<sub>3</sub> is accepted.

## **XII. CONCLUSION**

In this dynamic and competitive business era organizations are facing challenges in talent management. Talent management of talented worker is becoming of great importance for the organizations which are working on global level. The demand for key position talented employees is high because those are the persons who will steer the organization and will be responsible to take the organization towards the peak of success, this is the reason organizations are in a state of fight for the best people. Talent management also aims at developing and deploying the right people at the right job on the right time and providing them the right environment to show

off their abilities in a best possible way for the organizations. Performance management acts as tool for effective talent retention which consists of clear job descriptions, effective training & feedback, conducting periodic performance development discussions, effective compensation and recognition system. Rewarding people for their contributions and career developmental opportunities.

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