TALENT SEGMENTATION: DOES IT AFFECT COMMITMENT? A STUDY IN IT INDUSTRY, CHENNAI

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Abstract

The Talent Management is the sound and incorporated human asset rehearses with the destinations of pulling in and holding the ideal people, for the correct positions, at the opportune time. The outcomes demonstrate that there is noteworthy distinction between socio-economic features of critical employees and preference of talent management practices in IT companies. Critical employees show a high level of commitment in exclusive segmentation and low level of commitment in inclusive segmentation. The outcome also demonstrates that, Non-Critical employees show a low level of commitment in exclusive segmentation and high level of commitment in inclusive segmentation.

Keywords

Segmentation, Talent Management Practices, Critical and Non-Critical Employees, Commitment

1. Introduction

In the current business environment of moving global and high level of competition, organizations have growing pressure to perform better than before. Over the period of times, generation and conservation of knowledge has become a key for increasing competitiveness and improving capabilities of organisation to respond for changes in market (Bryan, 2004), wherein personalities and skills of employees are correctly organized to optimize performance, is a vital and difficult task. In addition, identifying and developing employees who have leadership potential, like every other important strategic function, is a demanding procedure that is equal parts of arts and science.

To carry out this mission, organizations should develop and put talented employees who can articulate the vision and objectives of their organizations. Though excellence operation, technical competence, marketing abilities, energy and drive are always important, talent intensive organizations also need soft skills that help in execution across divisions.

Managing the talent of important employees is crucial to meet the success in long-term by any organisation. Talent management involves individual and organisational development in response to a complex and dynamic operating environment. It comprises of the generation and managing of a supportive, people oriented organisational culture. Talent management also indicates a deliberate approach taken up by an organisation to attract, retain, motivate, and grow and succession plan for people with the abilities and aptitude to meet not only the existing needs but also future organizational demands.

Talent management is beneficial to both the organisation and the employees. The organisation benefits from increased productivity and capacity, a better connection between individual's efforts and business goals, commitment of valued employees, decreased turnover, enhanced bench strength and a better fit between jobs and skills of employees. Employee benefit from high level of motivation and commitment, career development, improved knowledge and contribution to goals and job satisfaction.

1.1. Critical Employees

According to Deloitt (2008) a "Critical work force are those groups within an organization that drive the organization's success/value and are hard to obtain and retain and critical workforce segment changes according to the strategy of the firm".

1.2. Talent Segmentation

According to Boudreau and Ramstad (2004) Talent segmentation "identifies which multi-incumbent "pivotal roles" (jobs, competencies, and actions) most contribute to organizational effectiveness and why. They are emphasizing on a decision science that supports "talent segmentation" – distinguishing talent pools and "pivotal roles" by their responsiveness and importance to organization success" (p.1).

1.3. Organizational Commitment

Organizational commitment is a psychological state (Meyer & Allen, 1991) and mind set (Mowday, 1982; Meyer& Allen, 1991) which shows the desire, need or obligation of its members to remain with the organization (Meyer & Allen, 1991), involvement in an organization (Mowday, 1982; Meyer & Allen, 1991) employee's dedication to the organization (Mester, Visser, Roodt & Kellerman, 2003) or engagement to do something.

1.4. Approaches to Talent Management

The approaches to talent management may be divided in to inclusive talent management and exclusive talent management.

1.4.1. Inclusive Talent Management

In the inclusive approach to talent management, every employee of the organisation is part of the target group. Furthermore, this means that there is no sub division of employees on the base of their performance. This approach to talent management includes a collection of human resource management practices, functions, activities namely recruiting, selection, development, and career and succession management. There is few difference in the perspective that practitioners take some concentration on particular sub disciplines when talking about talent management while others stress the need to use HR methods to attract and keep talents on an organisation large level/ Lewis and Heckman (2006) state that in this approach the concept human resources of the organisation is reinstated with the talents of the organisation.

The second approach to inclusive talent management is based on the object approach to talent. This starts from the assumption that the talents or potency of every employee have to be expanded and supported within the talent management strategy of an organisation. Every employee is motivated for high level of performance. This corresponds with the view of Lewis and Heckman (2006) on handling talent in a generic way (Buckingham and Vosburgh, 2001).

This view on talent management fits in with the soft approach to HRM and the strategic balance model (Boselie, 2010). With the inclusive talent management approach, it is possible to include the multidimensional view on performance. Therefore, Knies (2012) concludes that an

organisation can acknowledge that everyone possesses strengths and competencies or talents that can be of value for the objectives of the organisation. The organisation attempts to meet the needs and wants of the employees, but, organisational success is being put forward. Thus, there is a balance between the different values.

1.4.2. Exclusive Talent Management

Exclusive talent management is planned at a particular segment of employees in the organisation. As a consequence employees who are not believed as talents will not be included in the talent management practices. This approach can be linked with the view of talent management of Lewis and Heckman in which talent is generic and organisations select to concentrate on high potentials and/or high performers. Also the follow-up of strategic positions in the organisation is one of the priorities in the talent management strategy since these strategic positions contribute for a large extent to the competitive advantage of the organisation (Collings and Mellahi, 2009). The other view on talent management that can be put in this approach is knows as top grading that means the organisation needs to hire/grow high performers for each and every position in the organisation.

Gallardo-Gallardo (2012) stated that this view can be adopted in organisations in which the performance of the organisation is depending the results of all employees. Regarding the performance of an organisation, it is obvious that the exclusive approach of talent management is highly focused on the organisational effectiveness than the inclusive approach. The societal view on performance is harder to connect with the differentiation strategy in exclusive talent management. The exclusive talent management approach can be situated in the managerialist-oriented models that concentrate on the performance of the organisation and avoid the individual and societal objectives. According to Boselie (2010) and Paauwe (2009), this meaning of performance misses out on the positive effects that can be reached when HR practices also take into account both external and internal stakeholders

2. Statement of the Problem

In talent hungry IT sector, one of the greatest problems that IT companies are facing is to successfully attract, assess, train and retain talented employees. Talent management includes in itself the whole process of planning, recruiting, developing, managing, and compensating employees throughout the IT companies. IT companies have understood the need for talent management and are now concentrating on methods to develop and retain the existing talent in their companies rather than trying to acquire a new talent because the cost of searching,

developing and keeping the talent internally is more cost effective as compare to replacing the talent, which is lost from external market. Though it may look initially that in the process of keeping talent, they are spending more in terms of higher salaries, rewards and recognition, the cost of getting a new talent is higher. Apart from this, it has further faced the initial hiccups of a new employee getting along with the organisational objectives and strategies.

IT companies struggle to retain skillful and talented employees. Turnover causes waste of time, efforts and monetary resources as IT companies will need to constantly hold their employees. It will obstruct the growth of the company because the company will lack support and contribution towards the achievement of the vision and goals of the company. It is thus critical that IT companies start initiatives that can be taken to ensure right employees are being hired in the first time and retained. Some authors favor exclusive segmentation for delivering Talent management practices by arguing that talent segmentation is as important as customer segmentation (Boudreau and Ramstad, 2004). Some researchers and practitioners favor inclusive segmentation as they consider all employees have talent and that should be managed (Lewis and Heckman, 2006). When the companies use Exclusive or Inclusive segmentation, does it affect the Commitment of critical and non-critical employees? This will be the main objective of this study.

3. Objectives of the Study

3.1. Primary Objectives

- To analyze the impact of segmentation on the level of commitment of critical and non-critical employees of IT industry.

3.2. Secondary Objectives

- To identify the different methods of segmentation adopted by IT companies and factors affecting employee segmentation.
- To identify the relationship between segmentation and how it is related to different talent management practices and commitment.
- To identify and compare the level of commitment of critical and non- critical employees in exclusive and inclusive segmentation context and in different segments.
- To identify and compare the level of commitment of critical and non-critical employees, in different career stages, gender, level of management and with different educational back ground in exclusive and inclusive segmentation context.

4. Hypotheses of the Study

1. H_1: Organisations adopt exclusive segmentation experience low level of commitment from the critical employees or same level of commitment of non-critical employees.

2. H_2: Organisations adopt inclusive segmentation experience high level of commitment from the critical employees or same level of commitment of non-critical employees.

3. H_3: Organisations adopt exclusive segmentation experience high level of commitment from the non-critical employees or same level of commitment of critical employees.

4. H_4: Organisations adopt inclusive segmentation experience low level of commitment from the non-critical employees or same level of commitment of critical employees.

Table 1: *Hypotheses Model*

	Critical Employees	**Non-critical Employees**
Exclusive segmentation	High Commitment	Low Commitment
Inclusive segmentation	Low Commitment	High Commitment

5. Significance of the Study

This study attempts to identify the methods of segmentation of employees in IT companies and key factors affecting the segmentation of employees. It also examines the relationship between employee segmentation and its relation with talent management practices and commitment of critical and non-critical employees. This research also identifies the level of commitment of critical and non-critical employees in different segmentations. It also examines the relationship between socio-economic feature of critical and non-critical employees and their level of commitment. The findings of this study will also help to understand the existing talent management practices adopted in IT companies in order to retain talent pool.

6. Research Methodology

Among the different IT hubs in India, Chennai city is selected purposively for the present study. The HR managers and employees of IT companies are chosen by using stratified random sampling technique for the present study. The data have been collected from 60 HR managers and 500 employees of IT companies through pre-tested and structured questionnaire.

7. Framework of Analysis

The descriptive research design is employed for the present study. To study difference between commitment of employees in exclusive segmentation and inclusive segmentation, t-test is applied. To understand segmentation of employees, factors affecting employee segmentation, frequency of delivery of talent management practices, talent management practices used for employees in exclusive segmentation, talent management practices used for different segments of employees based on business impact and talent cost, talent management practices used for different segments of employees based on replacement and value addition, talent management practices used for different segments of employees based on value impact and cost impact, socio-economic features of employees of IT industry, reasons for employees to join IT companies, preference of talent management practices by employees of IT companies and commitment of employees towards IT companies, the frequency distribution and percentage analysis are worked out.

To examine the difference between strategies adopted for delivering talent management practices and factors affecting employee segmentation, difference between socio-economic features of employees and reasons to join IT companies, difference between socio-economic features of employees and their preference of talent management practices and difference between socio-economic features of employees and their commitment towards IT companies, the Analysis of Variance (ANOVA) is employed. To study difference between commitment of employees in exclusive segmentation and inclusive segmentation, t-test is applied.

To study the association between strategies adopted for delivering talent management practices and frequency of delivery of talent management practices, association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on business impact and talent cost, association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on replacement and value addition and association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on value impact and cost impact, the Chi-Square Test is employed.

8. Major Findings of the Study

Majority of IT companies adopt inclusive segmentation for delivering talent management practices for their employees and most of IT companies focus on critical employees in exclusive segmentation. Majority of IT companies use value impact and cost impact as the parameter to define critical employees and most critical for business success in the most of IT companies. Majority of IT companies follow revenue optimization as their business strategy.

The results show that there is no significant difference between strategies adopted for delivering talent management practices and factors affecting employee segmentation. The results indicate that there is no significant association between strategies adopted for delivering talent management practices and frequency of delivery of talent management practices.

The results imply that that there is no significant association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on business impact and talent cost.

The results indicate that there is no significant association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on replacement and value addition.

The results reveal that there is no significant association between strategies adopted for delivering talent management practices and talent management practices used for different segments of employees based on value impact and cost impact.

Majority of critical employees are males and most of critical employees are B.E. graduates. Majority of critical employees belong to the age group of 26-30 years and most of critical employees are working in the functional area of operation. Majority of critical employees have the work experience of 4-6 years and most of critical employees belong to the monthly income group of Rs. 21000 – Rs.30000.

Majority of critical employees are married and most of critical employees belong to the nuclear family. Majority of critical employees are in the carrier stage of intermediate level and most of critical employees are in the middle level of management.

The results show that 64.00 per cent of critical employees perceived that the level of reasons to join IT companies at medium level followed by high level (18.80 per cent) and low level (17.20 per cent). There is significant difference between socio-economic features of critical employees and their reasons to join IT companies except type of family of critical employees and the reasons to join IT companies.

The results indicate that 63.60 per cent of critical employees perceived that the level of preference of talent management practices at medium level followed by low level (22.40 per cent) and high level (14.00 per cent). There is significant difference between socio-economic features of critical employees and their preference of talent management practices by critical employees of IT companies except type of family of critical employees and preference of talent management practices.

The results reveal that 60.40 per cent of critical employees perceived that the level of commitment at medium level followed by high level (20.00 per cent) and low level (19.60 per cent). There is significant difference between socio-economic features of critical employees and their commitment towards IT companies except marital status of critical employees and commitment.

8.1. Commitment of Critical Employees in Exclusive Segmentation

The commitment of critical employees in exclusive segmentation analyzed and the results are presented in Table 5.48. The responses of critical employees in exclusive segmentation about their commitment towards IT companies has been classified into low level, medium level and high level based on "Mean ± Standard Deviation (SD)" criterion. The mean score is 45.98 and the SD is 3.68.

Table 2: *Distribution of Critical Employees in Exclusive Segmentation on the Basis of Their Commitment towards IT Companies*

S.No.	Level of Commitment	Number of Critical Employees in Exclusive Segmentation	Percentage
1.	Low	10	8.00
2.	Medium	22	17.60
3.	High	93	74.40
	Total	**125**	**100.00**

Source: Primary Data

The results show that 74.40 per cent of critical employees in exclusive segmentation perceived that the level of commitment at high level followed by medium level (17.60 per cent) and low level (8.00 per cent).

8.2 Commitment of Critical Employees in Inclusive Segmentation

The commitment of critical employees in inclusive segmentation analyzed and the results are presented in Table 5.49. The responses of critical employees in inclusive segmentation about their commitment towards IT companies has been classified into low level, medium level and high level based on "Mean ± Standard Deviation (SD)" criterion. The mean score is 52.35 and the SD is 5.26.

Table 3: *Distribution of Critical Employees in Inclusive Segmentation on the Basis of Their Commitment towards IT Companies*

S.No.	Level of Commitment	Number of Critical Employees in Inclusive Segmentation	Percentage
1.	Low	87	69.60
2.	Medium	23	18.40
3.	High	15	12.00
	Total	**125**	**100.00**

Source: Primary Data

The results indicate that 69.60 per cent of critical employees in inclusive segmentation perceived that the level of commitment at low level followed by medium level (18.40 per cent) and high level (12.00 per cent).

8.3 Difference between commitment of critical employees in exclusive segmentation and inclusive segmentation

In order to examine the difference between commitment of critical employees in exclusive segmentation and inclusive segmentation, the t-test is carried and the results are presented in Table 5.50.

Table 4: *Difference between Commitment of Critical Employees in Exclusive Segmentation and Inclusive Segmentation*

Particulars	t-Value	df	Sig
Difference between Commitment of Critical Employees in Exclusive Segmentation and Inclusive Segmentation	14.580	248	.000

Source: Primary Data

The t-value of 14.580 is significant at one per cent level indicating that there is significant difference between commitment of critical employees in exclusive segmentation and inclusive segmentation. Hence, the null hypothesis of there is no significant difference between commitment of critical employees in exclusive segmentation and inclusive segmentation is rejected.

Majority of non-critical employees are males and most of non-critical employees are B.E. graduates. Majority of non-critical employees belong to the age group of 26-30 years and most of non-critical employees are working in the functional area of operation. Majority of non-critical employees have the work experience of 4-6 years and most of non-critical employees belong to the monthly income group of less than Rs. 20000.

Majority of non-critical employees are married and most of non-critical employees belong to the nuclear family. Majority of non-critical employees are in the carrier stage of entry and most of non-critical employees are in the lower level of management.

The results show that 68.40 per cent of non-critical employees perceived that the level of reasons to join IT companies at medium level followed by low level (21.60 per cent) and high level (10.00 per cent). There is significant difference between socio-economic features of non-critical employees and their reasons to join IT companies except type of family of non-critical employees and the reasons to join IT companies.

The results reveal that 58.80 per cent of non-critical employees perceived that the level of preference of talent management practices at medium level followed by low level (22.00 per cent) and high level (19.20 per cent). There is significant difference between socio-economic features of non-critical employees and their preference of talent management practices by critical employees of IT companies except type of family of non-critical employees and preference of talent management practices.

The results indicate that 58.40 per cent of non-critical employees perceived that the level of commitment at medium level followed by low level (26.00 per cent) and high level (15.60 per cent). There is significant difference between socio-economic features of non-critical employees and their commitment towards IT companies.

8.4 Commitment of Non-Critical Employees in Exclusive Segmentation

The commitment of non-critical employees in exclusive segmentation analyzed and the results are presented in Table 6.48. The responses of non-critical employees in exclusive segmentation about their commitment towards IT companies has been classified into low level, medium level and high level based on "Mean ± Standard Deviation (SD)" criterion. The mean score is 44.72 and the SD is 5.57.

Table 5: *Distribution of Non-critical Employees in Exclusive Segmentation on the Basis of Their Commitment towards IT Companies*

Sl.No.	Level of Commitment	Number of Non-critical Employees	Percentage

		in Exclusive Segmentation	
1.	Low	78	62.40
2.	Medium	32	25.60
3.	High	15	12.00
	Total	**125**	**100.00**

Source: Primary Data

The results show that about 62.40 per cent of non-critical employees in exclusive segmentation perceived that the level of commitment at low level followed by medium level (25.60 per cent) and high level (12.00 per cent).

8.5. Commitment of Non-Critical Employees in Inclusive Segmentation

The commitment of non-critical employees in inclusive segmentation analyzed and the results are presented in Table 6.49. The responses of non-critical employees in inclusive segmentation about their commitment towards IT companies has been classified into low level, medium level and high level based on "Mean ± Standard Deviation (SD)" criterion. The mean score is 52.76 and the SD is 4.97.

Table 6: *Distribution of Non-critical Employees in Inclusive Segmentation on the Basis of Their Commitment towards IT Companies*

S.No.	Level of Commitment	Number of Non-critical Employees in Inclusive Segmentation	Percentage
1.	Low	17	13.60
2.	Medium	23	18.40
3.	High	85	68.00
	Total	**125**	**100.00**

Source: Primary Data

The results indicate that about 68.00 per cent of non-critical employees in inclusive segmentation perceived that the level of commitment at high level followed by medium level (18.40 per cent) and low level (13.60 per cent).

8.6. Difference between commitment of non-critical employees in exclusive segmentation and inclusive segmentation

To examine the difference between commitment of non-critical employees in exclusive segmentation and inclusive segmentation, the t-test is carried and the results are presented in Table 6.50.

Table 7: *Difference between Commitment of Non-critical Employees in Exclusive Segmentation and Inclusive Segmentation*

Particulars	t-Value	df	Sig
Difference between Commitment of Non-critical Employees in Exclusive Segmentation and Inclusive Segmentation	12.003	248	.000

Source: Primary Data

The t-value of 12.003 is significant at one per cent level indicating that there is significant difference between commitment of non-critical employees in exclusive segmentation and inclusive segmentation. Hence, the null hypothesis of there is no significant difference between commitment of non-critical employees in exclusive segmentation and inclusive segmentation is rejected.

9. Limitations of the study

The present study is carried out in Chennai city only. The present study is based on the primary data collected from both HR managers and employees of IT companies only. The drawbacks and limitations of the field level survey are very much applicable to the present research. The data and information collected from both HR managers and employees of IT companies are subjected to recall bias.

10. Conclusion

Majority of IT companies adopt inclusive segmentation for delivering talent management practices for their employees and most of IT companies focus on critical employees in exclusive segmentation. Majority of IT companies use value impact and cost impact as the parameter to define critical employees and most critical for business success in the most of IT companies. More than three fifth of non-critical employees in exclusive segmentation perceived that the level of commitment at low level and more than three fifth of non-critical employees in inclusive segmentation perceived that the level of commitment is at high level. More than three fifth of critical employees in exclusive segmentation perceived that the level of commitment at high level and more than three fifth of critical employees in inclusive segmentation perceived that the level of commitment is at low level. The research outcome could be a guide to very strategically differentiated employee segments, which can help in making decisions related to different Talent

management practices and a new area of study called Talent portfolio Management (Aldrich, 2007) and can be a guide to identify the best method of segmentation which will lead to high level of commitment of both the critical and non-critical employees.

11. Scope for Further Research

- The present study is done on the impact of employee segmentation on the level of commitment of critical and non-critical employees with special reference to IT industry in Chennai. Therefore, this study may be extended to the other IT hubs in India.
- The talent management and succession planning in IT industry in Chennai may be studied in future research work.
- The further research may be done on Segmentation based on Potential and performance.

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