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THE EFFECT OF TALENT MANAGEMENT ON PESHAWAR-BASED PUBLIC AND PRIVATE BANKS' PERFORMANCE

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ABSTRACT

This is a descriptive research aimed to find the effect of talent management on private and public banks performance in Peshawar Pakistan. The data was collected from six banks. A total of six banks were surveyed. Of these six banks, Al-Falah Bank, Habib Bank limited, United bank limited were private banks. National bank of Pakistan, Khyber Bank and Sindh Bank were public. A survey instrument was designed for collecting data on talent management. Simple linear regression model was used where return on investment and market to book ratio were used as proxy variables for assessing the banks' performance. It is found that talent management was responsible for 33 percent increase in return on investment and 35.7 percent increase in market to book ratio. There was a significant positive relationship between talent management and banks' performance.

Keywords: Talent management, Banks' performance, workforce productivity

1. Introduction

In modern global competitive working environment, human resource divisions need not only to recruit job seekers, resolve staff disputes but also manage talent of the employees in the organization. Talent management is the implementation of integrated strategies or systems designed to increase workplace productivity by developing improved processes for attracting, developing, retaining and utilizing people with the required skills and aptitude to meet current and future business needs (James Sunday, 2012).

Talent management serves as a planning tool for human resource managers and resembles with workforce planning. How the human resource division makes use of talent depends on how the talent management is implemented as a tool by the human resource manager. A study in 2007 showed that majority (85 percent) of the human resource executives believe that a company's single greatest challenge in regards to workforce management was the company's ability to compete for talent (Ashridge Consulting, 2007). In essence, talent management is seen as new-fangled of traditional human resource management (Kodagoda and others, 2015).

The world economy has been moving from production-based to knowledge-based (Downe and others, 2012). This caused an exponential increase in demand for talented job seekers throughout the world. The value of talent increased and organizations therefore want to recruit talented job candidates and retain the existing talented employees. For an organization to achieve competitive advantage, it has to find talented employees and create a talent pool (MacBeath, 2006). At the same time, talent management has been challenging in recent years and most of the employers are consistently lacking talented employees which have been a great concern for the employers in all regions especially in Asia pacific (ManpowerGroup Talent Shortage Survey, 2014).

Pakistan is no exception, the private sector of the country in general and banking sector in particular are facing tough competition in terms of talent hunt and its retention. Furthermore, talent management is believed very crucial for productivity, growth and profitability (Abdul Ghafoor and others, 2016). It happened so much so that the cost of employees who leave the organization is around $11 billion per year, in addition to the cost of low morale of employees who stay with the organization (Abdul Ghafoor, 2014). Consequently; talent management had been a very crucial and strategic issue for banking sector (Ali Hassan and others, 2014).

Therefore, it was felt necessary to conduct a research on the effects of talent management on the performance of banks in Pakistan. Peshawar, one of the major cities of Pakistan located in Khyber Pukhtunkhwa province was selected for data collection. The results of this research therefore provide an in-depth understanding of the effect of talent management on banks' performance in Khyber Pukhtunkhwa Province Pakistan. As a result of talent management and job involvement of employees in these banks, we seek to check how the performance of these selected banks is affected.

2. Literature Review

Talent management is a mindset, a key component to effective succession planning and an attempt to make sure everyone at all level works to the top of their potential (Creelman 2004, Cheloah, 2005). In other words; talent management is the science of using strategic HR to improve business value and make it possible for companies and organizations to reach their goals (Yona Sakaja, 2015). Everything that is done to recruit, retain, develop, reward, and make people perform is part of talent management as well as strategic workforce planning (Cascio, 2006). In most of the 20th century, the main concerns for managers in the workplace were tangible resources. In today's economy especially in developed economies 50 percent of the domestic product (GDP) is knowledge based centered on intellectual assets and people's skills (Dess and Picken, 1999) as cited in (Vector, 2014). Thus, the primary purpose behind developing talent management as a strategy is to improve the process of recruitment, selection, retention and employees' development in order to overcome current problems and improve organizational performance by fulfilling organizational needs (Bhatnagar, 2007). Indeed, talent management is a vital component of corporate strategies in most of the organizations (Bano and others, 2010). According to the learning and development survey report (2015), the purpose of talent management is improving individuals' and organizational performance. In short, **Attracting, selecting, engaging, developing and retaining employees are the five main focuses of talent management (Vector, 2014). Towers Perrin (2005) asserts that for companies to gain competitive advantage, the demand for human capital will continue to drive talent management.**

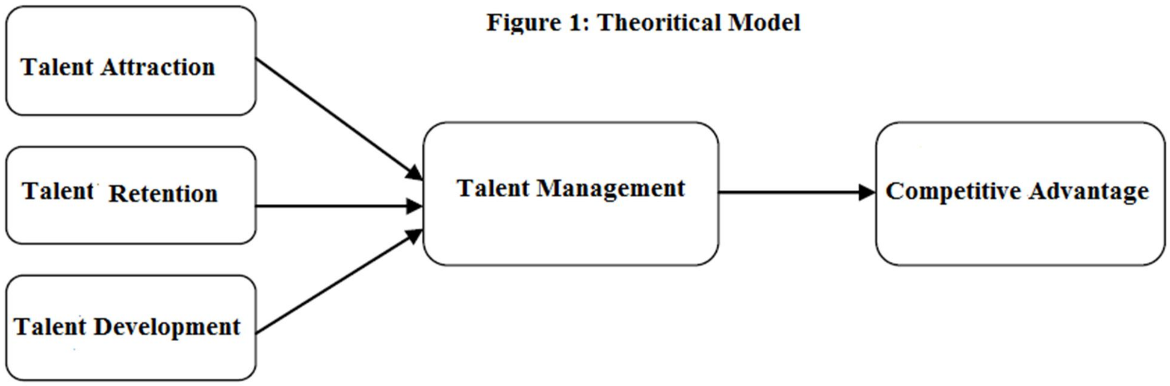
2.1 Talent Management in Financial Services Sector

All commercial banks have similar resources but the main thing that differentiates a bank from its competitor is talent. Banks are being outpaced by rivals particularly in times of varying economic stability (Hope and others, 2015). Managing talent has become a pivotal issue in today's turbulently dynamic and competitive business environment. Commercial banks often spend huge sum, carefully training and developing employees but do little or nothing to retaining the quality workforce that have been groomed and seasoned by the organization and this has become an emerging priority (Morton, 2005), as cited in (Lockwood, 2006). The human capital theory of Becker (1964) asserts that human capital- a composition of employees' knowledge, skills and abilities- is a central driver for employee's performance. This theory had been widely used in the area of human resource management (**Crook, Todd, Combs, Woehr, & Ketchen, 2011; Fisher, 2009; Lepak & Snell, 1999; Strober, 1990**) and views human capital as a competitive resource that organizations can invest in. It increases productivity and is therefore valued by organizations.

2.2 Talent Management and Competitive Advantage

According to the resource-base view of Porter (1985), human resources are the creator of competitive advantage in all firms across the world. Human resources are the firms' most important asset, the ones that do research, design, project and differentiate one form from another (Albana and Enver, 2015). Moreover; as cited in (Kutllovci, 2004), Peter F. Drucker (1973) who is considered as the father of modern management argues that business firms and other organizations has only one real resource-people. So, human resources help an organization to grow, maximize its business opportunities, and build capacity to achieve organizational goals and finally avoid potential threats that arises in the business environment. It is essential to know how human resources are considered as a main factor of competitive advantage. Competitiveness, in this context, refers to a firm's or other institution's (Banks in our case) ability to gain market share in its sector or industry (Nibedita and Gregar, 2012). Gaining competitive advantage by use of human capital is not an easy task. As presented by Faria Rabbi (2015) and shown in Figure.1 below, it requires attracting, retaining and developing the talent.

Figure 1: Theoritical Model



Source: Faria Rabbi (2015)

In today's competitive and dynamic business era, employees' learning and development is regarded as the backbone of organizational success. Without continuous learning, gaining and maintaining performance may become impossible. Strategists and human resource practitioners focus on learning and development of the talented employees to enhance the organizational performance. Talent development is in fact, the process of upgrading the skills and attitude of the employees. As the business environment keeps on changing, organizations would like to build winning teams formed by talented personnel.

3. Methodology

This is a survey-based quantitative research primarily aimed at describing the effects of talent management on employees' performance of selected private and public banks in Peshawar city Pakistan. A total of six banks were surveyed. Of these six banks, Al-Falah Bank, Habib Bank limited, United bank limited were private banks. National bank of Pakistan, Khyber Bank and Singh Bank were public.

A total of 250 questionnaires were distributed for data collection purposes. Of 208 collected questionnaires, 176 were considered for the analysis. Thus, the response rate reduced to 70.4 percent.

3.1 Research Hypothesis

Ho: There is no significant relationship between talent management and in Peshawar-based public and private banks' performance.

H1: There is significant relationship between talent management and in Peshawar-based public and private banks' performance.

3.2 Variables and their Measurements

There are two variables considered in this study. Talent management is treated as independent variable and banks' performance as dependent variable. Talent management was dummied to '1' for having talent management policy and '0' for not having talent management policy. However; for assessing organizational performance, as used by James Sunday (2012), return on investment and market to book ratio were used as proxy variables. The financial reports 2010-2014 of the organizations were used for retrieving financial data. Finally, regression model is used to get correlation coefficients.

4. Data Analysis

The regression results for the effect of talent management(TM) on return on investment (ROI) are presented in table 1.

Variable	Organizational Performance (ROI)					
	R	R-square	F-value	Beta	t-value	P-Value
Talent Management	.331	.293	10.30	.441	6.13	.001

Table 1: Dependent (ROI) and Independent (TM) Variables: Regression Estimates

As mentioned earlier, the regression model was used to find out the variance explained in the organizational performance by talent management. As shown in the table given above, the value of correlation coefficient "R" is 0.331, indicating 33 percent increase in the banks' performance due to talent management. Meanwhile, the value of "R-Square" or the coefficient of determination is 0.293, indicating that talent management has explained 29 percent variance in the banks' performance. The p value suggests that the model is significant at 0.001. In other words, we reject null hypothesis and establish that, there is highly significant positive relationship between talent management and banks' performance.
The regression results for the effect of talent management(TM) on market to book ratio (MTB) are presented in table 2.

	Organizational Performance (MTB)					
Variable	R	R-square	F-value	Beta	t-value	P-Value
Talent Management	.357	.301	14.48	.476	7.01	.001

Table 2: Dependent (MTB) and Independent (TM) Variables: Regression Estimates

As shown in table 2, the correlation coefficient in this case is 0.357. This shows that 35.7 percent of the dependent variable (MTB ratio) is explained by independent variable (TM). In other words, talent management caused 35.7 percent increase in the performance of selected banks. R-square is associated to the variance in dependent variable due to independent variable. As per the value of R-square, talent management has explained 30 percent variance in the performance of selected banks. The model is significant at 0.001. We reject null hypothesis and establish that, there is highly significant positive relationship between talent management and banks' performance.

Conclusion:

The world economy has been moving from production-based to knowledge-based. This caused an exponential increase in demand for talented job seekers throughout the world. The value of talent increased and organizations therefore want to recruit talented job candidates and retain existing talented employees. This hold true for public and private banks of Peshawar Pakistan too. Talent management was found to have positive significant relationship with banks' performance. It was also found that talent management was responsible for 33 percent increase in return on investment and 35.7 percent increase in market to book ratio. For the selected banks to have competitive advantage in the country's highly competitive banking sector, they should attract and retain talented workers who can work as experts in their scope of work, and make use of their knowledge and skills of banking for the maximum contribution and its impact on the banks' overall performance. Moreover; the human resource division of these banks should devise policies and procedures that can help develop its weak performer workers. A comprehensive employee development plan would be in place to boost the knowledge and skills of certain people. This together with attracting and retaining talented employees will pool the talent which will finally help in profiteering competitive environment.

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