Employee Relations – A Study to Understand Its Impact on Talent Management in Information Technology Organizations

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Abstract

Purpose: *The purpose of this article is to clarify what is meant by Employee Relations and why it is important particularly with respect to its impact on talent management as well as to identify factors that are critical to its effective implementation.*

Design/Methodology/Approach: *This article is based on a review of the academic and popular employee relation and talent management literatures.*

Findings: *Maintaining healthy employee relations in an organization is a pre-requisite for organizational success. Strong employee relations are required for high productivity and human satisfaction. Managing human relations, maintaining diverse workforce and understanding their psychology has become the most difficult challenge that the managers are facing today. This ultimately impacts the Talent Management which has considered as main strategic priority. These outcomes in turn will definitely have association with improved operational and financial performance.*

Practical Implications: *Information Technology organizations are interested in maintaining healthy employee relations which will help them to manage the talent & ultimately in retaining the talent. Employee turnover is quiet high in these companies & has great impact on overall performance of the organization. By maintaining healthy employee relations, these organizations can perform in a better manner.*

Value: *This article will be of value to anyone seeking to better understand Employee Relations &Talent Management, as these two concepts were not correlated before, which will help them to perform better.*

Keywords: *Employee Relations, Talent, Organizational Performance.*

Introduction: An employee relation has been evolved from Industrial relations (Kathy Daniel). Evolution of Industrial Relations is incremental and adaptive. These changes have taken place gradually. Judging from the attention paid by various researchers, it would seem that the 1980s and 1990swas a period of change, turmoil, and even transformation in industrial relations systems all over the world. Employee relations have evolved from recognition of "thinking" jobs and "doing" jobs into the realization that all employees have a stake in the outcome of an enterprise. (Thompson, 2007)Certainly the transition has not been smooth. There has been a change in most salient constraints of Industrial Relations which is related to Labour institutions. Due to evolution of Industrial Relations into Employee Relations, relations have become healthy and positive at workplace.

Basically an employee relation is concerned with how to gain people's commitment to the achievement of the organization's business goals and objectives in a number of different situations. It is also about ensuring that organizational change is accepted.

Whereas Talent Management is an issue which is bothering the growth orientation of companies be it engineering, service or IT. Talent Management has become a buzz word in today's HR profession. In fact CEO's are also increasingly involved in talent management process (Economist Intelligence Unit, 2006). Challenge has shifted from organizational growth to organizational sustainability (Collings, 2009). It has become a growing field for researchers and attracted attention of industries & academicians. Talent Management has been considered as main strategic priority (Kalomayra, 2009). Talent management is all about manpower planning, acquiring and placing right people for right job, selection, succession and as well as retention of the employees ((Byham,2001; Heinen& O'Neill, 2004 Mercer, 2005).Competition and the lack of availability of highly talented and skilled employees make finding and retaining talented employees' major priorities for organizations (Fegley, 2006).Due to this many organizations invest their financial resources to attract, deploy, and try to retain talent by application of various initiatives.

It is difficult to retain the talent with high performance ratings that's why it has become critical for HR to perform this function (Walker & Larocco, 2002).

This research will help to find out the correlation between employee relations and its impact on Talent Management

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of various organizations and ultimately improving the rate of retention of the talent.

Objectives:

1) To understand the need of creating healthy Employee Relations and managing the Talent.

2) To investigate the impact of Employee Relations on Talent Management.

The Paper is Organized as Follows: The first section sets the context of the IT sector in India, need of studying Employee Relations & Talent Management in the IT sector in India. The next section examines the literature & the conceptual framework on employee Relations and its linkage to talent management and retention; the third section summarizes the gap in research. This is followed by the results and implications for further research.

Need of Studying Employee Relations & Talent Management in IT Sector: Employee turnover rate is quite high in IT companies. Employee turnover costs these organizations almost 30% of their estimated budgets per year (Development Dimensions International, 2007). It is easier for talented employees to change jobs or seek a better place of employment especially in IT industries. Talented employees with special skills and abilities, if leave the organization; could negatively affect productivity of the organization, cause customer dissatisfaction, and lead to decline of the morale of remaining workforce (Mitchell, Holtom, Lee, and Graske, 2001). Moreover, employees leaving often take with them valuable knowledge, expertise, and clients connectivity (Mitchell et al.2001).

DDI's survey (Retaining Talent) also made it clear that turnover rates are high for Information technology positions due to lack of healthy Employee Relations & Talent Management strategies. These companies are facing the challenge of high attrition rate & retention of talent. To overcome these problems of high attrition, it is necessary to create & maintain healthy employee relations. If organization has better people, it will perform in a better manner.

Conceptual Framework:

Employee Relations: Employee relations are the relations between representative management & employees, aimed towards building & maintaining commitment, morale, trust, so as to create a productive & secure workplace environment (P.N. Singh & Neeraj Kumar, 2011).The emphasis of employee relations continues to shift from 'collective' institutions, such as trade unions and collective bargaining, to the relationship with individual employees. A significant shift has occurred in the employee relations environment.

Maintaining healthy Employee Relations in an organization is a pre-requisite for organizational success. Healthy Employee Relations lead to more efficient, motivated and productive employees which further lead to better performance of organization. Despite the importance of strong and healthy Employee Relations, when employee and management relations are hampered it results into employee indiscipline, employee grievances, stress and ultimately loosing talent.

Managing human relations has become the most difficult challenge that the managers are facing today. It is a need of an hour to build a strong Employee Relations program wherein employer will create an environment which delivers what people want today (Suzin S.Barnes).

Employee Relations is better viewed as a long term goal rather than short term, because it deals with the way the HRM treats the people in long term.

Maintaining diverse workforce and understanding their psychology has been emerged as one of the biggest challenges for managers. Failing to do so can result in high attrition rate (CIPD- Chartered Institute of Personnel & Development Survey, UK, 2005).

Employee relations are concerned with how to gain people's commitment to the achievement of the organization's business goals and objectives in a number of different situations, (CIPD, Professional Standards).

Strong Employee Relations are required for high productivity and human satisfaction (Harry Matlay, 1999). Day-to-day dealings with individuals or employee groups can cloud the ability to make fair and consistent decisions, which is the foundation of strong, positive employee relations. (Gragery Kane, 2005).

Strong employee relation depends upon healthy and safe work environment, cent percent involvement and commitment of all employees, incentives for employee motivation, and effective communication system in the organization. Healthy employee relations lead to more efficient, motivated and productive employees who further lead to increase in sales level and ultimately increase in organizational performance (Harry Matley, 1999).

Employee relations can also be viewed as a component of economic goodwill that should yield future conditional and unconditional benefits to the firm. (Gragery Kane, 2005).

Employee relations can create economic goodwill for the corporation by encouraging spirit of cooperation between labor and management (Jones, 1995).

Employee relation efforts that are not bound by rigid, traditional approaches can do much towards improving

organizational performance.(Richard Bauemont,1982).

The two most important skills for managing employee relations are interpersonal communications and conflict management. Using these techniques to improve your conflict management skills will go a long way in fostering positive employee relations with a workforce. (HR Magazine 2005).

Employee relations in the work place will continuously test the mental fortitude and physical endurance of managers in all industries, (Billy D. Ihrig, Group Director, Labor and Employee Relations at Ryder Inc.).

Robert Thompson (2007) has mentioned that many more movement towards cooperative employee relations would take place and would be driven by technological advances, by competition at home and abroad, and to some extent by the workers themselves. According to study conducted by Stephen Holoviak& David De Cenzo (1982), following factors contribute towards effective & sound employee relations i.e. Security, Equal Treatment, Sound Leadership, Career Opportunity, and Employee Involvement. Many employees join union because they are more concern with job security.

Understanding the importance to getting at the root causes of employee relation issues will be the impetus for improved employee relations, increased credibility' with the workforce and the establishment of a positive workplace for years to come."

No organization wants to be known as one that doesn't foster strong employee relations. To survive in a highly competitive business environment, organizations want to attract and retain the best talent from all walks of life and he known as the employer of choice.(Greg Roper, 2005)

Talent Management: McKinsey & Company first coined the term in their report The War for Talent (1997; Michaels, Handfield-Jones, and Axelrod 2001), revealing the 'war for talent' as a strategic business challenge and a critical driver of corporate performance. As per the survey conducted by Lewis and Heckman, 2006), there was a "disturbing lack of clarity concerning to definition of Talent Management. They were of the opinion that conceptualizing Talent Management in terms of the functions of traditional HRD seems to add little or nothing new to our understanding of how to manage talent strategically.

Talent Management has evolved into common management practice and while originally focused on recruitment (Michaels et al., 2001). Harvard Business Review 2008 also mentioned that Talent Management is simply a matter of anticipating the need for human capital and then setting out a plan to meet it. Tanton (2007) explains effective talent management is essential to

achieving organizational excellence and is a driving force for business success. Talent management recognizes that different people make different contributions to the enterprise and that top talent is the key competitive differentiation (Forman, 2005).

According to Morton (2005, p. 11) "Talent management is integral to engaging employees in the organization". Fegley, 2006 stated that Competition and the lack of availability of highly talented and skilled employees make finding and retaining talented employees' major priorities for organizations. Obligation.

Talent management is a multi-faceted concept that has been championed by HR practitioners, fueled by the war for talent and built on the foundations of strategic HRM (Julia Christensen, 2008). She defined Talent management as both a philosophy and a practice.

Finally CIPD (2009) defines TM as 'the systematic attraction, identification, development, engagement/ retention and deployment of those individuals with high potential who are of particular value to an organization'.

Different sets of opinions have been formed for managing the talent due to which perceptions of managing this talent diverge. Companies have found that they not only need to acquire good talent worldwide but they need to retain it as well (P.A. Grobler 2010). Retaining top talent is becoming the key challenge for companies which depend on knowledge-workers and intellectual capital as the main resource (M.S. Srinivasan, 2011). A benchmarking study conducted by DDI (Development Dimensions International - Retaining Talent 2007) also stated that organization needs to come up with different strategies to handle employee of older & younger generations. Talent has become the key differentiator for human capital management and for leveraging competitive advantage.

Grounded within strategic HRM (Gratton, 2000; Becker et al., 2001), the management of talent seems to be one of the key functions that HRM is playing strategically in organizations (Bhatnagar, 2004). Pfeffer and Sutton (2006) quoted that the typical HRM/talent mindset, which looks at performance results as an opportunity for an "assessment" of ability, leads to lower performance and unhappy staff who do not fulfil their potential.

Boston Consulting Group (2007) report identified talent management as one of five critical challenges for HR in the European context. Meisinger (2007) also mentioned that if HR departments become more strategic & focus on creating healthy employee relations, it would be easier for them to manage & retain the talent. Various research indicates talent management as a key driver for this strategy, and is on the agenda for HR executives in 2007 and beyond (HR Focus, 2006, Focus, 2007).

Research Gap: Some studies have been done, so as to find out the evolution, challenges, strategies, theories of employee relations. But apparently no detailed study has been carried out to investigate the impact of Employee Relations on Talent Management.

It, therefore, makes sense to investigate the impact of Employee Relations on Talent Management for improving the effectiveness of HR function and in turn, that of organization.

Discussion: The literature pertaining to the Employee relations & retention of staff has, over the last years, focused on traditional causes such as the lack of job satisfaction and Conflict Management, commitment etc. The most recent addition to the research into employee retention is the role that obtaining a balance between work and life has in an employee's decision to remain with the organization. It would appear that the conflict between these important dimensions of human activity can cause job dissatisfaction and hence an intention to leave the organization as well as causing conflict with family members and family activities. Maintaining strong employee relations is a growing concern for both the industry and researchers and its impact on talent retention, is an area that demands more attention by both industry and the academic community**.** Strategies to enhance these relations have been introduced into a number of organizations, but there is still substantial improvement and trailing of such initiatives are required to ensure its positive impact on talent retention& finally a better balance. Though these strategies have been suggested to assist in employee retention for some time now and yet, there appears to be little improvement in the rates of employee retention. It is possible, therefore, that strategies such as more focused performance evaluation, compensation & benefits, inter personal relations & better quality training programs need to be combined with other elements to achieve the most effective outcome**.** It is suggested here that this framework should underpin future research in this area. Specifically, it is suggested that organizations undertake a strategic approach to drop down the employee turnover by firstly addressing the organizational employee relational policies.

Implications for the Organization: There is an increasing body of research that has linked various employee relation and Talent management practices with bottom line results. For example, Harrey Matley stated healthy employee relations lead to more efficient, motivated and productive employees who further lead to increase in sales level and ultimately increase in organizational performance.

Further, CIPD survey also mentioned that maintaining diverse workforce and understanding their psychology has been emerged as one of the biggest challenges for HR managers. Failing to do so can result in high attrition rate. Therefore it is necessary to maintain healthy employee relations.

Similarly, employee relations has been associated with a number of important organizational outcomes, many of which are directly related to talent management such as ease of recruitment, retention, and employee turnover.

One of the important organizational outcomes associated with increased levels of employee relations include higher employee productivity and customer engagement levels, as well as revenue growth and higher operating and profit margins.

The implications for the organizations in retaining employees from this review of the literature include a range of actions at organizational level.

At the organizational level, there are a number of actions that can be adopted to retain good employee which includes: Providing flexible working hours such as roistered days off and family friendly starting and finishing times, allowing flexible work arrangements such as job sharing and working at home, appropriate training opportunities for individual development during work time, appropriate compensation & benefits, reward & recognition of the good performers, good communication upward & downward, feedback mechanism for improvements, equal opportunity for growth, employee encouragement for participating in decision making, formation of good teams & ensuring coordination etc. These recommendations are made to assist organizations to retain their talented employees and to not only retain them but to provide an experience of good inter personal relations. In so doing, retention rate of good employees will improve.

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