



## Talent Management's Impacts on Employee Retention: A Case Study in the Hospitality Sector

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### Abstract

#### Design/methodology/approach:

This study is based on a sample of 385 hospitality sector respondents in Chennai who answered questionnaires. Partial Least Square (PLS) 3.0, Structural Equation Model, and IBM SPSS v23 were used to analyse the data (SEM).

#### Findings:

These results demonstrate that all of the suggested variables are significantly correlated. The results also show that the assessment is appropriate because it satisfies every requirement for convergent validity, discriminating validity, and reliability.

#### Research limitations/implications:

Future researchers are urged to expand the research model to include new factors and mediating variables.

#### Consequences for practice:

The research study offers important knowledge on the topics of talent management and staff retention. Reviewing and using this data for future study will therefore be advantageous to the hotel sector as well as other parties like other scholars.

**Keywords:** Talent Management, Employee Retention, Hospitality Industry

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### Introduction

An organization's heart and skeleton are its employees. Holding the key to staff retention is crucial because it keeps the firm moving in the correct direction. Regardless matter whether a company is a multinational corporation (MNC) or a small to medium enterprise (SME), a set of tactics targeted at meeting employee demands should be adopted in order to retain the finest talent (Hong, Hao, Kumar, Ramendran, and Kadiresan, 2012). Retaining employees is vital because it will have a significant impact on both the profitability of the company and the employees' overall performance (Knott, 2016). Losing key talent

costs significantly greater considering the fact that those employees' impact and contribution are greater than other employees (Wade et al., 2012).

The government has established six strategic thrusts in the Eleventh Indian Plan to help India keep ahead of the opportunities and challenges presented by the rapidly evolving global and political landscape (Eleventh India Plan, 2016) Lack of knowledge of the significance of human resource and talent management is one of many causes for the ineffective management of human capital (Hornsby and Kuratko, 2003; Kumar, Antony, and Tiwari, 2011; Saleh and Ndubisi, 2006). Retaining outstanding talent from a company that has been acquired

can strongly signal to the staff how they will be treated (Harding and Rouse, 2007). Key individuals can be viewed as "knowledge banks" regardless of the business they work in, and these people are not always found at the top of the organisation (Lord and Ranft, 2000). In 2015, India had the second-highest involuntary turnover in South East Asia (Astro Awani's article, 2015), at 6%, and the third-highest voluntary turnover (at 9.5%). Meanwhile, in hospitality industry, few scholars agreed that hospitality organization is experiencing the level of employee turnover higher than average (Guilding, 2014).

### **Literature Review Talent Management**

Any firm, regardless of industry, needs to have the right expertise on staff if it wants to expand and be innovative. The ability of the organisational capabilities can be strengthened through personnel management to ensure organisational success (Iles, Chuai, and Preece, 2010). People in the organisation who are deemed to have "talent" are given access to additional management processes and opportunities through talent management (James Sunday Kehinde, 2012). Effective talent management, according to Kontoghiorghes (2016), suggests that talented employees start to consider themselves as part of the organisation, bring value to it, and stay loyal to it. The proper people are in place, consisting of seasoned professionals who have excelled in their respective professions and possess the necessary ethics, abilities, and experience, and it ensures that employees maintain professionalism in all aspects of their business activities (Nzewi, Chiekezie, and Ogbeta, 2016).

In this study, talent management is measured using career development, employee engagement, performance management, and competency mapping which is discuss further below. Career development describes the process throughout life managing life, learning and work involves individuals planning and

decision making about education, training and career choices, as well as develop the skills and knowledge to make this right (Lyria, Namusonge, and Karanja, 2017). According to Kong, Cheung, and Song (2012) career development focuses on what they want to achieve with effort to enhance employee's career competencies.

In other words, it has to do with personal significance, concern for networks and contacts, profession-relevant knowledge and competence, and career motivation. The attitudes, objectives, and behaviours of an individual influence their level of employee engagement (Ram and Prabhakar, 2011). Interest in the idea of job engagement and its role in artistic performance and competitive advantage has grown over the past 10 years (Slitten and Mehmetoglu, 2011). Additionally, it has been noted by Richman, Civian, Shannon, Jeffrey Hill, and Brennan (2008) as well as Shaw and Bastock (2005) that engaged workers exhibit high levels of attachment to their employers and/or organisations.

Employee Retention Nowadays, employee retention has become one of the major concerns because of the impact to the organization. Employee retention refers to policies and practices that companies use to prevent precious employees from leaving their job. It involves taking measures to encourage employees to stay in the organization for the maximum period of time. Hiring knowledgeable people for the job is a must for an employer. However, retention is even more important than hiring.

This is true because many businesses undervalued the expenses associated with key personnel turnover (Ahlrichs, 2000). According to Iles et al. (2010), an employer's systematic efforts to create a favourable workplace culture that encourages retention constitute employee retention. In order to develop a culture of retention, an organisation must put into place rules and procedures that focus on diverse demands. The costs associated with hiring new employees, losing productivity, etc. are also covered. Retention refers to a situation where

employees choose to work and remain with their organisations of their own free will. Retention is a voluntary move by means of an organisation to create a surroundings which engages employees for long time (Kibui, Gachunga, and Namusonge, 2014). Retaining personnel is essential for success in the current corporate environment, claim Kgomo and Swarts (2010). Employer attraction and retention are two of the eight key factors that investors look at when determining a company's worth, according to research by Ernst & Young (Michlitsch, 2000). Theory. The Social Exchange Theory is the foundation for this investigation (SET). According to Paillé and Raineri (2015), the definition of SET is "voluntary behaviors from one's action expecting to receive something from another based on mutual relationship." According to the hypothesis, organizations that invest in talent are more likely to get a positive return on their efforts. According to this notion, staff members are more inclined to stay longer with one company when they are happy with the working environment that is given for them. In other words, when the employees feel motivated and supported, they will contribute more and produce more results in their organizations (Paillé, Boiral and Yang, 2013).

### **Hypothesis**

Development In a 2015 study, Waithiegeni Kabuki discovered that talent management significantly increases employee retention in Kenyan state businesses. Competency mapping, employee engagement, performance management, and career development were the variables examined, and it was discovered that each of these characteristics significantly improved employee retention.

Additionally, research by Stanton and Kurniawan (2016) discovered a strong beneficial relationship between talent management and employee retention. Additionally highlighting the importance of talent management and staff retention are Coetzee and Stoltz (2015). The impact of competency mapping on hiring, interviewing, selection, placement, performance and reward management, training and development, career and succession planning, which is a key component of talent management and retention, has been examined by Chaturvedi and Sangwan (2016). According to Zafar et al. (2014), great employee engagement with their firms will boost retention. Performance management also have a significant impact towards employee retention (Mbugua, 2015). From the literature above, the following hypothesis is proposed:

H1: There is a significant effect of career development on employee retention.

H2: There is a significant effect of competency mapping and employee retention.

H3: There is a significant effect of employee engagement and employee retention.

H4: There is a significant effect of performance management and employee retention.

### **Method**

This study was quantitative in nature, and self-administered questionnaires were used to collect the data. The survey used a five-point Likert scale, with answers ranging from "1 strongly disagree" to "5 strongly agree." The respondents for this study are chosen using a stratified random sampling technique. 385 randomly chosen respondents from Chennai-based hospitality companies made up the study's sample.. Data for this study is analyzed using IBM SPSS version 23, Partial Least Square (PLS) 3.0 and Structural Equation Model (SEM)

### **Findings**

Demographic the majority of the responders are between the ages of 31 and 35, according to the data collected. 49.6% of respondents were male, with 50.4% of respondents being female. Malays make up the majority of respondents (43%), followed by Chinese (28.5%), Indians (20.7%), and other responses (7.3%). The bulk of jobs are at the intermediate level (65.5%), followed by those at the

lower level (26.4%), and those at the upper level (7.8%). Regarding academic credentials, 38.9% have STPM/Diplomas, 26.7% have Bachelor's degrees, 25.9% have SPMs, 4.1% have other degrees, 3.4% have master's degrees, and 0.8% has PhDs. For the number of years in service, majority of them have served the company between 2-5 years (44.6%), followed by 6-10 years (23.3%), 1 year and below (21.3%) and 11 years and above (10.6%). Table 1 below summarizes the respondent profile.

**Table1: Respondent Profile**

Items	Characteristics	Frequency	Percentage
Age	20-25	89	23.1
	26-30	63	16.3
	31-35	98	25.4
	36-40	63	16.3
	41-45	51	13.2
	>50	21	5.4
Gender	Male	191	49.6
	Female	194	50.4
Race	Malay	166	43.0
	Chinese	110	28.5
	Indian	81	20.7
	Others	28	7.3
JobStatus	LowerLevel	102	26.4
	MiddleLevel	253	65.5
	UpperLevel	30	7.8
Academic Qualification	SPM	100	25.9
	STPM/ Diploma	150	38.9
	Bachelors	103	26.7
	Masters	13	3.4
	PhD	3	0.8
	Others	16	4.1
YearsofService	<1	82	21.2
	2-5	172	44.6
	6-10	90	23.3
	>11	41	10.6

Model for Measurement Validity and reliability tests are part of the evaluation process for convergent validity, the factor loadings and average variance (AVE) is assessed. Internal consistency will be used in this investigation to evaluate reliability. Since all of the factor loadings in Table 2 Utilizing composite reliability, internal consistency below are in the range of 0.752 to 0.868 and all values evaluated (CR). Due to the fact that CR includes information about the item loadings in its calculation, it is thought to be more appropriate for PLS-SEM (Hair, Ringle, and Sarstedt, 2011). According to Table 2 below, all of the CR values are over 0.70, as advised by Compeau, Higgins, and Huff (1999). Validity is assessed

Table 3 shows that all of the bold

values are higher than the correlations. As a result, it is appropriate because it satisfies all requirements for the discriminant validity. The discriminant validity meets the Fornell-Larcker convergent validity, discriminant validity, and criterion, and is thus acceptable. It is possible to infer reliability from the analysis above that the measurement is

**Table2: Assessment Result of Measurement Model**

Construct	Measurement items	Loading	CR	AVE
Employee retention	ER1	0.834	0.904	0.706
	ER2	0.835		
	ER3	0.828		
	ER4	0.858		
	ER5	0.846		
Career development	CD1	0.819	0.91	0.669
	CD2	0.859		
	CD3	0.782		
	CD4	0.806		
	CD5	0.822		
Competency mapping	CM1	0.850	0.928	0.721
	CM2	0.861		
	CM3	0.822		
	CM4	0.858		
	CM5	0.842		
Employee engagement	EE1	0.825	0.897	0.636
	EE2	0.850		
	EE3	0.759		
	EE4	0.794		
	EE5	0.756		
Performance management	PM1	0.778	0.904	0.653
	PM2	0.807		
	PM3	0.844		
	PM4	0.785		
	PM5	0.823		

**Note:** ER=Employee retention, CD=Career development, CM=Competency mapping, EE=Employee engagement, PM=Performance management.

**Table3: Discriminant Validity-Fornell and Larcker**

	#1	#2	#3	#4	#5
1. Employee retention	<b>0.840</b>				
2. Career development	0.602	<b>0.818</b>			
3. Competency mapping	0.501	0.544	<b>0.849</b>		
4. Employee engagement	0.546	0.623	0.555	<b>0.798</b>	
5. Performance management	0.579	0.661	0.529	0.744	<b>0.808</b>

## Notes:

Statistical Model Hair, Hult, and Ringle (2014) recommended using a bootstrapping approach with a resample of 5,000 samples to examine the R<sup>2</sup>, beta, and corresponding t-values in order to evaluate the structural model. Career development, competence mapping, employee engagement, and performance management are included in the structural model's hypothesized relationship between talent management and employee retention. To test the structural model, the results of the path analysis were used. All the direct effects in Figure 1 are significant (Table 4). All hypothesis are significant which is H1 (t=25.221\*\*, p

## Conclusion

This study measures employee retention as a dependent variable and talent management as an independent variable. The outcomes corroborate Kibui's earlier findings (2015). The findings of the relationship analysis showed that every independent variable has a significant impact on the dependent variable. These results supported earlier findings from other researchers (Shoib et al., 2009; Nawaz, 2014; Loew, 2015). The SET theory used as a framework in this study to investigate and comprehend the connections between talent management and employee retention. By using SET it could give the theoretical foundation to

explain the variability of talent management in influencing employee retention. In summary, SET theoretical foundation justifies the reasons why employees decide to engage more or less on their work, either positively or negatively, contingent upon the economic and socio-emotional resources received from their organization, or even decide to stay with their organization (Andrew and Sofian, 2011).

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