

TALENT MANAGEMENT AND THE PSYCHOLOGICAL CONTRACT

by

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ABSTRACT

Orientation – Talent Management Practices and the Psychological Contract are two distinct constructs and it appears that Talent Management influences the Psychological Contract, with the result being a stronger Psychological Contract.

Research Purpose – The study aims to determine the relationship between Talent Management and the Psychological Contract.

Motivation for the Study – The world of work and the Psychological Contract have changed. Employees value knowledge, skills and experience more than being loyal to an organisation. Today, turnover is a lot higher than it was a few years ago. Talent Management may be a successful intervention to strengthen the Psychological Contract.

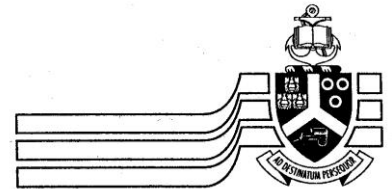
Research Design, Approach and Method – Two instruments, namely Talent Practices and the Psychological Contract Inventory, were administered online and paper-based to a sample of 556 employees in Pretoria and Centurion. 102 completed questionnaires were obtained. Responses were analysed using quantitative techniques and correlation analysis.

Main Findings – Results confirm that generally good Talent Management practices are associated with a positive Psychological Contract.

Practical / Managerial Implications – The study provides evidence that management can use Talent Management Practices to strengthen the Psychological Contract, leading to lower turnover, improved motivation and productivity, loyalty, etc. The study therefore emphasises that it is important for management to implement Talent Management Practices.

Contribution / Value Add – The findings of the study indicate a generally positive relationship between Talent Management and the Psychological Contract. The study focuses -on the importance of implementing Talent Management practices in order to strengthen the Psychological Contract.

Keywords – Talent Management; Psychological Contract.



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TALENT MANAGEMENT AND THE PSYCHOLOGICAL CONTRACT

CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

People and knowledge have always been part of any organisation. The knowledge and intellectual property of employees can be identified as a very important source that will differentiate an organisation from its competitors, leaving the organisation with a competitive advantage over its competitors (Cascio, 2001). It is therefore important that organisations retain their best people and knowledge because this can lead to a competitive advantage. “Talented” employees or “knowledge workers” are the new power-base in the workplace, and their need for greater career freedom is what led to them having sought-after skills and being in demand by organisations (Birt, Wallis & Winternitz, 2004).

The psychological contract concerns the unwritten expectations an employee has of the organisation (D’annunzio-Green & Francis, 2005). If an organisation does not fulfil these expectations of the employee it can lead to negative consequences on the organisation’s part, such as increased turnover, demotivation, etc. (Freese & Schalk, 1996; Schalk & Roe, 2007; Scribd, 2009b). Fulfilling these expectations of the employee, on the other hand, may again lead to decreased turnover, motivation, etc. (CIPD, 2010; Freese & Schalk, 1996; Guerrero & Herrback, 2008). If the expectations of the “talent” or “knowledge workers” can be established, the organisation can fulfil these expectations leading to benefits such as retention. If the “talent” stays with the organisation, the organisation will have power and a competitive advantage over its competitors.

Employees today want to develop their careers and improve their knowledge and skills (Van de Ven, 2004). This is part of talent management practice. Talent management practices are also becoming more important to employees (Knowledge Infusion, 2006). All of these may be expectations employees have today as part of the psychological contract.

This also forms part of talent management. There is, however, no research available indicating what the influence of talent management will be on the psychological contract, and whether it will lead to a stronger psychological contract leading to benefits of psychological contract fulfilment.

Research has been conducted on the psychological contract. However, there has been very little research conducted on the relationship between the psychological contract and human resource management interventions. Knowing what the relationship between human resource management interventions and the psychological contract is can lead to an organisation implementing successful interventions that strengthen the psychological contract leading to numerous advantages, some of which include decreased turnover and increased productivity. Given the trends identified by research as to what the expectations of employees are, and that most of these expectations are part of talent management, it will fill a gap to have identified what the relationship is between talent management and the psychological contract. Once this gap in research has been filled, organisations can use the findings and implement it to their advantage.

1.2 BACKGROUND

Over the past 40 years or so, the concept of the psychological contract became an important issue (Rousseau, 1995). This concept has been researched in order to identify how expectations are formed, to gain more insight into psychological contract breach and the results of this, and to understand this concept in full. There is, however, limited research available regarding the influence of human resource management interventions on the psychological contract. This constitutes further research to identify the relationship between certain human resource management interventions and the psychological contract.

Talent management has also been researched, but again there is no research available determining the relationship between talent management and the psychological contract.

In South Africa there is a greater demand for certain skills than a supply thereof. Organisations compete to ensure that they employ the best “talent” in order to have an

advantage over their competitors. Two organisations that employ skills which can be identified as “scarce skills” were chosen for this research study.

The next paragraph will highlight the significance of the study and build a case for the motivation of the study.

1.3 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

The rationale to execute this study is to determine the relationship between talent management and the psychological contract. Is talent management an expectation of the psychological contract and will it strengthen the psychological contract? By establishing the answer to this question, it will lead to results, such as staff retention, increased motivation, increased productivity, and loyalty (CIPD, 2010; Freese & Schalk, 1996; Guerrero & Herrback, 2008). This, in turn, may lead to increased profitability for the organisation. Retaining employees and talent in an organisation is a very important concept in the competitive workforce of today. It is important to conduct the study because it can help organisations to retain and develop talented employees, which hold advantages for both the employee and the employer. The research can provide organisations with an intervention to retain their best employees. The study will prove that talent management is an effective intervention which organisations can then implement to achieve a stronger psychological contract, and experience the benefits of psychological contract fulfilment.

If it is proved that talent management is an important expectation of the employee, it will assist the organisation in meeting it. This will lead to a stronger psychological contract, which will result in retaining the best talent, leaving the organisation with a competitive advantage.

Research on the relationship between human resource management interventions and the psychological contract is limited. This study will help fill a theoretical gap. Filling this theoretical gap will have significant consequences for organisations, enabling them to meet the expectations of the psychological contract by implementing human resource management interventions.

1.4 PROBLEM STATEMENT AND RESEARCH PURPOSE

Research has confirmed the consequences of psychological contract breach as well the fulfilment of the psychological contract. Research has also confirmed expectations of the new psychological contract. Limited research exists regarding the relationship of human resource management interventions and the psychological contract. Literature suggests that certain talent management practices are expectations employees have in the world of work. From this it may be concluded that implementing talent management practices will lead to the benefits of a strong psychological contract. There are, however, no research studies that confirm a relationship between talent management and the psychological contract.

The question that this study will focus on is:

What is the relationship between talent management and the psychological contract?

Subsequently, it will also lead to answers to the following questions: Is there a relationship between talent management and the psychological contract? And does talent management lead to a stronger psychological contract?

The purpose of the study is to explore:

What the relationship is between talent management and the psychological contract.

This study will focus on these questions regarding employees in the service industry.

1.5 RESEARCH OBJECTIVES

The primary research objective is to determine if there is a relationship between talent management and the psychological contract. The objective of this research is subdivided into literature and empirical objectives. Both literature and the empirical objectives, in turn, consist of primary and secondary objectives.

Firstly, a conclusion will be drawn based on the study of the relevant literature regarding whether or not there is a relationship between talent management and the psychological contract. Secondly, research will be conducted within the service industry to determine what the relationship is between talent management and the psychological contract.

1.5.1 Literature Research

The literature research is divided into secondary research objectives.

Secondary Objectives of Literature Research

The secondary objectives of the literature research are:

- To define the construct “psychological contract”;
- To define the construct “talent management”;
- To identify important aspects of talent management;
- To identify types and characteristics of the psychological contract;
- To review the breach and fulfilment of the psychological contract;
- To review the influence of certain key talent management practices on the psychological contract.

1.5.2 Empirical Research

The empirical research is also subdivided into a primary research objective and secondary research objectives.

Primary Objectives of the Empirical Research

The primary objective of the empirical research is to determine if there is a relationship between talent management and the psychological contract.

Secondary Objectives of the Empirical Research

The secondary objectives of the empirical research are:

- To determine if talent management is important to employees;
- To determine if talent management is an expectation that employees have of their employer;
- To determine if talent management strengthens the psychological contract between employers and employees;
- To determine the effect of talent management on the psychological contract;
- To determine if talent management is a successful intervention in retaining the best employees in an organisation;
- To determine if it is beneficial for the organisation to implement talent management practices.
- To determine the effect of biographical variables (race, age, gender, education and level of work) on talent management and the psychological contract.

1.6 HYPOTHESIS

From the above mentioned empirical objectives, an integrative hypothesis for the empirical investigation is formulated. Different sub-hypothesis will be formulated to test the specific secondary objectives.

The integrative hypothesis is formulated as follows:

Hypothesis1:

There is a statistical significant relationship between talent management and the psychological contract.

Rationale:

Based on the fact that no evidence in the relevant literature could be found to support the relationship between talent management and the psychological contract the above hypothesis is stated in a non-directional way.

1.7 METHODOLOGY

This section gives a broad overview of the methodology.

A quantitative research approach was taken. Surveys were distributed to organisations in the service industry based in Pretoria and Centurion in order to collect new data leading to empirical research. The researcher distributed the surveys and collected the data because of convenience constituting a primary data design. The sample includes individuals from different occupations, e.g. engineering, finance, information technology, human resources, sales, administration, and legal. The sample further includes employees from different levels, race, gender and age.

The coverage of this study is limited to Northern Gauteng. The study covers the concepts of talent management and the psychological contract. The research is limited to employed individuals, and excludes students and unemployed individuals.

The assumption is made that the sample is representative of the population. It is assumed that the structured questionnaire has validity and is measuring the desired construct. Further it is assumed that all participants are English proficient and that the participants will answer the questionnaire truthfully.

Data were analysed using SPSS. The following statistical techniques were used and are discussed in detail in Chapter 3:

- Cronbach's Alpha Coefficient;
- Correlation analysis;
- Regression analysis;
- One-way between groups ANOVA.

The following operational definitions apply to the quantitative research approach:

- “Psychological contract” refers to any individual beliefs or expectations between an employee and employer (Rousseau 1995);
- “Talent management” refers to “a conscious, deliberate approach undertaken to attract, develop and retain people with the aptitude and abilities to meet current and future organisational needs” (Stockley, 2011);
- “Employee/s” refer(s) to any individual who is legally employed full-time by an organisation;
- “Organisation” is any legally-registered body that employs individuals.

1.8 CHAPTER OUTLINE OF THE STUDY

The chapter outline highlighting the overview of the research is as follows:

Chapter 1: Introduction and Background

This chapter will provide the reader with a better understanding of the underlying problem that the study aims to resolve, the main objectives of the study, and the justification that supports it. It concludes with a brief overview of each of the main chapters that follow. This chapter is divided into five sub-sections, consisting of an introduction and background, a description of the research problem, the research objectives, a motivation for the research, and a basic outline of the chapters to follow.

Chapter 2: Literature Review

The literature review is aimed at achieving the following:

- Develop a clear definition of the psychological contract;
- Understand the expectations of the psychological contract;
- Develop an understanding of the purpose of the psychological contract;
- Provide a description of the different types of psychological contract and the changes in the psychological contract;
- Develop an understanding of psychological contract breach and fulfilment and the consequences of these;

- Develop a clear definition of talent management;
- Provide an understanding of the talent management concept;
- Understand how talent management works;
- Provide an overview of the changes in the employment relationship;
- Understand the link between talent management practices and the psychological contract.

Chapter 3: Research Design and Methodology

This chapter is focused on discussing the methodologies utilised to conduct the research. This includes a description of the research paradigm and the broad research design. It elaborates on the sampling strategy and the measuring instruments. The statistical methods that were employed in the analysis of the data are also described in this chapter. The chapter concludes with the ethical guidelines followed during the execution of the study.

Chapter 4: Results

The results from the statistical analysis are presented in this chapter, which will include all relevant statistical outcomes, as well as a description of the relevant tables and figures.

Chapter 5: Discussion

The results detailed in Chapter Four are interpreted and discussed in this section. The outcomes of the research will be provided to answer the research question. The research paper will be concluded with recommendations for further studies, as well as for optimisation of the completed research approach.

1.9 CONCLUSION

Chapter one has provided the background for this study as well as the motivation for completing the research. The available literature will now be explored to provide an overview of the various factors that need to be considered in this study.

CHAPTER 2: LITERATURE REVIEW

2.1. INTRODUCTION

This chapter provides an overview of the literature related to talent management and the psychological contract. The chapter starts with a review of the psychological contract definitions. This is followed by the psychological contract expectations, purpose of the psychological contract, the different types of and changes to the psychological contract, and psychological contract breach and fulfilment. An examination of talent management definitions, how talent management works and the importance thereof follow the psychological contract. Finally, literature regarding the link between talent management and the psychological contract is discussed.

2.2. THE PSYCHOLOGICAL CONTRACT

2.2.1. The Definition of the Psychological Contract

According to Linde & Schalk (2008) numerous sources have defined the term “psychological contract”.

The psychological contract can be defined as: “...individual beliefs, shaped by the organisation, regarding terms of an exchange agreement between individuals and the organisation” (Rousseau, 1995, p. 10).

Another definition of the psychological contract is: “...the relationship between employers and employees in terms of unwritten expectations that exist” (D’annunzio-Green & Francis, 2005, p. 327). The psychological contract can also be defined as: “...individual’s beliefs regarding reciprocal obligations” (Freese & Schalk, 1996, p. 501).

Based on the above definitions, the following definition of the psychological contract will be used for the purpose of this study:

“The unwritten expectations between employees and the organisation.”

Whereas an employment contract is a written agreement between the employee and the organisation or employer, the psychological contract is an unwritten and not clearly defined contract between the employee and organisation or employer. The written employment contract is a legally-binding document where both parties are aware of the expectations that exist. The psychological contract, on the other hand, is an unwritten agreement between the employee and the organisation. As with the employment contract, the psychological contract holds expectations. The difference is that these expectations are not clearly defined in a written format that eliminates misunderstanding or not knowing what the specific expectations are. The psychological contract serves as a useful concept to investigate the unspoken perceptions employees have of the employment relationship.

2.2.2. Psychological Contract Expectations

As discussed above, the psychological contract concerns expectations between the employee and organisation. The employee has certain expectations of the organisation and, in return, the organisation has certain expectations of the employee.

The employee has the following expectations of the organisation:

- Career development;
- A challenging job;
- A pleasant social environment;
- Financial compensation;
- Work-private life balance

(Van de Ven, 2004).

These are examples of expectations that may form part of the psychological contract. Knowing what the expectations are, employees of the organisation can assist the company in meeting them. The danger is when the individualisation of each employee gets lost by assuming that generic expectations exist across the workforce. Expectations may vary from employee to employee, differ between certain age groups, level of work, etc. What one employee values greatly and expects from the organisation may not be of equal importance to another.

An organisation has the following expectations of the employee:

- Effort and performance;
- Flexibility;
- Loyalty;
- Ethical conduct;
- Availability

(Van den Ven, 2004).

Organisations expect employees to deliver quality work and to meet certain minimum performance standards. It is also expected that employees act in good faith of the organisation and display loyalty towards it.

The psychological contract concerns expectations both the employee and employer have of each other. It may add a lot of value knowing how these expectations are formed and what factors influence their forming. In a study on how individual characteristics such as personality characteristics, age, gender, emotional intelligence, literacy level, ability to understand and social context influence the psychological contract, it was found that individual characteristics influence the reaction to contract breach. It further found that different characteristics and social contexts will lead to different contracts, expectations, different breaches and reactions. The two main groups of social context influences identified are: external influences and internal influences. External influences are beyond the reasonable control of the organisation, such as legislation, for example, while internal influences are within the reasonable control of organisations. This study led to the discovery that the environment in which employees operate has a strong influence on the psychological contract. In addition to this, the social context has a stronger influence on the psychological contract than individual characteristics (Linde & Schalk, 2008).

Employees with the same social background, who grew up in similar circumstances with similar social contexts, will therefore develop the same expectations, and react the same when they perceive psychological contract breach. Employees coming from different social backgrounds, circumstances, social contexts, etc. may have different expectations and react differently to psychological contract breach. Taking the diverse workforce of today

into consideration, it may become more difficult for organisations, since they will have to focus on numerous interventions to strengthen the psychological contract because there will not be a “one size fits all” approach. The following, therefore, needs to be explored further: what expectations are more consistent across different individual characteristics and social backgrounds, and what expectations are more distinct of certain individual characteristics and social backgrounds? Knowing this will assist an organisation when having to implement human resource management interventions that will lead to a stronger psychological contract amongst a diverse workforce. Not knowing this information leads to a weakness, since organisations may be focusing on the wrong interventions.

Research to date has focused more on how employees form expectations with limited to no research available on how organisations develop expectations, and what influences the expectations formed by organisations (Linde & Schalk, 2008). Research concluded that the biggest impacting factor on the psychological contract and the formation of the psychological contract is the environment in which the employee operates (Linde & Schalk, 2008). This may lead to the question of whether the culture, strategy, objectives, values, etc. of an organisation will influence the expectations that organisations have of their employees.

Expectations are the essence of the psychological contract. Understanding how expectations are formed and how expectations differ amongst employees can assist the organisation in knowing what interventions are important to implement, in order to strengthen the psychological contract.

2.2.3. Purpose of the Psychological Contract

The psychological contract is developed because it reduces insecurity, shape behaviour, and gives employees a feeling of influence over what happens to them in the organisation (Van den Ven, 2004).

The employee knows what he/she expects from the organisation, which in turn provides a sense of security. The fulfilment of these expectations will shape behaviour. When the expectation is not met, for example, the employee can determine what his/her behaviour

will be, and that will influence what happens to the employee in the organisation. The psychological contract gives the employee some form of control in the employment relationship. With the employment contract the employee has little or no control over the expectations, obligations and agreements; this is mostly determined by the law and organisation. With the psychological contract the employee can determine the outcome when his/her expectations are not met and, in addition to this, also have some power in determining what the expectations are.

2.2.4. Psychological Contract Types and Changes

Changes have taken place in the psychological contract over the years and literature refers to the “old” psychological contract and the “new” psychological contract (Cascio, 2001). Table 1 illustrates the differences between the “old” and “new” psychological contract.

Table 2.1

The Old Psychological Contract vs. the New Psychological Contract

Old Psychological Contract	New Psychological Contract
Stability, predictability	Change, uncertainty
Permanence	Temporariness
Standard work patterns	Flexible work
Valuing loyalty	Valuing performance and skills
Paternalism	Self-reliance
Job Security	Employment security
Linear career growth	Multiple career growth
One time learning	Lifelong learning

(Source: Cascio, 2001)

Table 1.1 indicates that the Psychological Contract has changed a great deal over the years: the social background and context has undergone changes. The old psychological contract was characterized by stability, predictability, security, permanence and standard work patterns. This is no longer the norm. The new psychological contract is characterized by change, uncertainty, temporariness and flexible work. Referring back to the previous

study on whether social context influence the expectations of the psychological contract, it may be concluded that the changes from the old to the new psychological contract are as a result of social context that changed between 1960 and 2011. It is, however, not just the basic psychological contract that changed over the years; a specific psychological contract between an employee and the organisation may change throughout the employment relationship. These changes can be due to individual changes from the employee, or organisational changes from the organisation, such as strategy, vision, etc., change. If these changes cannot be incorporated into a revised contract, the contract will be deserted (Schalk & Roe, 2007).

The world of work is also changing and this may be a contributing factor to changes in the psychological contract. It may lead to the importance of implementing interventions so that the organisation takes the employee on the journey of change, assisting them in adapting their psychological contract in order not to desert it.

Two types of psychological contracts have been identified, namely a transactional and relational contract. A transactional contract relates to monetary exchanges and is usually of a shorter duration, while a relational contract relates to loyalty, job security, financial rewards, training and development. The latter's aspects create a mutual interdependence between the organisation and employee, and this type of contract is associated with high commitment (D'annunzio-Green & Francis, 2005).

It can be concluded that the relational contract will therefore hold more advantages for the organisation than the transactional contract.

Table 1.2 illustrates the differences between a transactional and relational contract. Table 1.2 shows that the transactional contract is associated with little loyalty towards the organisation, less willingness to take on extra responsibilities or to do more than what is expected and is relatively easy to exit. The relational contract on the other hand is associated with high loyalty towards the organisation, a willingness to take on additional responsibilities and to commit to the organisation as well as a low intention to exit.

Table 2.2

Transactional vs. Relational Psychological Contract

Transactional	Relational
Little organisational loyalty	High organisational loyalty
Employees develop marketable skills	Employees develop company specific skills
Unstable employment	Stable employment
Flexibility or easy exit	Willing to commit to one company
Less willing to take on additional responsibilities	High intent to stay with organisation
Reward system focuses on short term	Members highly socialised

(Source: Van de Ven, 2004)

2.2.5. Psychological Contract Breach and Fulfilment

The psychological contract is built on fairness, trust and the delivery of the expectations between organisations and employees (Freese & Schalk, 1996).

When the employee develops a trust relationship with the organisation, perceives the organisation to be fair and feels that the organisation meets his/her expectations, the psychological contract will be strengthened. If the employee, however, is of the opinion that the organisation is not fair and not delivering on the expectations created, the psychological contract will be broken.

The psychological contract relationship is appraised based on the level of agreement between the expectations of the employee and the realisation of these expectations. Employees form expectations through their interaction with the organisation. These expectations can be created with intention or without intention (Freese & Schalk, 1996).

Some expectations are clear, e.g. salary. But there are also more vague expectations, such as the way employees want to be treated. Vague expectations are normally only known once they are not met. The psychological contract is thus based on the employee's sense of fairness and trust and their belief that the employer is honouring the deal between them (Scribd, 2009b).

The psychological contract influences employees' commitment and behaviour. If an employee is committed to the organisation they will automatically act in the benefit of the organisation (Schalk & Roe, 2007). An employee will evaluate whether his/her expectations are met or not. Psychological contract breach is therefore a subjective experience because it refers to the employee's perception that the organisation has failed to adequately fulfil the promised obligations of the psychological contract (Scribd, 2009b).

The Two Factor Theory states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors cause job dissatisfaction, in which case job satisfaction and dissatisfaction act independently from each other (Maidani, 1999).

According to Herzberg, there are two job category factors, namely hygiene and motivational factors. Hygiene factors are essential and can be associated with the lower order needs from Maslow's Hierarchy, e.g. psychological needs and safety needs. The higher order needs of Maslow's Hierarchy can again be associated with the motivational factors, e.g. social needs, esteem needs and self-actualisation are of more importance to employees. Herzberg stated that to increase satisfaction, organisations should thus focus on the motivational factors, and to decrease dissatisfaction organisations should focus on the hygiene factors (Maidani, 1999).

It can therefore be concluded that employees will be more content with the motivational factors or the higher order needs, but the lower order needs or hygiene factors should, however, not be neglected because it will decrease dissatisfaction. Both the higher and lower order needs are of importance. If the lower order needs are not met, employees will be dissatisfied. But if an organisation does not focus on the higher order needs, satisfaction will not increase either.

In order to decrease dissatisfaction, organisations should focus on providing job security, better salaries, fringe benefits, etc. that will satisfy the lower order needs of Maslow's Hierarchy. In order to increase satisfaction that will in return strengthen the psychological contract, organisations should focus on providing challenging work, recognition,

responsibility, etc. which will satisfy the higher order needs of Maslow's Hierarchy (Maidani, 1999).

The danger is that employees may have different views regarding the lower and higher order needs. Referring to Maslow's Hierarchy, if employees' lower order needs have not been satisfied and they are functioning in a space where they have not moved on to the higher order needs because of a lack in the lower order needs, their dissatisfaction will be much greater. It will be difficult to increase their satisfaction if their level of dissatisfaction is so high that the higher order needs are of no importance to the employee. Focusing on expectations that provide in the higher order needs will have no influence on these employees at all. For these employees, focusing more on job security and a better salary may lead to more satisfaction than focusing on the higher order needs. Again, it must be stated that social context and background will play an influencing role on what will increase employee satisfaction and decrease employee dissatisfaction. My opinion is that Maslow's hierarchy may be limited with respect to the influence that individual characteristics and social context have on employee expectations.

According to the self-regulation theory, employees will:

- Compare the variable state with the desired state; and
- Based on the outcome take corrective action to significant discrepancies

(Schalk & Roe, 2007).

The self-regulation theory can also be applied to the psychological contract. Employees' expectations are what they desire and need. If the actions from the organisation differ from what the employee desires and needs, he/she will compare and measure what the difference is. Based on the amount of discrepancy, the employee will take corrective action. It again emphasises that it is the employee's perception of whether a discrepancy exists or not, and the self-evaluation may be subjective.

Numerous reasons may lead to an employee's perception that there is a break in the psychological contract. Some of these are:

- The recruiter over-promises the job opportunity;
- Eager job seekers may read what they want into a promise;

- A manager, co-worker or executive that says one thing but does another;
- A change in superiors; and
- Changes in human resource practices

(Van de Ven, 2004).

Expectations are already formed when meeting the recruiter or interview based on what he/she tells the employee. The recruiter can exaggerate, in doing so, create false expectations which are ultimately not met. Today, organisations make use of recruitment agencies to assist them in finding the right candidates. Because a recruitment consultant is eager to make a placement and earns a commission-based salary, he or she may exaggerate in order to ensure that the placement is made and that the candidate accepts the job opportunity. Job seekers are also subjective rather than objective. They can create expectations that will make it worth the while to leave their current employer, which then turns out not to be what the organisation has promised. Changes can also cause a break in the psychological contract. Changes imply that employees will have to change or adapt to the psychological contract. If they can't adapt to their psychological contract, the contract will be perceived as being breached or broken. Expectations do not form on the day an employee starts with the organisation; they form as soon as an individual interacts with an organisation and/ or employees from it. Every person from an organisation may therefore play a role in the expectations that are formed (Van de Ven, 2004).

Research regarding the role that managers play as brokers in shaping the psychological contract found that managers are viewed as agents of the organisation and brokers of the psychological contract. Numerous respondents were of the opinion that their psychological contract is with their Line Manager (Wainwright, n.d.).

From the above, it is clear that managers play a very important role in forming the psychological contract. Although research indicates that managers play an important role in forming expectations, co-workers may also play an important role and they may play an even bigger role in the perception that the psychological contract has been breached.

The employment contract is governed by the country's legislation. In cases where either the employee or the organisation breaks the employment contract agreement, there is

legislation and a higher authority to whom the employee or organisation can turn for help, e.g. the Commission for Conciliation, Mediation and Arbitration (CCMA), Labour Court or Labour Law. But what happens in the instances where the agreement or expectations of the psychological contract are violated or broken?

The exit, voice, loyalty and neglect typology (EVLN Typology) suggests that people respond to breaches as follows:

- Increase exit;
- Increase voice;
- Decreased loyalty;
- Increased neglect

(Van de Ven, 2004).

According to the EVLN typology, upon breach of the psychological contract, the employee will either leave the organisation, speak to a supervisor to improve the conditions, decrease any extra effort or be more absent, late, etc. Research suggests that the most common results of a breach in the psychological contract are the employee leaving the organisation or decreased loyalty. Increased voice and neglect are less common results of psychological contract breach (Van de Ven, 2004).

This may be because employees do not feel “safe” enough to voice their opinion. Employees may be scared of victimisation; they feel it is easier and safer to exit the organisation. It must also be considered whether personality preferences influence the decision employees make to rather voice their opinion or exit the organisation. For an employee who is more outspoken, it may be easier to voice their opinion, while another employee who is less outspoken will not feel comfortable expressing their opinion or making their disagreement known. For the less outspoken employee, the easier option will be to leave the organisation.

When the psychological contract is being violated or is broken, it can be viewed that the organisation has failed to deliver on the expectations and has broken their promises. This can lead to the following actions:

- Anger;

- Hostility;
- Aggression;
- Tardiness;
- Absenteeism;
- Intent to leave;
- Job dissatisfaction;
- Reduced contributions to organisation;
- Reduced performance; and
- Reduced innovative behaviour

(Freese & Schalk, 1996; Schalk & Roe, 2007; Scribd, 2009b).

The above is supported by the Social Exchange Theory. The Social Exchange Theory suggests that social behaviour is a result of an exchange process. The purpose of an exchange process is to maximise benefits and minimise costs. People will weigh up benefits and risks. When the risks outweigh the rewards, people will terminate and abandon the relationship (D'Annunzio-Green & Francis, 2005).

Employees will do the same: when the risks of their relationship with the organisation outweigh the benefits, they will terminate or abandon the employment relationship. It can therefore be said that whether or not an employee will abandon the employment relationship will be a balance of the benefits that is in the employment relationship for the employee, and the extent to which the organisation does not deliver on the expectations. If an organisation does not deliver on a certain expectation there should be other benefits that balance it out. If not, the employee will abandon the relationship.

There are clearly numerous consequences when expectations are not met. None of these consequences are beneficial towards the organisation. Instead, they are negative. The costs involved when an employee resigns, and having to replace that employee, is high. Having an unproductive employee is also costly because it is a head that is not delivering at all, costing the organisation money. Unfortunately it is not always easy to know what the psychological contract stipulates and this might differ from employee to employee. If it was clear, it would be easier for an organisation to meet the expectations of the psychological contract which may lead to more positive benefits.

Studies show that the less an organisation meets the expectations of its employees, the more significant the consequences will be. In addition to this, as the organisation meets fewer expectations, the psychological contract becomes a transactional type of contract instead of a relational contract (Van de Ven, 2004).

If an employee perceives that the organisation meets their expectations, it will increase the strength of the psychological contract and the employee will act in the benefit of the organisation. It therefore strengthens the psychological contract and also results in a relational contract rather than a transactional contract.

Indicators of a satisfactory psychological contract are:

- Job satisfaction;
- Productivity;
- Intention to stay with the organisation (lower turnover);
- Organisational commitment;
- Good performance outcomes;
- Loyalty; and
- Increased motivation.

(CIPD, 2010; Freese & Schalk, 1996; Guerrero & Herrback, 2008).

Employees will feel that the organisation has met their expectations when they are satisfied in their work. Supported by the two-factor theory, employees will be satisfied if they find their work interesting, have development opportunities, are treated fairly and feel that management is competent.

There are therefore certain factors that will strengthen the psychological contract, and certain factors that will weaken it. A psychological contract strength measurement for the South African context was designed as part of a study on the relationship between the strength of the psychological contract and organisational commitment. The strength of the psychological contract questionnaire consists of the following two scales:

- Needs expectation; and
- Needs fulfilment expectation

(Stanz, Scheepers & Slabbert, 1999).

Employees had to respond to the level of their expectation as well as the importance of that expectation. The study found that there is not a relationship between the strength of the psychological contract and organisational commitment (Stanz *et al.*, 1999).

The study shows that organisational commitment will not increase as a result of the fulfilment of the psychological contract. This contradicts existing literature, indicating that a breach in the psychological contract will lead to less loyalty and intention to exit the organisation, and thus less organisational commitment.

Guest (2004a) proposed the model below as a framework for applying the psychological contract to the employment relationship.

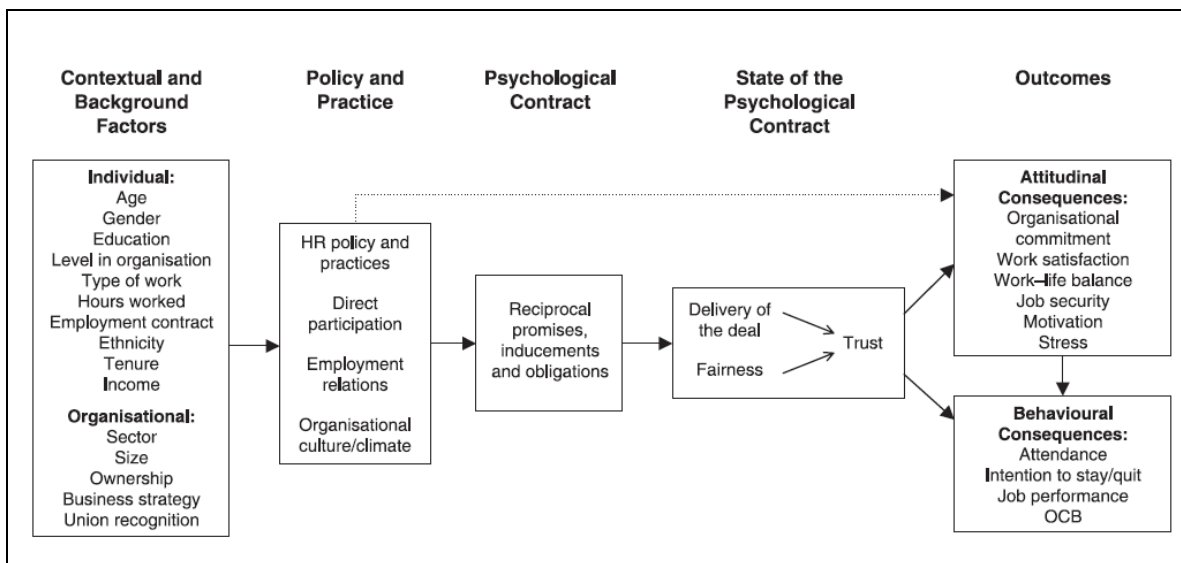


Figure 1: A Framework for Applying the Psychological Contract to the Employment Relationship

(Source: Guest, 2004a)

Figure 1 shows the factors influencing the psychological contract and the expectations formed leading to the existence of a psychological contract. It further illustrates the outcomes of the perception of fairness and delivery of the promises or expectations. The model, however, does not include interventions that can be applied to the employment

relationship to achieve the consequences specified above. Limited to almost no research is available on how interventions will influence the psychological contract. There is no literature indicating how certain human resource management interventions will influence the psychological contract. This research is needed in order to assist organisations in creating trust and to strengthen the psychological contract.

The psychological contract concerns expectations between the employee and the organisation (D'annunzio-Green & Francis, 2005; Freese & Schalk, 1996; Rousseau, 1995). The formation of these expectations is influenced by factors such as the social environment (Linde & Schalk, 2008). If these expectations are not met it may lead to negative implications for the organisation, such as increased turnover, decreased productivity, lack of commitment, etc. (Freese & Schalk, 1996; Schalk & Roe, 2007; Scribd, 2009b). The fulfilment of these expectations will lead to the retention of employees, increased productivity, motivation, etc. (CIPD, 2010; Freese & Schalk, 1996; Guerrero & Herrback, 2008; Guest, 2004b). Fulfilment of the expectations of the psychological contract breach will therefore lead to numerous benefits for an organisation, leading to a stronger psychological contract. It is therefore vital for an organisation to understand the expectations employees have and how the organisation can fulfil these expectations in order to achieve the benefits of psychological contract fulfilment.

2.3. TALENT MANAGEMENT

2.3.1. Definition of Talent Management

Today we live in a war for talent where organisations operate in competitive environments characterised by a shortage of knowledge, skills and talent (Capelli, 2010). The demand today for talent, skills and knowledge is greater than the supply thereof. "Products can be quickly duplicated and services cheaply emulated – but innovation, execution and knowledge cannot" (Knowledge Infusion, 2006, p. 3). It is rather about the "quality of talent" than the "quantity of talent". The shortage of knowledge, skills and talent, the competitive advantage gained through knowledge and innovation and striving towards "quality of talent" emphasise the importance of talent management in organisations (Knowledge Infusion, 2006).

Before defining talent management it is important to understand what talent means. Broad definitions exist regarding what talent is. Talent can be defined as “a natural aptitude or skill” (Oxford Dictionary, 2011a). It can also be defined as “a recurring pattern of thought, feeling or behaviour that can be productively applied (Buckingham & Coffman, 1999). Price Waterhouse Coopers defines talent as “employees who have inherent competencies with energy and drive, and are committed to delivering excellent results in support of business results” (Leigh-Ann & Marah, 2008). For the purpose of this study the definition of Price Waterhouse Coopers applies.

Talent Management can be defined as: “The sum of people’s capabilities, experiences, competencies, attitudes and behaviour that can be turned into organisational performance” (Pillay, Subban, & Qwabe, 2008). Another definition of talent management is: “a new business science that integrates workforce planning, acquisition, development, mobility and measurement into a strategic discipline” (Human Capital Institute & Vurv Technology, in press).

Talent management can also be defined as: “A continuous, integrated process that helps employees to:

- Effectively plan talent needs;
 - Attract the very best talent;
 - Speed time to productivity;
 - Motivate the right behaviour;
 - Develop targeted capabilities and knowledge;
 - Retain the highest performers; and
 - Enable talent mobility across the organisation”
- (Knowledge Infusion, 2006).

Talent management concerns:

- Filling positions with the right candidates;
- Promoting high potentials in order to increase their impact on productivity;
- Developing staff to increase their efficiency in their current role; and
- Increasing performance and consistently retaining the best employees

(Bader & Lasprilla, n.d.).

Talent management involves workforce planning, recruitment, human capital development, diversity, employee relations and employee retention (Howard, 2003).

For the purpose of this study, and based on the above definitions, the following definition will be used for talent management:

Talent management are the workplace practices that integrate workforce planning, recruitment, development, and retention (Howard, 2003; Human Capital Institute & Vurv Technology, in press).

2.3.2. The Importance of Talent Management.

“In order to value people, companies must move beyond the notion of human resources and toward the notion of human capital, a notion that sees people not as a perishable resources to be consumed, but as a valuable commodity to be developed” (Anderson, Friedman, Hatch & Walker, 1998, p. 18 - 19).

Talent became a competitive advantage for organisations and the following factors contributed to this:

- Access to finances;
- Latest trends in information technology;
- Increased need for technical knowledge;
- Flexible work arrangements and practices; and
- Increase in a service driven approach

(Lawler, 2008).

For organisations to achieve a competitive advantage they have to become human capital-centric, which is characterised by high involvement and a global competitor approach that includes interesting work amongst other factors. Human capital-centric organisations will only excel if they have a successful talent management system. Having talent within an organisation leads to a competitive advantage, but in order to ensure that an organisation

has talent, they have to focus on human capital, and this can be improved by having a successful talent management system (Lawler, 2008).

It was found that 77% of the participants in a study saw talent management as increasing in importance. Reasons given were:

- Linkage between training, knowledge and performance;
- Looming talent shortage; and
- Redeploying workers is more effective than recruiting

(Knowledge Infusion, 2006).

Based on the above, it can be concluded that talent management is of importance to employees, and should be of importance to an organisation because it can lead to a competitive advantage and fulfil the need employees may have.

Knowledge is a very important asset, and also difficult to duplicate. By managing talent, employees gain more knowledge which can lead to improved performance. Ultimately, business processes drive business results, profit and productivity. People drive business processes. People are therefore a value-added contribution in order to achieve business results. When people's performance improves, it means that it will also improve business results. It further assists in eliminating the talent shortage that organisations are faced with. Employees can be redeployed to a vacant position which can save an organisation time and recruitment costs.

Some of the advantages of talent management include that an organisation can develop employees according to their requirements. It can save the organisation money and it can enhance career mobility and engagement in the existing workforce (Hills, 2009).

"In both uncertain economic times as well as at the height of a boom, effective talent management is essential to achieving organisational excellence" (Mucha, 2004).

This was proven in a study done by Phillips & Phillips, (2002) in which it was found that a training programme was a successful intervention while an organisation was going through

a restructuring period and wanted to manage their employee turnover during this period. Implementing a training programme during the restructuring period led to the following:

- 95% of the employees were retained;
- Continued financial success of the organisation;
- Excellent employee working relationships; and
- Overall job satisfaction.

With the high retention and overall job satisfaction, it can be argued that the psychological contract was strengthened and that employees were retained even though the organisation was going through uncertain economic times.

Mucha (2004) proposed the following three processes running linearly and interactive for organisations to achieve excellence:

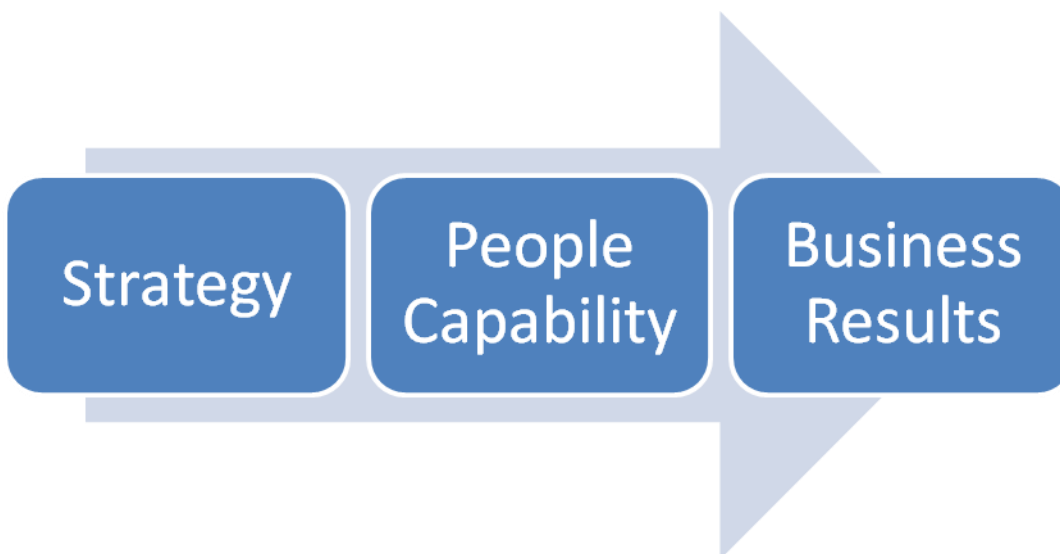


Figure 2: Organisational Excellence Processes

Figure 2 illustrates that the capabilities of employees will lead to the achievement of business results. Talent management builds the capabilities of employees and if employees have the capability, business results can be achieved (Mucha, 2004).

Literature has identified that an organisation will have a competitive advantage, fulfil in employee needs, be able to develop employees according to specific requirements, save

costs, have high engagement and achieve organisational success if the organisation implements talent management successfully (Hills, 2009; Lawler, 2008; Mucha 2004).

Taking the above into consideration, talent management holds a lot of benefits for the organisation. Talent management is, however, time- and cost-consuming. If it increases retention it will be worth the cost and time. If employees, however, see it as making them more marketable, they may leave the company before the company has derived any benefit from talent management. Talent management can be seen as a retention tool, but should be used in combination with other retention tools so as to ensure that employees don't exit the organisation before there has not been a return on investment for talent management.

Contradicting the importance of training and development as mentioned above, Basson, Coetzee and Döckel (2006) conducted a study regarding retention factors that increase organisational commitment amongst high technology employees. It appeared that the participants had a desire to stay with their current organisation. This could have been due to the general acceptance of the terms of the psychological contract. The most relevant factors that led to retention were found to be compensation, job characteristics, supervisor support, and work /life policies. Training and development and career opportunities were found to have no significant direct impact on organisational commitment or retention. The study concluded that reward and recognition, and the relationship with a supervisor play a very important role in organisational commitment (Basson *et al.*, 2006).

Development and other aspects of talent management may not have had a significant impact on organisational commitment. This may have been because the sample was selective of high technology employees. Further studies may therefore be of value to determine whether talent management will strengthen organisational commitment and thus also the psychological contract. Reward and recognition can, however, be seen as part of retention, which is included in the definition of talent management.

It is still clear that valuing employee knowledge and skills holds positive outcomes for the organisation. "What make a company are the teammates; I am loyal to them, and they are loyal to me" (Phillips & Phillips, 2000).

In conclusion, literature indicates numerous benefits of successful talent management in an organisation, while the disadvantages identified are linked to the unsuccessful implementation of talent management. This will be addressed in the next section that looks at the “how” of talent management in order to ensure that it is implemented successfully. For the purpose of this section, Figure 3 serves as a summary regarding the overall benefits that can be achieved through talent management, making talent management a very important aspect for organisations. It is important to note that each of these sections can lead to other benefits, however the purpose of this section is to get an overall picture of the benefits associated with successful talent management.

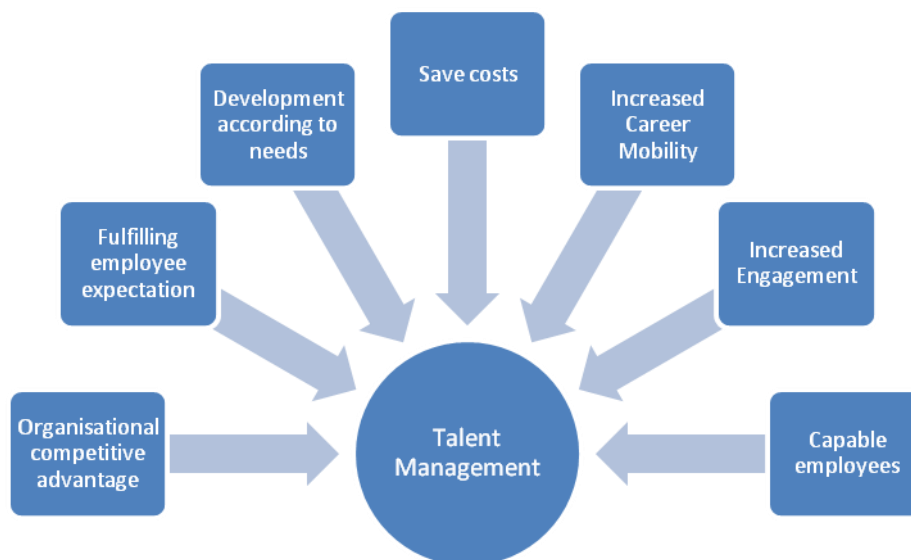


Figure 3: Advantages of Talent Management

(Source: Hills 2009; Knowledge Infusion, 2006; Lawler, 2008; Mucha, 2004)

2.3.3. The How of Talent Management

From the previous section it is clear that successful talent management holds a lot of benefits for the organisation. This leads to the importance in understanding what the requirements are in order to ensure that talent management is implemented successfully. The next section will focus on what is needed to ensure talent management is successful.

To create a sophisticated talent management environment, organisations must:

- Define a clear vision for talent;
- Develop a roadmap for technology and process integration;
- Integrate and optimise processes;
- Apply robust technology to enable process; and
- Prepare the workforce for changes associated with the new environment

(Knowledge Infusion, 2006).

“Talent management requires a fine balance of cultural acceptance, processes, organisational structures, and the right degree of system support” (Bader & Lasprilla, n.d.).

Successful talent management has the following requirements:

- Culture
 - Talent management must be accepted throughout the organisation and must be supported from top management.
- Processes
 - Systems of the different talent management processes must be consistently and coherently integrated.
- Structure
 - Talent management must be sustained on a permanent basis. It won't hold much success if it is only of a temporary nature.
- System
 - All processes must be integrated involving all employees, managers and functions in the organisation

(Bader & Lasprilla, n.d.).

The Human Capital Institute and Vurv Technology (in press) identified attracting and retaining skilled and professional employees, developing managers, retaining good performers, succession planning and development and the shortage of management and leadership skills as challenges the workforce is faced with that will impact on the organisational strategy.

For talent to be turned into actions that are visible to the organisation, it is required that employees have the competencies, are committed, and make the necessary contributions. When employees' personal needs are met through the organisation it will lead to them contributing to that organisation (Workforce Management, 2007).

Linking this to the psychological contract, employees will contribute when their expectations and needs are met by the organisation. It is therefore important that an organisation keep in mind employees' needs when implementing talent management in order for it to be successful.

Reasons for talent management not being successful can be due to the fact that organisations do nothing or because they rely on older models from the 1950s (Capelli, 2010). Doing nothing is not going to meet the expectations employees have developed as part of the psychological contract. Implementing models that are outdated will also not satisfy the expectations employees have.

Capelli (2010) proposed the following model to ensure successful talent management in the 21st century:

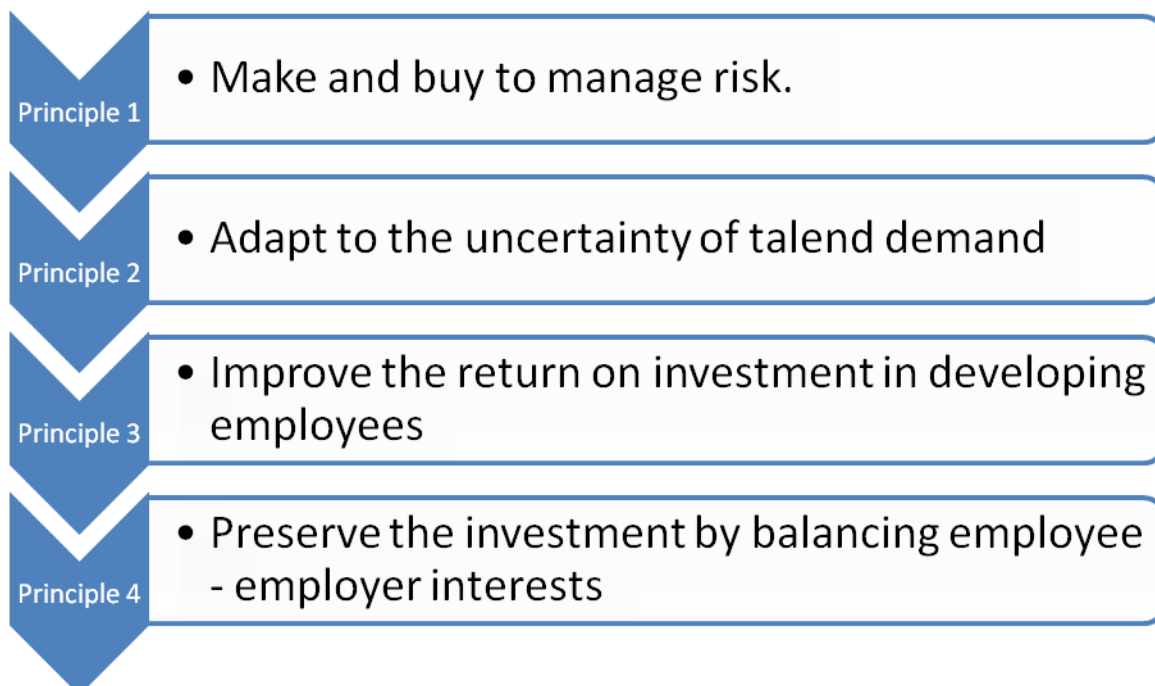


Figure 4: A Model for Talent Management in the 21st Century

Figure 4 shows that an organisation must consider to develop and buy talent. Developing talent internally is cheaper and less disruptive for the organisation, whereas it is faster to recruit talent from outside the organisation. When considering whether it is better to develop internally or to recruit externally, an organisation should keep in mind the time period for which the talent is needed, whether it is possible for current employees to learn on the job, and the importance of maintaining the current organisational culture. Capelli (2010) suggests that organisations should rather focus on shorter, more responsive forecasts instead of on long-term talent demand forecasting. In order to increase the return on investment when developing employees internally, it is suggested that employees share the cost with the organisation and to keep ties with employees who leave afterwards. It is suggested that the decision of internal development and promotion not only be a decision made by top management, but that employees should also have some authority in this. In balancing the employee's interests with that of the organisation's, the organisation will be assisted in ensuring that the employees' expectations are met, leading to a stronger psychological contract. "Employees want prospects for advancement and control over their careers" (Capelli, 2010).

It can be argued that this is an expectation of the psychological contract, and through an updated talent management model this expectation can be met.

It is imperative that top management supports talent management initiatives. This will:

- Create a performance culture;
- Enable fair promotion of talents;
- Establish the correlation between performance and potential on one side, and payments and promotion on the other side

(Bader & Lasprilla, n.d.).

If talent management is driven from and supported by top management, it will emphasise the importance thereof to employees, create buy-in and assist in getting employees to become committed to the process.

Organisations that focus on developing their talent integrate processes and plans in order to track and manage their employees' talent. These processes and plans normally include the following:

- Sourcing, attracting and recruiting qualified candidates with a competitive background;
- Managing and defining competitive salaries;
- Training and developing opportunities;
- Performance management process;
- Coaching;
- Promoting the right people;
- Retaining talent;
- Succession planning; and
- Mentoring

(Maxwell & Maclean, 2008; Workforce Management, 2007).

Morton (2004) identifies the following components of talent management:



Figure 5: Components of Talent Management

Figure 5 shows all of the components that must be integrated. These processes must be applied consistently to ensure successful talent management (Bader & Lasprilla, n.d.).

Figure 6 shows the important and essential functions of the talent lifecycle identified by Foreman (2007). These functions should be included in the talent management practices in an organisation:

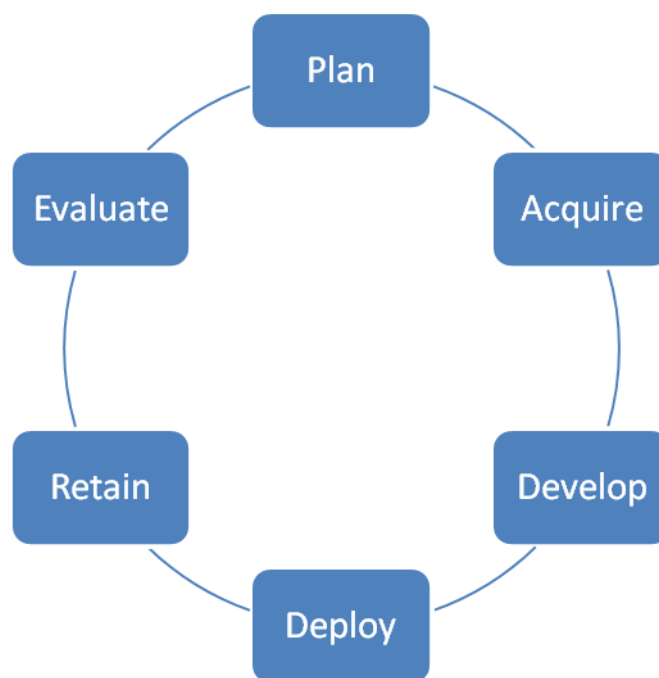


Figure 6: Talent Lifecycle

(Source: Foreman, 2007)

Figure 5 and 6 include the same components or processes of talent management, but Morton's (2004) model adds performance management as a component and divides development into professional development and leadership or high potential development.

In order to lead to a competitive advantage, organisations should include the following as part of their talent management practices:

- Managers should be held accountable for talent management and performance;
- Have a strong employer branding that can serve as an attraction;
- Rewards and recognition are suitable with the individual needs of employees;

- An analysis is conducted to identify the critical skills needed by the organisation to have a competitive advantage;
- The skills identified in the analysis above should be hired irrespective of the costs;
- Employees should undergo a selection process to determine who has the critical skills identified, and who has the potential to develop these critical skills,
- According to these needs, development opportunities should be planned and implemented; and
- Methods to retain high talent in organisations must be implemented

(Lawler, 2008).

The importance of having a fit between the employees' needs, what the employee does well and the organisational needs has been identified above. Mucha (2004) suggests the following model that illustrates when there is a good match between work and talent:

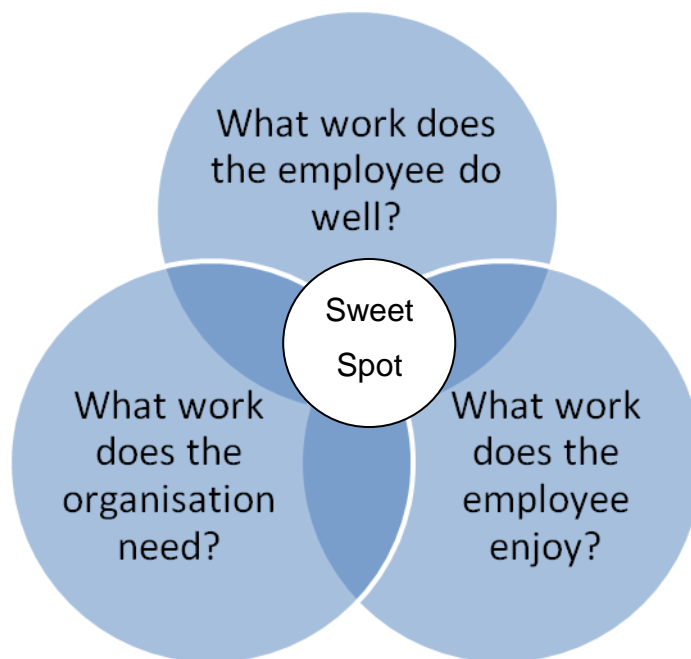


Figure 7: Sweet Spot Model

(Source: Mucha, 2004)

Figure 7 shows that talent management will lead to an effective organisation when there is alignment between the capability of the employee, what the employee enjoys, and what

the organisation needs. Having all three present will ensure that organisational and employee expectations are met, which can lead to the fulfilment of the psychological contract. The sweet spot occurs when all of the above is met, leading to engaged, motivated employees and to the achievement of business results (Mucha, 2004).

From this it is clear that talent management comprises a large amount of practices or processes. Talent management can become very complex. It may not show short-term return on investment, but rather longer return on investment. It is also difficult to measure in the short-term whether an organisation is successfully engaging in all of these processes. Whether talent management is successful and whether an organisation is getting return on investment from it will probably only be determined in the longer term. A study on talent management and the impact of this on the psychological contract will add valuable information to determine whether it strengthens the psychological contract leading to return on investment. Talent management is complex, and it will depend on the organisation and employees together with management, who are responsible for implementing talent management, whether it is successful or not.

The success of an organisation depends on the performance of its employees. If employees are not successful in their jobs or careers, it will be very difficult for the organisation to achieve business results leading to profitability. The success of employees can be enhanced by proper training, correct job match or fit and other talent management practices. By enhancing the success of employees the profitability of the organisation will also be enhanced.

When it comes to talent management, there are two strategic choices an organisation should consider:

- Aligning people with roles
 - Typical actions and /processes involved when an organisation aligns people with roles are: selection, recruitment, placement, promotion, learning and development, succession planning, and career guidance. These are all the actions and/or processes organisations used in order to align people with identified roles.
- Aligning roles with people

- With this strategic option an organisation already has its people and now needs to align roles with them. Actions that organisations will go through in order to achieve this are: organisational design, role design, working environment designing, and redesigning of working methods

(Cunningham, 2007).

Talent management is about “focus” and “fit”. “Focus” implies that you focus on a talent management strategy that will contribute to the organisational objectives. Therefore you have to identify which job roles are priority and where you will find talented individuals for these job roles. “Fit” implies that you focus on a talent management strategy that supports the organisational objectives (Garrow & Hirsh, 2008).

“Talent management is about positive things – doing things for your best people, investing in developing them, building on potential and, therefore, helping people make the best use of their strengths and improve on their weaknesses” (Garrow & Hirsh, 2008). It was found that talent management promotes positive perceptions of the organisation as an employer (Maxwell & Mclean, 2008). Talent management is about the individual and the organisation, and holds advantages for both parties.

For talent management to be successful it is important that the talent management strategy is aligned with the corporate strategy; it involves the right people and focuses on the talent management loop. A lot of organisations implement talent management, but the success of talent management comes when the organisation engages with the hearts and minds of the employees. “Organisations that achieve the most success with this are those where the visions and values of the organisation are aligned with the individual” (Engineering & Technology, 2008).

Research has shown that senior managers recognise the importance of talent and that this will benefit the organisation; if the organisation focuses on talent management and if leaders are involved in talent management it will lead to positive results. Organisations, however, still need to align human resources with the organisation’s strategy, take accountability to develop talent, practise consistent execution and integration of talent

programs, and meaningfully engage talent analytics (Human Capital Institute & Verv Technology, in press).

Based on the above literature, I would like to propose the following model. Figure 8 therefore concludes this section containing the key elements in order for talent management to be successful.



Figure 8: Elements of Successful Talent Management

(Source: Adapted from Bader & Lasprilla, n.d.; Capelli, 2010; Engineering and Technology, 2008; Foreman, 2007; Garrow & Hirsh, 2008; Lawler, 2008; Mucha, 2004; Workforce Management, 2007).

The next section will focus on the link between talent management and the psychological contract.

2.4. THE IMPORTANCE OF THE PSYCHOLOGICAL CONTRACT AND TALENT MANAGEMENT

2.4.1. Changes in the Employment Relationship

In the past, employees stayed with one organisation throughout their career. This, however, is no longer the norm. Today employees will move around a lot more between organisations throughout their career. Employees will stay with one organisation for a while and will then move on to the next organisation. An employee's working life now exists out of movement between organisations instead of staying with one.

In support of this, studies have found that the traditional employment relationship of long-term job security in return for loyalty is becoming extinct (Scribd, 2011b). Instead of working for one or two organisations throughout their career, employees will easily have worked for two or more different organisations before they reach the age of 30. Nowadays knowledge, skills and experience are more important to employees than being loyal to one organisation for a very long period.

According to Guest, (2004a) the following factors affect the viability of the traditional employment relationship:

- The number of employees employed is getting smaller in the workplace leading to a more informal environment;
- Increasing flexibility in the workforce;
- The pervasiveness and urgency of change; and
- A more diverse workforce.

According to Baker (2009), the employment relationship model consists of eight values:

- Flexible deployment;
- Customer focus;
- Performance focus;
- Project-based work;
- Human spirit and work;
- Commitment;

- Learning & development; and
- Open information.

The abovementioned values are different from those of the traditional employment relationship. To implement this model successfully, the culture of an organisation must change in a sustainable way. To change the corporate culture, the psychological contract between the employee and organisation will have to be transformed. Changing the organisational culture will lead to the new employment relationship, and therefore a new psychological contract which will increase sustainable productivity. This model is a roadmap to navigate the change process in order to produce an organisational culture that is more receptive to the demands of the employee and organisation (Baker, 2009).

Baker (2009) suggests the following new employment relationship model:

Table 2.3

New Employment Relationship Model

Individual Accountability	New value of the employment relationship	Organisational Accountability
Work in a variety of organisational settings	Flexible Deployment	Encourage employees to work in other organisations or organisational units
Serve the customer before your manager	Customer Focus	Provide information, skills and incentives to focus externally
Focus on what you do not where you work	Performance Focus	Link rewards and benefits rather with performance than organisational dependency
Accept and embrace yourself as a project-based worker rather than a function-based employee	Project-based work	Focus on projects rather than organisational functions
Find work that is meaningful	Human spirit & work	Provide work where possible that is meaningful
Commit to assist the Organisation in achieving its organisational outcomes	Commitment	Commit to assist employees to achieve their personal goals
Be committed to life-long learning	Learning and Development	Enter into a partnership for employee development
Be willing to contribute to the organisational decision-making process	Open Information	Providing employees with access to information about organisational goals, needs and HR System

(Source: Baker, 2009)

Table 1.3 shows that the application of these eight values is a dual responsibility between the employee and the organisation. This model is in contrast to the traditional employment relationship which was highlighted, for example, with loyalty, internal focus and closed information. The model functions as an exchange process whereby the employee and

organisation are dependent on each other. The benefits of the model include employability, development of new skills, job satisfaction and many more (Baker, 2009).

The above model is a great one in which the organisation and employees do not have traditional expectations. It may, however, pose a risk if an employee has traditional expectations and the organisation has modern expectations, or vice versa. It is therefore imperative that both the employee and organisation have transformed and adopted modern expectations. It is also important to explore where talent management fits in as an expectation of the modern psychological contract and new world of work, and what the influence of it is on the psychological contract.

“The new power-base in the labour market is a group of employees referred to, variously, as “knowledge workers” or “talent”. These are employees who have embraced the new career model, which match their needs for greater career freedom, and who have sought-after knowledge and skills that place them in demand by organisations”. Moving around between organisations and focusing on knowledge and skills places employees in higher demand than staying with one organisation for a long period of time. If an organisation practises talent management it may meet the needs of the new career model and, as an advantage, increase the strengths of the psychological contract (Birt *et al.*, 2004).

Generation X can be defined as “the generation born after the Western post-World War II baby boom ended. While there is no universally agreed upon timeframe, the term generally includes people born in the 1960s and the 1970s through to the early 1980s, and usually not later than 1982” (Oxford Dictionary, 2011b).

Generation X employees are losing their trust and loyalty in organisations and fear boredom. The prominent retention factors are career growth and development, following which are flexible working conditions, compensation and benefits. It was found that Generation X employees are more likely to leave the organisation when they are dissatisfied than any other generation. Career-related issues, specifically work content, utilisation of skills and career advancement affect Generation X retention (Masibigiri & Nienaber, 2011).

It can therefore be concluded that age may have an influence on what the expectations of employees are, and what interventions an organisation must implement in order to strengthen their psychological contract.

Generation Y employees can be defined as employees born in the 1980s or early 1990s (Oxford Dictionary, 2011c). Generation Y therefore follows Generation X. Du Plessis (2010) found that Generation Y employees associate successful talent management practices with high organisational support, supervisor support and lower turnover or intention to quit. The perception of the existence of supervisor and organisational support as well as talent management practices will lead to greater retention amongst Generation Y employees. This study did not look at the psychological contract in conjunction with talent management, but one would assume that if talent management leads to perceived organisational support, employees may also perceive that the organisation is fulfilling their expectations, leading to a stronger psychological contract (Du Plessis, 2010).

For Generation X, career growth and development is seen as very important to retain Generation X employees (Masibigiri & Nienaber, 2011). Generation Y views talent management as important to lower the intention to quit (Du Plessis, 2010). Implementing talent management practices can therefore lead to the retention of both Generation X and Y employees.

Capelli & Novelli (2010) identifies another new organisational order of today: the number of older workers is expanding. It often occurs that employees want to continue working after retirement. This can be due to longer life expectancy today, or in order to maintain their current lifestyle. The modern perspective is to gradually go from the transition of full-time employment to retirement. A study has shown that 84 percent of forty-four to sixty-one-year-old employees say they will continue working even if they are financially set for life. Sixty-nine percent of them plan to work after retirement and 87 percent say they want to keep working to stay mentally active. A very important assumption that should be taken into consideration regarding senior or mature workers is that they have more experience and therefore more knowledge and skills than their less experienced colleagues. Studies have shown that there is an increase in performance with age; those that showed a decline reported a modest drop in performance. Organisations can be reluctant and biased

when employing older workers. The following are just some instances when an organisation will benefit from employing older and more mature workers:

- Longer and unpredictable lead times;
- Company-specific knowledge is crucial;
- Company culture needs to be solidified;
- Demographic balance is needed;
- Younger workers need training; and
- Managers need training.

An organisation can certainly benefit from employing older workers. They can mentor and coach younger workers, carry their experience and skills over to the younger workers and, at the end of the day, enable an organisation to become more competitive. In a survey on what older workers want in their job, it was reported that firstly, they want to work in a friendly environment, secondly they want to use their skills, and thirdly, they want to do something that is worthwhile. Therefore it is just as important to focus on attracting and retaining senior employees as younger employees. It was found that older workers are attracted and retained by flexible working arrangements and training and upgrading their skills. It was confirmed that regular training and retraining are becoming more important and necessary for workers of all ages to remain employable (Capelli & Novelli, 2010).

Talent management can therefore assist in attracting and retaining younger *and* more mature employees, allowing the organisation a competitive advantage. Older workers can also be seen to be part of a talent management practice in order to develop younger talent. An assumption can also be made that older workers still operate in the traditional employment relationship model and will therefore be more loyal and rather stay with one organisation than move around.

Employees today may move around more between organisations because it helps them to improve their knowledge and skills. If an organisation can therefore provide this requirement of employees, they may not move around as much. A solution to this may be talent management. An organisation's competitive advantage is through dependence on the knowledge and skills of their employees, and it is therefore important to focus on how to retain these talents. Organisations need a competitive advantage in order to survive. In

South Africa there is a demand for talent rather than a supply of talent. It is important for organisations to attract and retain these talents. My opinion is that talent management can be used to enhance organisational image, support employer branding in the labour market as well as provide a means of enhancing employee engagement to improve retention.

The intellectual capital that resides within the minds of people has been identified as the one long-term sustainable source of a competitive advantage where intellectual capital can be defined as: “the knowledge, skills, and abilities of employees to develop solutions to problems that customers think are important”. To create a competitive advantage, organisations need something that is of value and that cannot be easily duplicated by its competitors. Thus the biggest competitive advantage is people. That is why it is important to view people as an asset that should be developed (Cascio, 2001).

As mentioned earlier, people are the one “human value added” part of the business process to achieve profitability.

Employees today want to be educated and trained. Through education and training the demands of an organisation are met as well as the expectation of employees, which will strengthen the psychological contract. Organisations may reason that education, training and talent management costs money. It is, however, important to compare the cost of the investment and the return the organisation will receive for that investment. For employees it is important to improve their knowledge, skills and experience. Should an organisation focus on developing these, the organisation will meet this expectation of the employee. Even if the employee stays with one organisation for a longer period of time, he or she will still be in demand by other organisations. As long as the employee’s current organisation can meet the expectations that the employees developed as part of the psychological contract, the chances are the employee will not want to move to another organisation even if his or her skills are in demand in the market and by other organisations. The organisation will therefore retain its “competitive advantage” that is difficult to duplicate by its competitors. In addition to having a competitive advantage, better business results will be achieved. If an organisation cannot meet the expectations of its employees, the employee will rather exit the organisation than adapt to his /her psychological contract.

2.4.2. The Psychological Contract versus Talent Management

Values can be viewed as a basis from which employees will experience certain incidents as breaches. The consequences of psychological contract breach can also be determined by employee variables and personal values. It was found that lack of promotion was the reason rated highest as a violation of the psychological contract. Lack of promotion includes not only an offer for a position on a higher level and increase in pay but also recognition, reward and contribution (Botha & Moalusi, 2010).

This may be because employees do not see a career path for them within the organisation and have to pursue their career path elsewhere. In addition, not receiving recognition and not feeling valued may add to the employee feeling that they are not contributing to the organisation. This leads to the employee feeling that there is no future growth for them in the organisation. Therefore it will be easier to exit it. Talent management addresses promotion; promotional opportunities will lead to a stronger psychological contract.

Lack of development opportunities was also identified as a reason for psychological contract breach (Botha & Moalusi, 2010). This is another area of importance to employees that will be addressed by talent management. Talent management can therefore lead to a stronger psychological contract but there is no research available supporting this theory.

The psychological contract is subjective and is influenced by values that come from an employee's own framework which can differ from person to person. It was found that some of the values underlying employee perceptions of breach of the psychological contract are recognition, promotion, contribution, doing a job well, accomplishment, success, growth, learning, career development, achievement, and doing something of value. The study indicated that values that convey a need for growth, doing something of value, fulfilling a purpose and appreciations determine when psychological contract breach is perceived and what the behavioural consequence will be (Botha & Moalusi, 2010).

If an organisation is able to fulfil expectations that are consistent to these values, consequences that are associated with a strong psychological contract, such as loyalty, etc. may be experienced. If an organisation focuses on talent management, many of

these values found to be important for employees will be congruent with the talent management practices in the organisation. This can lead to a positive and stronger psychological contract. Even though talent management covers a lot of these values it is still important to focus on the rest of the values in order to avoid losing talent to the competitor.

It was suggested that the talent pool within organisations is experiencing continuance commitment and not affective commitment. With continuance commitment, employees base their decision to stay with an organisation on their perception of the available opportunities within the organisation, as well as the cost of leaving the organisation. With affective commitment, on the other hand, employees remain with an organisation because of an emotional attachment (Birt *et al.*, 2004).

This statement can easily be supported: an employee will be more committed to an organisation where there is opportunity for his or her development with low cost to the individual, as opposed to where the employee feels emotionally loyal toward the organisation. Emotional loyalty may not be a long-term solution to retain employees, whereas opportunity for development may lead to more sustainable results.

It was found that the five most important factors to retain talented employees are:

- Challenging and meaningful work;
- Advancement opportunities;
- High manager integrity and quality;
- Empowerment and responsibility; and
- New opportunities /challenges

(Birt *et al.*, 2004).

All of these factors relate to work and/or development. Therefore it can be stated that developing an employee and his /her talent will increase retention. Retaining employees is a result of a stronger psychological contract.

Research suggests that organisations should focus on employability to improve the psychological contract. Job security cannot be guaranteed, but organisations can

recognise employees' need to build up a portfolio of skills and competencies that will make them more marketable (Scribd, 2009b).

It is safe to say that the psychological contract will be strengthened if the organisation focuses on developing employees' skills.

Investing in employees' careers and developing their talent while they are employed will retain the talent in the organisation. An organisation should keep employees' knowledge and skills up to date and develop them in order to increase retention. If an organisation invests in developing its employees' talent, the result will be more committed employees to the organisation. Employees' expectation is to increase their knowledge, and if organisations meet this expectation, employees will in turn meet the organisations' expectation by being loyal and staying with it for longer. Managing talent will thus strengthen the psychological contract. Employees will stay and explore where their next opportunity will be inside the organisation, instead of outside (Hills, 2009). Organisations will gain a competitive advantage over other organisations through talent management because it will retain the knowledge and place the employees' talent in demand by other organisations.

Training and development was identified as being critical to communicate new expectations and in return gain commitment from employees (D'annunzio-Green & Francis, 2005).

It is important that the organisation's talent management strategy is aligned with the requirements of the workforce and the psychological contract between the organisation and its employees' career paths. Employees' loyalty today lies with their profession instead of with an organisation. Stronger employer-employee relationships might be build through talent management processes (Garrow & Hirsh, 2008).

Two very important questions are: firstly, what do employees want talent management to do for them? And secondly, how does the psychological contract have to shift to work for both the employee and the organisation? In a study on Human Resource Development and the Psychological Contract it was found that organisations should be careful about

what they promise with regards to training programmes. If these promises cannot be delivered, it increases the likelihood of perceived contract breach (D'annunzio-Green & Francis, 2005).

The same would apply to talent management. Talent management must be aligned with the employee's expectation. To ensure this, it is important that the organisation knows what the employee's career path is. An employee has certain expectations in terms of his career path, and if the organisation meets these expectations through managing the employee's talent, the organisation will also meet the specific expectation of the psychological contract. Therefore talent management can strengthen or breach the psychological contract depending on the individual's perception whether or not his /her career growth expectation was met. Should the talent management strategy be aligned with the employee's expectation, it will strengthen the psychological contract. Should it not be aligned, it will weaken the psychological contract.

A study found that, by implementing a talent management strategy, highly talented employees were hired; key critical positions were filled from within the organisation and turnover decreased. It was found that high performing employees will not think twice about exiting if they can't visualise a career path for them in their organisation (Sharma & Bhatnagar, 2009).

From this it can be concluded that the psychological contract will be strengthened through implementing a talent management strategy.

Numerous research studies exist regarding the psychological contract. There are also studies available regarding talent management. Research was conducted regarding certain practices, such as development that can be seen as a talent management practice and the effect of this on retention and the psychological contract. But there is limited to no research available addressing the influence human resource management interventions have on the psychological contract. There was no research available that investigated the direct relationship between talent management and the psychological contract. From the literature and previous studies assumptions can be made, but there is no research to support these assumptions. The purpose of this research is to bring together the two

concepts of talent management and the psychological contract in order to examine the influence talent management will have on the strength of the psychological contract.

2.5. CONCLUSION

This chapter reviewed the available literature regarding the psychological contract and talent management. Research findings of previous studies were discussed in order to elaborate on these two constructs. In conclusion, research has indicated that certain talent management practices are expectations that employees have, and the fulfilment of these expectations may therefore lead to a stronger psychological contract. There was, however, no research available regarding the relationship of talent management and the psychological contract.

The next chapter will address the methodological considerations of this study.

CHAPTER 3: METHOD OF INVESTIGATION

3.1. INTRODUCTION

The previous chapter outlined the research related to talent management and the psychological contract. This chapter will focus on the research approach that was used for this study. The aim will thus be to establish the research design, paradigm, procedure, sample, data gathering and data analysis techniques and procedures. The chapter concludes with the ethical considerations addressed in this study.

3.2. RESEARCH HYPOTHESES

Based on the research objectives, the next paragraph formulates the relevant hypothesis to be tested.

For the purpose of this study, it is accepted that there is a relationship between talent management and they psychological contract. From the objectives identified in Chapter 1, an integrative hypothesis for the investigation is formulated. Different sub-hypotheses will be formulated to test the secondary objectives.

The following integrative hypotheses were formulated to meet the objective of the study:

Hypothesis 1:

There is a statistical significant relationship between talent management and the psychological contract.

Rationale:

Based on the fact that no evidence in the relevant literature could be found to support the relationship between talent management and the psychological contract the above hypothesis is stated in a non-directional way.

The following sub-hypotheses were formulated to meet the secondary objectives of the research study:

Sub-hypothesis 1.1:

There is a statistical significant relationship between talent management and employee obligations.

Sub-hypothesis 1.2:

There is a statistical significant relationship between talent management and employer obligations.

Sub-hypothesis 1.3:

That talent management practices have a statistical significant effect on psychological contract.

Sub-hypothesis 1.4:

There is a statistically significant difference between the effects of the different biographical variables (gender, race, educational level, age and level of work) and talent management and the psychological contract.

Sub-hypothesis 1.4.1:

There is a statistically significant difference between the effects of gender and talent management and the psychological contract.

Sub-hypothesis 1.4.2:

There is a statistically significant difference between the effects of race and talent management and the psychological contract.

Sub-hypothesis 1.4.3:

There is a statistically significant difference between the effects of age and talent management and the psychological contract.

Sub-hypothesis 1.4.4:

There is a statistically significant difference between the effects of education and talent management and the psychological contract.

Sub-hypothesis 1.4.5:

There is a statistically significant difference between the effects of level of work and talent management and the psychological contract.

3.3. RESEARCH PARADIGM

Research paradigm can be defined as: "... a set of basic beliefs....that deals with ultimates of first principles. It represents a worldview that defines its holder, the nature of the "world", the individual's place in it, and the range of possible relationships to that world and its parts..." (Voce, 2004, p.1). It can also be defined as: "A broad framework of perception, understanding, belief within which theories and practices operate" (Scribd, 2009a). From the above definitions it can be concluded that a research paradigm is:

- A set of beliefs or a "view" /a frame of reference /a mental model;
- About the world and how it should be understood and studied.

This study will be conducted from a positivism perspective. The positivism research paradigm is concerned with gathering information about social facts in an objective and detached manner. Within this paradigm the researcher plays an objective role and acts as a detached observer to what can be known. This paradigm enables experimental, quantitative research where a hypothesis is being tested and involves precise empirical observations in order to predict general patterns (Babbie & Mouton, 2008).

A positivism paradigm assumes:

- A discovery of universal laws governing the social world;
- The existence of a fixed social reality that can be measured and described;
- Human behaviour is rational and can be predicted;
- The research is objective

(Babbie & Mouton, 2008).

Ontologically, the positivism paradigm supports the existence of a pattern between two constructs. The role of the researcher should be independent from the participants in order to objectively gather information.

The positivism paradigm is relevant to the execution of this study, since the ontology exists that there is an existing pattern between talent management and the psychological contract which can be discovered. This pattern can be generalised across organisations. The completion of surveys eliminates the possibility of the researcher's values or beliefs influencing the study and therefore the researcher acts independently from the participants. The goal of the study is to objectively explore what the relationship is between talent management and the psychological contract. In addition to this, very little research exists that has explored the relationship between human resource management interventions and the psychological contract. The study will therefore be conducted from a positivism paradigm.

3.4. DESCRIPTION OF THE INQUIRY STRATEGY AND BROAD RESEARCH DESIGN

The research design can be described as a framework for conducting a research project. It contains the procedures needed to structure or plan the study (Ruane, 2006).

In formulating the appropriate research design for this study it was decided to follow a quantitative-survey design. A survey was utilised to collect the data. The surveys were distributed for manual / online completion in order to obtain the necessary responses. Participants were requested to either complete a printed survey or were e-mailed the survey's URL address in order to complete it online on a voluntarily basis. Respondents were required to complete the surveys themselves.

It has been indicated that self-administered questionnaires provide a quick method to gather the required responses for a study; it decreases researcher biasness and increases the privacy of the respondents. It also provides for the possibility of collecting large amounts of data that can easily be standardised (Babbie & Mouton, 2008).

The disadvantage of creating questionnaires for self-administration is that it can be artificial and potentially superficial. Survey research also seldom deals with the context of social life. It is weak on validity and strong on reliability (Babbie & Mouton, 2008).

A survey design is suitable for this study because it will allow for the achievement of the research objectives as validly and efficiently as possible, measuring multiple variables.

The dimensions of the proposed research design are as follows:

- Empirical research

This research is a means through which knowledge is derived from direct observation or experience rather than theory (Ashmore, 2006). Knowledge is therefore not derived from analysing theory. In the study theory will not be analysed to derive the knowledge. The study will rather focus on collecting new data to determine employees' experiences of talent management and the psychological contract. This justifies the use of empirical research.

- Cross-sectional research

Cross-sectional research is a cross-section of a certain phenomenon taken at one point in time and then analysed carefully (Babbie & Mouton, 2008). This study justifies cross-sectional research because the data will be collected at one point in time and not over an extended period of time.

- Primary data design

Primary data entails that the researcher collects the data him- or herself (Babbie & Mouton, 2008). In this study the researcher will collect the data herself and it can therefore be concluded that the data is primary.

- Quantitative data

Quantitative research involves numerical data, which includes numbers, statistics, psychological test scores, and psychological measures (Babbie & Mouton, 2008). This study will follow a quantitative research design because a numerical research approach will be used to collect data, which will lead to an objective data analysis.

- Evaluation research

Evaluation research involves gathering information about a certain object, intervention, process, tool, etc. in order to provide useful feedback regarding that object (Babbie & Mouton, 2008). This study will gather information about talent management, which is a human resource intervention in order to provide useful information concerning the influence on the psychological contract. This justifies the use of evaluation research.

3.5. SAMPLE AND SAMPLING STRATEGY

The aim of research can be to learn more about a large or specific group. These larger groups are known as research populations. A smaller portion that is representative of the research population is used to conduct the research and this is referred to as a sample (Ruane, 2006). Sampling therefore assists in discovering certain findings by examining a portion of the population.

3.5.1 Target Population

As stated above a population is a group of people the researcher is interested to learn more about (Ruane, 2006). It therefore refers to the population from which samples will be taken in order to evaluate the relationship between talent management and the psychological contract.

The sample utilised for this study was a sample of convenience. The sample was chosen because the researcher was familiar with the environment and the fact that the target population declared itself available to participate in this study.

The target population for this study are individuals working in the service industry in the Gauteng province of the Republic of South Africa.

The focus on employed individuals in the service industry is justified, as it can be argued that the skills employed in these industries are scarce skills which can be difficult to retain.

The aim of the research is to determine the relationship between talent management and the psychological contract.

3.5.2 Units of Analysis

In this study the proposed units of analysis were individuals that are employed full-time in the service industry. These individuals were distributed over three levels of work (Skilled staff, Management and Professionals). The individuals were distributed over seven different occupational layers (Information Technology Developers, Engineers, Financial Advisors, Human Resource Consultants, Administrative staff, Chartered Accountants and Legal Advisors). Lastly, the individuals were distributed over different age groups (19-30 years, 31-40 years, and 40 years and older). The perceptions these individuals have regarding talent management and the psychological contract were investigated.

3.5.3. Entities or Sources from which the Data will be Collected

Data will be collected in the service industry from a sample consisting of 515 employees. The specific sample was selected because of their willingness to participate and the demographics of the workforce. The workforce sample was dominated by scarce skills.

3.5.4 Methods of Selecting Respondents

The sampling strategy to be used for this study is non-probability sampling. Non-probability sampling does not involve random selection, whereas probability sampling involves random selection. Non-probability sampling can be divided into purposive or convenience sampling (Trochim, 2006).

Convenience sampling occurs when a part of the population is selected based on their relative ease of access. Purposive sampling occurs when the researcher selects the sample based on who they think will be the most appropriate for the study (Babbie & Mouton, 2008).

This study will follow a convenience sampling approach. The motivation for this is the ease of access to the sample. Due the number of scarce skills occupations within the sample, it is still fitting and feasible.

3.5.5. Sample Size

An appropriate sample size will ensure validity and reliability of the study. Therefore it is important to carefully consider the sample size. A prescribed guideline in terms of an appropriate sample size based on past sampling principles can be concluded to be 200-300.

The expected sample size of this study was 200 respondents. Internal restructuring resulted in a smaller sample size of 102 respondents.

3.6. MEASURING INSTRUMENTS

3.6.1 Talent Management

The HCI Assessment of 45 Talent Management Principles (Du Plessis, 2010) and the Psychological Contract Inventory (Rousseau, 1995) were administered in order to collect the data.

The HCI Assessment of 45 Talent Management Principles consisted of 45 closed-ended questions. It measures talent management on the following dimensions:

- Strategy
- Talent Review Process
- Staffing
- Talent Acquisition
- Talent Engagement
- Talent Development
- Talent Deployment
- Performance Management

- Talent Retention

One construct was consequently measured from this questionnaire, namely Talent Management Practices. The HCI Assessment of 45 Talent Management Principles is fairly new but has been administered before for research purposes, and validity and reliability were established in these studies. The HCI Assessment has achieved a Cronbach Alpha of 0.965 in previous research (Du Plessis, 2010) which is acceptable and indicates reliability.

Respondents were required to indicate their experience regarding the talent management practice based on a five-point Likert-type scale ranging from poor (1) to excellent (5). The HCI Assessment of 45 Talent Management Principles that was used in this study is included in Part 1 of Appendix A.

3.6.2 The Psychological Contract Inventory

The Psychological Contract Inventory consisted of 56 closed-ended questions. It measures the Psychological Contract on the following dimensions:

- Employee Obligations; and
- Employer Obligations

Correlation structure inspection was used to identify groups of variables that could be combined to derive single representative variables, which will be referred to as underlying constructs. A factor analysis was then used as a confirmatory tool. Nine constructs could consequently be measured from the Psychological Contract Inventory questionnaire namely:

- The Psychological Contract;
- Short-term and narrow employee – insecurity score;
- Performance support employee – performance support score;
- Development, loyalty and stability employee – career stability score;
- External marketability employee – intention to leave score;

- Short-term and narrow employer – employee service value score;
- Stability employer – employee security score;
- Development, loyalty and performance support – employee development score;
- External marketability – freedom to leave.

Validity and reliability have been established for the Psychological Contract Inventory. Respondents were required to indicate the extent to which the statement was true, based on a 5-point Likert-type scale ranging from not at all (1) to a great extent (5). The adapted Psychological Contract Inventory that was used in this study is in Part 2 of Appendix A.

Some, but little, research was found indicating the influence of certain biographical variables or characteristics on talent management and the psychological contract. Research from leading journals, such as EBSCOHost, Emerald and Google Scholar, found that the following biographical variable or characteristics possibly influence talent management and the psychological contract:

- Age;
- Qualification; and
- Level of work.

(Masibigiri & Nienaber, 2011; Du Plessis, 2010; Capelli & Novelli, 2010).

The literature regarding these biographical variables was discussed thoroughly in Chapter 2. Taking the literature into consideration, it was decided to include the following biographical variables for the purpose of this study:

- Gender (Male and Female);
- Race (African, Coloured, Indian and White);
- Age (19-30, 31-40, 41-50 and 51-65);
- Qualification (Matric, Diploma, Degree and Postgraduate Qualification);
- Level of work (Unskilled, Skilled, Professional, Junior Management, Management and Senior Management).

The items that represent this area of investigation can be viewed in Part 3 of Appendix A.

3.7. RESEARCH PROCEDURE

The Managing Directors within the service industry were provided with an overview of the study and the benefits this study will hold for the organisation. Authorisation for this study was obtained.

The following procedures were part of the research:

- Quantitative research techniques were used to collect the data;
- Self-administered questionnaires were distributed to the organisations through a combination of paper-based questionnaires and an online link through electronic mail. The paper-based questionnaires included a letter that requested consent from the respondents. The online questionnaire contained a first question that required the respondents to read the consent to participate and to indicate that they have read, understood and given consent to the research. This question had to be answered in order to continue with the online questionnaire. The letter of consent is included in Appendix B;
- Respondents had to complete the paper-based questionnaires and personally hand it back to the relevant researcher. Once the respondent completed the online questionnaire the researcher was able to log in to view the complete questionnaire;
- The surveys were completed anonymously in order to ensure confidentiality;
- Respondents could pose any questions they had to the researcher personally. No questions were received from the respondents;
- The data was captured in Microsoft Excel;
- There was sufficient completion of the questionnaires, and consequently none were discarded.

3.8. STATISTICAL DATA ANALYSIS

The various statistical procedures to be performed as part of this study are outlined below. It is pointed out that the particular statistical procedures were selected for their suitability to test the research hypothesis of the study:

Hypothesis 1: There is a significant statistical relationship between talent management and the psychological contract.

The following is an explanation of the statistical analysis the data was subject to:

Descriptive Statistics

The following methods were used in order to analyse the descriptive statistics:

- Two samples t-test

A two samples t-test examines whether two samples are different from each other (Pallant, 2005). In testing for the effects of the biographical characteristics gender and race, the two samples t-test in conjunction with the Mann-Whitney test was used.

- One-way analysis of variance

The purpose of doing a one-way analysis of variance (ANOVA) is to determine whether or not there is a difference between groups on a variable (Pallant, 2005). The ANOVA was used to test the effect of age, education and level of work on talent management and the psychological contract.

Reliability

The following method was used to measure reliability:

- Cronbach's alpha coefficient

The Cronbach's alpha coefficient is used as a measure of internal consistency or reliability of a psychometric test. Reliability refers to the consistency of a measurement (Pallant, 2005). The reliability of the questionnaire was assessed using the Cronbach's alpha coefficient. A high Cronbach's alpha coefficient of at least 0.7 is reflective of high internal consistency of the questionnaire, which translates to high reliability of the questionnaire. Besides this, it is also useful in the

development of constructs from the questionnaire items. Items with a high reliability coefficient can be mathematically combined into a single construct.

Correlation

In order to address the central research question a correlation analysis was used:

- **Correlation Analysis**

A correlation inspection measures the interdependence of two or more random variables. It assists in determining how much change in one variable is explained by change in another (Pallant, 2005). Correlation analysis was utilised in order to determine how much change in the psychological contract is explained by change in talent management. It assisted in addressing the central research question by determining the association of the direction between talent management and the psychological contracts.

A regression analysis was performed in order to determine the pattern of the relationship between talent management and the psychological contract:

- **Regression Analysis**

Regression analysis aims to understand how a value of the dependent variable changes when any of the independent variables change (Babbie & Mouton, 2008). Regression analysis was carried out after a significant correlation was detected in order to determine the pattern of the relationship between the two variables.

3.9. RELIABILITY AND VALIDITY OF THE INSTRUMENTATION

The questionnaire measured two central variables, namely talent management practices and psychological contract using 101 items. A reliability analysis was carried out to determine the internal consistency of the questionnaire. This was carried out for the entire questionnaire and its different parts separately. The results of this analysis are shown in the table below:

Table 3.1
Reliability Analysis

Construct	No. of items	Cronbach's α
Overall questionnaire	101	0.95
Talent management practices –Part 1	45	0.93
Psychological contract- Part 2	56	0.92
Employee psychological contract- Part 2(i)	28	0.84
Employer psychological contract- Part 2(ii)	28	0.90

Table 3.1 shows that the Cronbach's alpha coefficient for these 101 items was found to be 0.95, which is very high and indicative of high internal consistency (Pallant, 2005). This shows that the questionnaire items were generally highly correlated and may be taken to be reliably measuring a single broad aspect. The Cronbach's alpha coefficients for the 45 items on talent management practices and the 56 items on psychological contract were 0.93 and 0.92 respectively. This shows that these two groups of items reliably measured two separate aspects of the single broad aspect being measured by the whole questionnaire. The fact that when these two groups of items are combined give a high reliability coefficient suggests that these groups of items, though separate, carry related information (Pallant, 2005). This indicates a possibly significant correlation between these two groups of items.

The psychological contract was measured in two sections representing obligations employees and employers have committed to each other. Separate reliability analyses were carried out for each of the sections of the psychological contract inventory part of the questionnaire. Reliability coefficients of 0.84 and 0.90 were found for employees' commitments and employers' commitments respectively. This shows that the psychological contract inventory can be split into two different, but correlated, constructs representing commitments of employees and employers.

This analysis indicates that talent management in companies can be viewed as what the organisations do to manage their talent, and the commitments organisations and employees make to one another.

3.8.1 Reliability Analysis of Talent Management Practices

A more refined reliability analysis was carried out to determine the reliability of the five items representing each talent management practice. The Cronbach's alpha coefficients of reliability for each of the practices are given in the table below.

Table 3.2
Reliability Analysis of Talent Management Practices

Talent management practices	No. of items	Cronbach's α
Strategy	5	0.82
Talent review	5	0.83
Staffing	5	0.82
Talent acquisition	5	0.77
Talent engagement	5	0.78
Talent development	5	0.73
Talent deployment	5	0.80
Performance management	5	0.84
Talent retention	5	0.83

Table 3.2 indicates that all the reliability coefficients are greater than 0.7, which means each talent management practice is being reliably measured through the five items. Other research using the same questionnaire has confirmed that talent management practices consistently reflect the same underlying constructs (Du Plessis, 2010).

3.8.2 Reliability Analysis of Psychological Contract Inventory

A similar reliability analysis was carried out for the seven psychological contract aspects measured in this study. The reliability analysis was carried out separately for the employees (EE) and the employers (ER) and the results are shown in the table below. As with the talent management case, high Cronbach's alpha coefficients were also found.

Table 3.3

Reliability Analysis of Psychological Contract Inventory

Psychological contract	No. of items	Cronbach's α (EE)	Cronbach's α (ER)
Short-term	4	0.72	0.74
Loyalty	4	0.88	0.92
Narrow	4	0.84	0.86
Performance support	4	0.91	0.94
Development	4	0.84	0.88
External marketability	4	0.84	0.83
Stability	4	0.82	0.91

Table 3.3 indicates that all reliability coefficients are very high, suggesting high internal consistency of the entire questionnaire and its subsections at different levels. This reliability analysis has identified 23 potentially good variables for relating talent management and psychological contract. These 23 variables would be made up of nine talent management practices variables, seven employees' psychological contract variables and seven employers' psychological contract variables. The reliability of this questionnaire has also been confirmed by past research (Rousseau, 1995).

3.10. RESEARCH ETHICS

“Research ethics provides guidelines for the responsible conduct of research (Babbie & Mouton, 2008). Research ethics therefore ensures high ethical standards when conducting research.

The study was subjected to the following research principles:

- Copyright
The study respected intellectual property by no copying, distributing or adapting data or results without permission from the author.

- Plagiarism

The study respected previous literature regarding the research topic in that no language or thoughts of another author were used without referencing the author or source.

- Voluntary participation

A consent form was given to all respondents prior to participating in the research to ensure voluntary participation. Respondents had the right to withdraw from the research at any point in time without negative consequences. No participant was ever coerced or pressurised to partake in the study.

- Incentives to participate

No incentives were offered to individuals to partake in the study in order to ensure voluntary participation, that no individual felt pressured to participate.

- Informed consent

The researcher fully disclosed the purpose of the study and potential benefits to the respondents. Each questionnaire started with an informed consent whereby the participant had the opportunity to make an informed decision to decide whether he or she wants to participate in the study. Each participant had to read and sign that they understood the informed consent and agreed to completing the questionnaire before they could actually complete it.

- Confidentiality /privacy and anonymity

Participants completed the questionnaires anonymously in order to safeguard the participant and to ensure confidentiality and privacy. Participants remained anonymous throughout the study.

- Permission from organisations to collect the data

The purpose of the study and the benefits were explained to the Managing Director and Chief Executive Officer of the organisations after which they had given written permission prior to collecting the data. Written permission was therefore obtained from both organisations that the employees could participate in the study.

- Researcher's objectivity, integrity and honesty
The researcher acted objectively and honestly and based the findings on the outcome from the participants.
- Fabrication /Falsification of data
The researcher has not falsified or fabricated any data for this study.
- Misleading and false reporting of research finding
The researcher did not mislead or report falsely regarding the findings of this study.

3.11. CONCLUSION

The chapter detailed the research approach that was utilised to conduct the study. All results were extracted through the SPSS programme after which they were interpreted. The sampling strategy was discussed, followed by a discussion of the research instruments, research procedure, statistical analysis and research ethics.

The next chapter will detail, analyse and interpret the results of the study.

CHAPTER 4: RESULTS

4.1. INTRODUCTION

The previous chapter highlighted the methodological approach and processes utilised. This chapter will focus on depicting and interpreting the results obtained from the statistical procedures described in Chapter 3. More specifically it will detail the descriptive statistics and results regarding the correlations between the constructs and the different groups.

4.2. DESCRIPTIVE STATISTICS

The survey was targeted at the service industry in Gauteng. The survey was distributed to approximately 556 employees which included management. The sample was made up of 102 respondents from the Northern Gauteng area.

The biographical variables have been modified in a way that will not affect the results of the analysis. The age variable was collapsed to combine '41-50yrs' with '50-65yrs' age categories into one category, 'above 40 years'. For the race variable, only one 'coloured' was sampled, and this one was collapsed into the 'black' race category. Finally the level of work variable was collapsed so that 'junior, middle and senior management' were collapsed into one category simply called 'management'. Of these, about 64% were males and 50% were white. This shows that the sample was balanced across race, but was gender-biased. About 47% of the respondents were in the 31-40 years age group, while approximately 11% were older than 40 years, with the rest being 30 years or younger. A sample description was given based on frequency distributions of the biographical characteristics. The distributions are shown in the frequency tables below.

Table 4.1 focuses on the gender distribution across the sample. The majority of the sample were males(63.7%) and 36.3% of the sample were females.

Table 4.1

Frequency Table of Distribution of Respondents by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	65	63.7	63.7	63.7
	Female	37	36.3	36.3	100
	Total	102	100	100	

From Table 4.2 it is clear that of the sample 50% consisted of white employees and 49% of black employees. The distribution between white and black employees was about the same.

Table 4.2

Frequency Table of Distribution of Respondents by Race

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	White	51	50.0	50.5	50.5
	Black	50	49.0	49.5	100
	Total	101	99.0	100	
Missing System		1	1.0		
Total		102	100.0		

Table 4.3 focuses on the age distribution across the sample. 40% of the sample are between 19 and 30 years of age, 48% are between 31 and 40 years of age, with only 11% being over 40 years of age. The majority of the sample are younger than 40 years of age.

Table 4.3

Frequency Table of Distribution of Respondents by Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 19-30 yrs	41	40.2	41.0	41.0
31-40 yrs	48	47.1	48.0	89.0
Over 40 yrs	11	10.8	11.0	100.0
Total	100	98.0	100.0	
Missing System	2	2.0		
Total	102	100.0		

From Table 4.4 it is clear that 48% of the respondents had a matric education, followed by 21.6% having a degree. Respondents having a post graduate qualification were the least represented with only being 12.7% of the total sample.

Table 4.4

Frequency Table of Distribution of Respondents by Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Matric	49	48.0	48.5	48.5
Diploma	17	16.7	16.8	65.3
Degree	22	21.6	21.8	87.1
Post Grad	13	12.7	12.9	100.0
Total	101	99.0	100.0	
Missing System	1	1.0		
Total	102	100.0		

Table 4.5 focuses on the level of work distribution across the sample. 53.9% were skilled, 29.4% were professional, and 15.7% were management. Thus just over 15% of the sample consisted of management, with the rest of the sample not being on management level.

Table 4.5

Frequency Table of Distribution of Respondents by Level of Work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Skilled	55	53.9	54.5	54.5
	Management	16	15.7	15.8	70.3
	Professional	30	29.4	29.7	100.0
	Total	101	99.0	100.0	
Missing	System	1	1.0		
Total		102	100.0		

The constructs were summarised using means and standard errors of means, as well as the range in the form of a minimum and a maximum. The descriptive statistics for the five constructs are given in the table 4.6 below.

The mean for the talent management score was 3.2, which is an average score. This means that the respondents evaluate the talent management efforts of the organisations as generally average. The highest talent management score was 4.4, which is an evaluation of “more than good”. Therefore, while the talent management score average is low, there are some organisations that are doing well and some that are “worse than fair”. The lowest score average recorded was 2.27 for the job security score. This value below average means that employees feel somewhat secure. Note that low values on this construct reflect low values on the narrow and short-term variables on the questionnaire. This suggests that there is not much restriction on the employees’ performance of their duties and not much talk of leaving the job. The career stability score comprised performance support, development, loyalty and stability was the highest at 3.6. This value is reflective of the fact that the employees feel moderately satisfied with the performance support and development to the extent that they feel “more than somewhat” loyal and stable.

Table 4.6 shows that both the intention to leave and freedom to leave scores have averages of around 3.0. This means that the respondents are not entirely sure about whether or not they are getting the opportunity to enhance their external marketability.

Table 4.6
Descriptive Statistics of the Derived Constructs

	N	Minimum	Maximum	Mean	Std. Error
Talent management	102	1.44	4.44	3.21	0.066
Job security score	102	1	4.88	2.27	0.079
Career stability score	102	1.22	5	3.6	0.078
Intention to leave score	102	1	5	3.05	0.101
Freedom to leave score	102	1	5	2.76	0.102

In summary, it can be said that the respondents generally feel that their organisations can do more as far as talent management is concerned. At the same time, they feel moderately secure and stable in their jobs and have the opportunity to market their talent externally.

4.3. CORRELATION ANALYSIS FOR TALENT MANAGEMENT AND THE PSYCHOLOGICAL CONTRACT

In order to test hypothesis 1, specifically hypothesis 1.1 and 1.2, Pearson's correlation analysis is used. The correlation analysis was done separately for the employee obligations and employer obligations. The Pearson's correlation coefficients and their corresponding p-values are given in the tables below. The top value is the correlation coefficient and the bottom one the corresponding p-value. The interpretations of the correlations are given below each table. The results of these analyses are reported in Tables 4.7 and 4.8.

4.3.1. Relationship between Employee Obligations and Talent Management Sub-scales

Sub-hypothesis 1.1

There is a statistical significant relationship between talent management and employee obligations.

Table 4.7

Relationship between Employee Obligations and Talent Management Sub-scales

Pearson correlation coefficients and corresponding p-values							
	ESHORT	ELOYAL	ENARROW	EPERFORM	EDEVELOP	EXMKT	ESTABLE
	-0.1377	0.0657	0.115	-0.0574	-0.0658	-0.1547	0.3375
PMGMT	0.1675	0.5117	0.2499	0.5666	0.5111	0.1205	0.0005
	-0.193	0.0713	0.1274	0.0322	0.0867	-0.1267	0.3768
STRATEGY	0.0519	0.4766	0.202	0.7478	0.3861	0.2045	<.0001
	0.01	0.0125	0.2715	-0.1105	-0.0788	-0.0079	0.1872
TREVIEW	0.9204	0.9009	0.0058	0.2689	0.4311	0.9374	0.0596
	-0.1251	0.0326	0.1666	0.0599	-0.0091	-0.1337	0.2326
STAFFING	0.2103	0.7451	0.0943	0.5499	0.9281	0.1803	0.0187
	0.0486	0.0895	0.1867	0.0459	-0.094	-0.1377	0.3095
TACQUIRE	0.6276	0.3711	0.0603	0.6468	0.3471	0.1675	0.0015
	-0.1953	0.1313	0.1619	0.1461	0.0416	-0.1688	0.3341
TENGAGE	0.0492	0.1884	0.1039	0.1428	0.6781	0.0899	0.0006
	-0.1288	0.0859	0.1633	0.0691	0.0029	-0.2093	0.4046
TDEVELOP	0.1969	0.3905	0.1011	0.49	0.9771	0.0348	<.0001
	-0.1724	0.1117	0.094	-0.0466	0.0058	-0.2748	0.3311
TDEPLOY	0.0832	0.2638	0.3476	0.6417	0.9542	0.0052	0.0007
	-0.109	0.0557	0.211	-0.0625	-0.0846	-0.2267	0.2954
TRETAIN	0.2756	0.5784	0.0333	0.5326	0.3979	0.022	0.0026

ESHORT = Employee Short Term, ELOYAL = Employee Loyalty, ENARROW = Employee Narrow, EPERFORM = Employee Performance Support, EDEVELOP = Employee Development, EXMKT = Employee External Marketability, ESTABLE = Employee Stability, PMGMT = Performance Management, TREVIEW = Talent Review Process, TACQUIRE =

Talent Acquisition, TENGAGE = Talent Engagement, TDEVELOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

From table 4.7 it is clear that the employees' commitment to performing restricted duties and responsibilities is however significantly positively correlated with the talent review (TREVIEW) process ($r = 0.27$, $p = 0.0058$) and talent retention (TRETAIN) ($r = 0.21$, $p = 0.0333$). This means that high employee commitment to carrying out restricted duties and responsibilities is associated with good talent review process and satisfaction with the talent retention practices of their organisations.

While these correlations are significant, they are not as easy to interpret. One would have expected that a restricted working environment would be associated with dissatisfaction with the talent review (TREVIEW) and retention (TRETAIN) practices. However, these correlations may be explained through some other intermediate factors which may not have been captured in this study.

The next set of significant correlations involves employee commitment to external marketability. These show that employee commitment to external marketability (EXMKT) is significantly associated with talent development (TDEVELOP) ($r = -0.21$, $p = 0.0348$), deployment (TDEPLOY) ($r = -0.27$, $p = 0.0052$) and retention (TRETAIN) ($r = -0.23$, $p = 0.0220$). These negative correlations suggest that high employee commitment to external marketability is associated with poor talent development, deployment and retention practices in the organisations. These associations are rather reasonable, since intention to leave on the employee's part would be reflective of dissatisfaction with the organisation's talent management practices.

Employee commitment to stay with the organisation is reflected in the employees' feeling of stability in it. Employee commitment to stay with the organisation was found to be significantly positively correlated with all the talent management practices except the talent review process. This means that employees who are stable with their organisations are satisfied with talent management practices in them. That there is no association between employee stability and the talent review suggests that employees are not as concerned

about the talent review process. That is, the talent management process is not likely to influence the employees' intentions to leave their current organisations.

In conclusion, regarding sub-hypothesis 1.1, it is concluded that:

- The null hypothesis of a relationship between talent management and employee obligations is accepted.
- Sub-hypothesis 1.1 is therefore supported by empirical evidence.

4.3.2. Relationship between Employer Obligations and Talent Management Sub-scales

Sub-hypothesis 1.2

There is a statistical significant relationship between talent management and employer obligations.

Table 4.8

Relationship between Employer Obligations and Talent Management Sub-scales

Pearson correlation coefficients and corresponding p-values							
	RSHORT	RLOYAL	RNARROW	RPERFORM	RDEVELOP	RXMKT	RSTABLE
	0.0152	0.2318	-0.16	0.3069	0.2683	0.1145	0.2266
PMGMT	0.8797	0.0191	0.1074	0.0017	0.0064	0.252	0.022
	-0.0461	0.3095	-0.145	0.3648	0.3963	0.2414	0.4769
STRATEGY	0.6458	0.0016	0.1452	0.0002	<.0001	0.0145	<.0001
	0.072	0.238	0.0056	0.2981	0.4026	0.2275	0.2825
TREVIEW	0.4721	0.016	0.9551	0.0023	<.0001	0.0215	0.004
	-0.0713	0.2412	-0.124	0.319	0.2192	0.1744	0.3902
STAFFING	0.4761	0.0146	0.2156	0.0011	0.0269	0.0796	<.0001
	0.0552	0.1249	-0.065	0.3101	0.351	0.2339	0.2614
TACQUIRE	0.5814	0.2109	0.5188	0.0015	0.0003	0.018	0.008
	-0.0859	0.2346	-0.155	0.3315	0.2722	0.1949	0.4322
TENGAGE	0.3908	0.0176	0.1193	0.0007	0.0056	0.0497	<.0001
	-0.0723	0.2566	-0.084	0.3462	0.3473	0.2763	0.4774
TDEVELOP	0.47	0.0092	0.3997	0.0004	0.0003	0.0049	<.0001
TDEPLOY	-0.0083	0.3061	-0.227	0.3619	0.2323	0.179	0.2218

	0.9343	0.0018	0.0219	0.0002	0.0188	0.0718	0.0251
	0.0895	0.2724	-0.094	0.244	0.1666	0.0958	0.1599
TRETAIN	0.3708	0.0056	0.3497	0.0135	0.0942	0.3382	0.1083

RSHORT = Employer Short Term, RLOYAL = Employer Loyalty, RNARROW = Employer Narrow, RPERFORM = Employer Performance Support, RDEVELOP = Employer Development, RXMKT = Employer External Marketability, RSTABLE = Employer Stability, PMGMT = Performance Management, TREVIEW = Talent Review Process, TACQUIRE = Talent Acquisition, TENGAGE = Talent Engagement, TDEVELOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

Table 4.8 refers to the employer's obligations to their employees. It can be seen that the employer's commitment to building employee loyalty (RLOYAL) is significantly positively correlated with all the talent management practices with the exception of talent acquisition (TACQUIRE). This means that whether or not the employer commits to building loyalty among employees, the employer has no relationship with the organisation's talent acquisition practices. However, high commitment to employee loyalty is significantly associated with good talent management practices. The correlations are shown in the RLOYAL (Employer Loyalty) column in the table above. On the other hand, employer commitment to employee performance support (RPERFORM) is significantly positively correlated with all the talent management practices studied in this research. This means that high employer commitment to employee performance support is associated with good talent management practices. This suggests that employers who are committed to the employees' support have good talent management practices.

The results also show that the employers' commitment to professional development of the employees is significantly positively correlated with all talent management practices except talent retention. The same pattern of correlation was detected for employer commitment to employee stability in the organisation. These results suggest that employers' commitment to employees' professional development and stability has no relationship with talent retention.

Employers' commitment to external marketability (RXMKT) of the employees was found to be significantly associated with organisations' business strategy (STRATEGY), talent review process (TREVIEW), talent acquisition (TACQUIRE) and talent development

(TDEVELOP). That means that high commitment to external marketability of employees is associated with the good organisational business strategy, good talent review process, and good talent acquisition and development practices.

In conclusion, regarding sub-hypothesis 1.2, it is concluded that:

- The null hypothesis of a relationship between talent management and employer obligations is accepted.
- Sub-hypothesis 1.2 is therefore supported by empirical evidence.

4.3.3. Correlations Summary

The above correlation analysis has shown that there is a relationship between talent management and the psychological contract. Sub-hypothesis 1.1 and 1.2 is therefore supported by empirical evidence. As can be seen from the above discussion, not all talent management constructs are significantly correlated with all the psychological contract constructs. However, it has been discovered that generally good talent management practices are associated with a positive psychological contract.

The correlations show that employees who prepare themselves for external marketability are those that are not satisfied with the talent development, deployment and retention practices of their employers. This is reflected by the negative correlations detected for external marketability and those talent management practices. Based on these correlations, one is persuaded to say that employees in organisations that have bad talent development, deployment and retention practices demotivate their employees to the extent that the employees make personal efforts to improve their chances of joining other organisations.

Once employees start improving on their external marketability, it implies that they are not stable in their employment. Employee stability is crucial to the proper functioning of any organisation and was found to be significantly positively correlated with most of the talent management practices. Inadequate staffing of organisations results in overloading of the few available employees. This would not be favourable to any organisation, since overloaded employees ultimately perform certain duties they have not been employed to

do, and in doing so get demotivated or stressed, leading to them wanting to leave the organisation. From these correlations, employees that are satisfied with the staffing situation in their organisations are likely to be more stable.

It was also confirmed from these correlations that good talent acquisition, development, engagement, deployment and retention practices within an organisation are likely to have the effect of keeping the employees within it. However, how the talent review process is run has no bearing on employee stability. This is shown by the non-significance of the correlation between talent review process and employee stability. Overall, employee stability was found to be the one aspect of the psychological contract that is related to just about all talent management practices. As such, it would be fair to conclude that good talent management practices result in a more stable workforce and reduced employee turnover. The above conclusions are based on the correlations between employee obligations to employers and talent management practices.

It was also confirmed that employers that are committed to the performance support of their employees are the ones who have overall good talent management practices. This is reflected in the fact that all talent management practices were significantly positively correlated with employer commitment to performance support. Employer commitment to employees' professional development was found to be significantly positively correlated with all the talent management practices, except talent retention. Exactly the same pattern of correlations was detected for employer commitment to employee stability. This suggests that talent retention practices have no relationship with commitment of employers to employee stability and professional development. These correlations suggest that employers that are committed to their employees' loyalty, performance support, professional development, external marketability and stability are those that have good talent management practices in place. As such, it can be concluded that organisations with good talent management practices are the ones that make such commitments to their employees.

As discussed in Chapter 2 there were no research available regarding the relationship between talent management and the psychological contract. Limited research was available regarding the relationship between human resource management interventions

and some of the talent management practices and the psychological contract. This study added to research by confirming that there is a relationship between talent management and the psychological contract.

4.3.4. The Effect of Talent Management Practices on the Psychological Contract

Sub-hypothesis 1.3

That talent management practices have a statistical significant effect on psychological contract

The above correlations only tell us that there is a relationship between the two sets of constructs, namely talent management and psychological contract constructs. However, they do not state anything regarding the pattern of the relationship. In order to find this out, a regression analysis of the psychological contract constructs on talent management was carried out. However, before getting into the regression analysis itself we need to identify the set of constructs that will be responses in the regression. Looking at the employer obligations constructs, it appears as if their relationship with the psychological contract is more of an associative relationship than one of a causative nature. The reason for this is that the commitments employers make to their employees are, in a way, more of talent management practices than something that depends on the practices themselves. An employer who is committed to the employees' professional support and development, loyalty, stability and external marketability is likely to get positive responses from the employees. That response is likely to manifest itself in the form of an employee psychological contract. As such, the correlation between employers' obligations and talent management may simply be viewed as correlations without the need to probe them further with a regression. For this reason, only the employees' obligations were regressed on talent management practices.

The employee obligations that were found to be significantly correlated to some aspects of talent management are external marketability and stability. These two constructs are those that were regressed on the talent management practices in which they were found to be significantly correlated. External marketability here refers to the efforts made by employees to enhance their marketability to other organisations, and stability refers to the

employees' feeling of security, hence the intention to stay with their current organisations. Note that external marketability was significantly correlated to talent development, deployment and retention practices while stability thereof was significantly correlated to all talent management practices, with the exception of talent review processes. As such, external marketability was regressed on the three practices that it was found to be correlated, and stability on the eight talent management practices it is correlated to. The results of the regression analysis are given below.

External Marketability

Table 4.9 shows the results of the regression of employee external marketability on talent development (TDEVELOP), deployment (TDEPLOY) and retention (TRETAIN). These results show that the model with these three predictor variables was statistically significant as shown by the regression ANOVA F value of 155.3 and a p-value of less than 0.0001. The R^2 value of 0.82 means that the model explains 82% of the variability in the employees' external marketability efforts. However, only talent development (TDEVELOP) was found to have a statistically significant effect on employee external marketability. This means that while talent deployment and retention are significantly correlated to employee external marketability, they do not have a significant effect on external marketability if they are put in the same model with talent development. This suggests that in the presence of talent development, the other two predictors do not have a significant contribution to external marketability efforts of employees.

Table 4.9

External Marketability Regression Parameter Estimates

Variable	Parameter	t Value	Pr > t	Model F	Model p	Rsqr
TDEVELOP	0.57	2.74	0.0072	155.31	<.0001	0.82
TDEPLOY	0.40	1.83	0.0698			
TRETAIN	-0.11	-0.53	0.6003			

TDEVELOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

To determine the marginal effects of the three predictors on the response, simple linear regressions of the response are evident on each of the predictors. The results, which are shown in Table 4.10 below, show that the three predictors have statistically significant effects on the response. The results in table 4.9 above show that for a unit increase in talent development (TDEVLOP), there will be a corresponding increase of 0.57 on the external marketability efforts of employees. However, when put in the model alone, talent development, deployment and retention have statistically significant effects. Table 4.10 shows that the effects are such that a unit increase in the talent development (TDEVLOP) and deployment (TDEPLOY) has the effect of increasing the external marketability efforts of employees by the same amount of 0.86, while talent retention (TRETAIN) increases it by 0.94. This is reflected by the parameter estimates. Also stemming from this analysis is the fact that talent development (TDEVLOP), deployment (TDEPLOY) and retention (TRETAIN) individually explain 82%, 81% and 78% of the variability in employee external marketability efforts.

Table 4.10
Regression Parameter Estimates

Variable	Parameter	t Value	Pr > t	Model F	Model p	Rsqr
TDEVLOP	0.86	21.34	<.0001	455.32	<.0001	0.82
TDEPLOY	0.86	20.80	<.0001	432.74	<.0001	0.81
TRETAIN	0.94	18.94	<.0001	358.57	<.0001	0.78

TDEVLOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

The fact that these predictors have individual significant effects on the response, but no combined effect, is due to the fact that these variables are significantly positively correlated to each other, such that the effects of the other two get obscured once they are included in the same model as predictors.

Employee Stability

Table 4.11 includes all eight talent management practices and shows statistical significance ($F=141$, $p<0.0001$) to employee stability. However, all the parameter estimates in the table below are not significant. This is due to the same fact that these constructs are all correlated to each other, and their inclusion in the same model results in them obscuring each other's effects on employee stability. Table 4.11 focuses on the results. Note that all the p-values are greater than the significance level of 0.05.

Table 4.11

Employee Stability Regression Parameter Estimates

Variable	Parameter	t Value	Pr > t	Model F	Model p	Rsq
PMGMT	0.17	0.79	0.4298	140.99	<.0001	0.9231
STRATEGY	0.35	1.82	0.0723			
STAFFING	-0.31	-1.29	0.2014			
TACQUIRE	0.18	0.86	0.3907			
TENGAGE	0.27	1.12	0.2670			
TDEVELOP	0.34	1.57	0.1206			
TDEPLOY	0.14	0.69	0.4913			
TRETAIN	-0.11	-0.61	0.5431			

PMGMT = Performance Management, TREVIEW = Talent Review Process, TACQUIRE = Talent Acquisition, TENGAGE = Talent Engagement, TDEVELOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

Table 4.12 shows separate regressions performed for each of the constructs as predictors. The results show a different picture. The results show that individually, these talent management practices have statistically significant effects on the response. Note that the parameter estimates are all almost equal ranging from 1.00 to 1.12 and show that a unit increase in each of the predictors has the effect of increasing the employee stability by at least 1. The fact that their individual effects vary from 1.00 to 1.12 suggests that these predictors carry just about the same information about the response. This is also backed

up by the Rsq values ranging from 0.88 to 0.91. These values tell us that the predictors explain the amount of variability in the response.

Table 4.12
Regression Parameter Estimates

Variable	Parameter	t Value	Pr > t	Model F	Model p	Rsq
PMGMT	1.05	29.30	<.0001	858.47	<.0001	0.89
STRATEGY	1.00	31.92	<.0001	1019.17	<.0001	0.91
STAFFING	1.01	28.99	<.0001	840.18	<.0001	0.89
TACQUIRE	1.06	29.37	<.0001	862.64	<.0001	0.90
TENGAGE	1.01	31.56	<.0001	995.76	<.0001	0.91
TDEVELOP	1.02	32.09	<.0001	1030.02	<.0001	0.91
TDEPLOY	1.02	30.33	<.0001	919.65	<.0001	0.90
TRETAIN	1.12	26.65	<.0001	710.48	<.0001	0.88

PMGMT = Performance Management, TREVIEW = Talent Review Process, TACQUIRE = Talent Acquisition, TENGAGE = Talent Engagement, TDEVELOP = Talent Development, TDEPLOY = Talent Deployment, TRETAIN = Talent Retention.

Table 4.13 focuses on the results of the regression analysis. A single talent management score was derived as the mean of the 45 talent management items, and the resultant construct representing overall talent management practices score was used as a predictor of employee external marketability and stability. These results show that the talent management score has a statistically significant effect on external marketability (EXMKT) efforts of employees as well as their stability (ESTABLE). Based on the results in the table 4.13, talent management accounts for 84% of the variability in external marketability (EXMKT) and 92% of the variability in employee stability (ESTABLE). A unit increase in the talent management score would result in an increase of 0.9 on external marketability (EXMKT) and 1.05 on employee stability (ESTABLE).

Table 4.13

Regression Analysis on Overall Talent Management Score

RESPONSE	Parameter	t Value	Pr > t	Model F	Model p	Rsqr
EXMKT	0.90	23.07	<.0001	532.02	<.0001	0.84
ESTABLE	1.05	33	<.0001	1089.31	<.0001	0.92

EXMKT = Employee External Marketability, ESTABLE = Employee Stability.

4.3.4. Regression Summary

In conclusion, regarding sub-hypothesis 1.3, it is concluded that:

- The null hypothesis that talent management practices have a statistical significant effect on psychological contract is accepted.
- Sub-hypothesis 1.3 is therefore supported by empirical evidence.

The regression of the psychological contract constructs on talent management constructs revealed that talent management practices have significant effects on the psychological contract. Employee efforts, to enhance their external marketability and their stability with the current employer, were found to be dependent on the talent management practices of the employers. It was found that an increase in the quality of talent management would result in an increase in the efforts by employees to enhance their external marketability as well as their intention to stay with the current employer. The fact that they work towards enhancing their external marketability with good talent management practices may not really mean that they intend to leave their employer. It could mean that they are so satisfied with their current employer that they would want to better their performance by improving themselves for the benefit of their current employer. This is reflected in the fact that while improving or enhancing their external marketability, these employees also have higher intentions of staying with their current employers, as shown through higher stability resulting from good talent management practices.

In Chapter 2 it was discussed that some practices that fall within talent management practices are positively related with certain aspects of the psychological contract (Birt *et*

al., 2004; Botha & Moalusi, 2010; D’annunzio-Green & Francis, 2005; Garrow & Hirsh, 2008). This study added to research by confirming that overall good talent management is associated with a positive psychological contract.

4.4. TESTING FOR BIOGRAPHICAL CHARACTERISTICS EFFECT

How the respondents feel about the issues under study may differ with respect to their gender, race, educational level, age and level of work. The hypothesis of interest is that talent management and psychological contract scores are the same across all levels of the biographical variables.

Sub-hypothesis 1.4:

There is a statistically significant difference between the effects of the different biographical variables (gender, race, educational level, age and level of work) and talent management and the psychological contract.

In order to test sub-hypothesis 1.4, sub-hypothesis were formulated for each biographical variable. Statistical tests to test for the biographical effects were performed and the results are given below.

4.4.1. Gender and Race Effects

Sub-hypothesis 1.4.1

There is a statistically significant difference between the effects of gender on talent management and the psychological contract (Table 4.14). In order to test this hypothesis the independent samples t-test was used. Instead of testing for all the assumptions of the t-test, its non-parametric counterpart, the Mann-Whitney test, was also used as a confirmatory tool.

Table 4.14 shows the t-statistic value and the normal approximation to the Mann-Whitney z-value together with their p-values. Testing at a 0.05 significance level, all the p-values ranged from 0.164 to 0.663 indicating “no significant gender effect” on all the constructs.

Note that the lowest p-value was 0.164 for freedom to leave, which is much greater than 0.05.

Table 4.14
Effects of Gender on Talent Management and the Psychological Contract

Variable	t	p-value	Z	p-value
Talent management	-1.27	0.208	-1.04	0.298
Job security	1.12	0.264	-1.16	0.246
Support and stability	-0.44	0.663	-0.78	0.438
Intention to leave	0.96	0.341	-1.20	0.231
Freedom to leave	-1.40	0.164	-1.55	0.121

Sub-hypothesis 1.4.2

There is a statistically significant difference between the effects of race on talent management and the psychological contract (Table 4.15). In order to test this hypothesis the independent samples t-test was used.

Table 4.15
Effects of Race on Talent Management and the Psychological Contract

Variable	t	p-value	Z	p-value
Talent management	0.39	0.699	-0.31	0.76
Job security	-1.05	0.296	-1.39	0.166
Support and stability	1.58	0.116	-1.53	0.126
Intention to leave	0.02	0.985	-0.15	0.881
Freedom to leave	-0.41	0.683	-0.39	0.698

From Table 4.15 it is clear that the same conclusion can be reached for the race effect that was reached for gender effect. The lowest p-value was 0.116 for support and stability and this value is approximately twice the significance level.

In conclusion, regarding sub-hypothesis 1.4.1 and 1.4.2, it is concluded that:

- The null hypothesis that there is a statistically significant difference between the effects of gender on talent management and the psychological contract is rejected.

- Sub-hypothesis 1.4.1 is therefore not supported by empirical evidence.
- The null hypothesis that there is a statistically significant difference between the effects of race on talent management and the psychological contract is rejected.
- Sub-hypothesis 1.4.2 is therefore not supported by empirical evidence.

Based on the results, it can be concluded that there is no statistical evidence that the opinions on talent management and the psychological contract are the same for both gender groups and the two races compared in this study.

4.4.2. Age, Education and Level of Work Effects

Sub-hypothesis 1.4.3:

There is a statistically significant difference between the effects of age on talent management and the psychological contract (Table 4.16). In order to test this hypothesis the one-way ANOVA was used. The classical parametric ANOVA was accompanied by its non-parametric counterpart, the Kruskal-Wallis test (Pallant, 2005). Where significant effects were detected, a follow-up multiple comparisons procedure was used to detect the nature of the effect. The Tukey's Honestly Significant Difference multiple comparison procedure was used. The results for each effect are discussed below the corresponding table of results.

Table 4.16 focuses on the results of the comparison of constructs over the variable age. Testing at a 0.05 significance level, none of the constructs were significantly different across the three age groups. All of the p-values ranged from 0.062 to 0.724 which is greater than 0.05. Note that the lowest p-value was 0.062 for intention to leave and that this p-value is significantly different across the age groups at a 0.1 level of significance.

Table 4.16
Effects of Age on Talent Management and the Psychological Contract

Construct	ANOVA F	p-value	Kruskal-Wallis	p-value
Talent management	0.63	0.537	0.562	0.755
Job security	0.98	0.379	0.969	0.616
Support and stability	1.26	0.287	2.446	0.294
Intention to leave	2.85	0.062**	5.669	0.059**
Freedom to leave	0.32	0.724	0.603	0.740

Table 4.17
Multiple Comparison Groupings of Intention to Leave on the different Age Groups

	Group 1	Group 2
OVER 40YRS	2.3864	
19-30YRS		3.0854
31-40YRS		3.1667

From Table 4.17 it is clear that the means of the intention to leave score are 3.0854 for the youngest age group 19 - 30, 3.1667 for the middle age group 31 – 40 and 2.3864 for the seniors, over 40 years of age. These results show that at a 10% level of significance, the means for the intention to leave score can be put into two separate groups, namely over 40 years of age and 40 years of age and below. Those over 40 years of age had a significantly lower mean of 2.3864 than the other two age groups, which do not differ significantly from one another. This means that those over 40 years of age are less likely to make deliberate efforts to improve their external marketability compared to those of less than 40 years of age.

In conclusion, regarding sub-hypothesis 1.4.3, it is concluded that:

- The null hypothesis that there is a statistically significant difference between the effects of age and level of work on talent management and the psychological contract is accepted.
- Sub-hypothesis 1.4.3 is therefore supported by empirical evidence.

4.4.3. Education Effect

Sub-hypothesis 1.4.4:

There is a statistically significant difference between the effects of education on Talent Management and the psychological contract (Table 4.18). In order to test this hypothesis the one-way ANOVA was used.

Table 4.18
Effects of Education on Talent Management and the Psychological Contract

Construct	ANOVA F	p-value	Kruskal-Wallis	p-value
Talent management	0.18	0.912	0.894	0.827
Job security	0.76	0.518	3.194	0.363
Support and stability	1.68	0.177	4.147	0.246
Intention to leave	1.35	0.264	3.912	0.271
Freedom to leave	0.60	0.617	1.597	0.660

From Table 4.18 it is clear that educational level does not have an effect on the constructs. While it may seem reasonable that educational level may have an effect on these constructs, it was found that this is not the case for the sample used in this study. All the p-values in the above table range from 0.177 to 0.912 and are above a 0.05 significance level. This means that at that level of significance there are no significant educational level effects. Note that the lowest p-value was just over 0.17 for support and stability, which is far above the 0.05 level.

In conclusion, regarding sub-hypothesis 1.4.4, it is concluded that:

- The null hypothesis that there is a statistically significant difference between the effects of education on talent management and the psychological contract is rejected.
- Sub-hypothesis 1.4.4 is therefore not supported by empirical evidence.

4.4.4. Level of Work Effect

Sub-hypothesis 1.4.5:

There is a statistically significant difference between the effects of level of work on Talent Management and the psychological contract (Table 4.19). In order to test this hypothesis the one-way ANOVA was used.

Table 4.19

Effects of Level of Work on Talent Management and the Psychological Contract

Construct	ANOVA F	p-value	Kruskal-Wallis	p-value
Talent management	0.38	0.682	1.055	0.590
Job security	5.88	0.004[*]	13.934	0.001*
Support and stability	2.81	0.065^{**}	5.989	0.050**
Intention to leave	0.55	0.58	1.091	0.579
Freedom to leave	0.41	0.666	0.834	0.659

From Table 4.19 it is clear that the level of work was found to have significant effects on the job security at a 0.05 level of significance with a p-value of 0.004, and on support and stability with a p-value of 0.065 at a 0.1 level of significance. All the other constructs ranged from 0.58 to 0.682 meaning that there are no significant level of work effect on talent management, intention to leave and freedom to leave. The Tukey's multiple comparison procedure identified two groups of means as shown in the table below.

Table 4.20 focuses on the job security score for the different levels of work. For job security, management had the lowest mean of 1.7031 and was in a group of its own, while the professional and skilled employees were put in a different group. The professional group had a mean of 2.4875 and the skilled group had a mean of 2.3352. These groupings indicate that those in management feel slightly more secure than the professionals and skilled employees. However, note that these means are lower than 3.0, which is the rather neutral 'somewhat' value. This suggests that there is general job security, with those in management feeling more secure than the others. The professionals have the highest mean job security score of 2.4875, meaning that they feel least secure among the three levels of work.

Table 4.20
Multiple Comparison of Job Security on the different Levels of Work

	Group 1	Group 2
MANAGEMENT	1.7031	
SKILLED		2.3352
PROFESSIONAL		2.4875

Table 4.21
Multiple Comparison of Career Stability on the different Levels of Work

	Group 1	Group 2
SKILLED	3.4818	
PROFESSIONAL	3.5813	3.5813
MANAGEMENT		4.002

From Table 4.21 it is clear that two groups of means were identified for the career stability score. The separation was clearer between the skilled employees and management. The professionals could not be separated from either of the two categories of employees. Based on the results of the multiple comparisons test it can be concluded that skilled employees are the least stable, with a mean career stability score of 3.4818 compared to management with a career stability score of 4.002, while the professionals lie somewhere in between with a mean of 3.5813.

In conclusion, regarding sub-hypothesis 1.4.5, it is concluded that:

- The null hypothesis that there is a statistically significant difference between the effects of level of work on talent management and the psychological contract is accepted.
- Sub-hypothesis 1.4.5 is therefore supported by empirical evidence.

4.4.5. Summary of Biographical Analysis

The results of this section of the analysis show that younger employees are more likely to be interested in preparing themselves to join other organisations than older employees. This may be due to the fact that the younger employees are just starting out in their career, and still perceive conditions as being better elsewhere, or that the older employees have actually moved to their current organisation and are not genuinely concerned about external marketability, as long as they are competent enough for their current position.

Employees in management were found to be more secure and more stable than those in the other two levels of work. Management runs the organisation and is therefore less likely to be operating in a professionally-restricted environment. Employees in this category are less willing to leave their current organisation and organisations are also less willing to lose them. Such employees are bound to be more secure and stable compared to the skilled and professional level employees. Note that for the career stability score the professionals are in between skilled employees and management. They could not be statistically grouped with only one of the levels of work. They are not significantly more stable than the skilled employees, nor are they significantly less stable than the management employees.

4.5. CONCLUSION

The above analysis has shown that the 101 items in the questionnaire represent only five constructs. This was done through a combination of data reduction methods, namely correlation inspection and factor analysis. With a correlation analysis of talent management and the psychological contract it has been discovered that generally good talent management practices are associated with a positive psychological contract.

The five constructs that were derived were found to be generally average, as reflected by the means which are in the region of the average value of 3.0. However, on analysis according to biographical variables, it was found that the intention to change organisation was higher among the younger employees (<40 years) than among those above 40 years of age. Three levels of work were identified, namely skilled, professional and management. These results revealed that the employees at management level were more secure and

stable than the skilled employees. However, the professionals were found to have the same job security levels as the skilled employees, as well as a stability score which was higher than the skilled but lower than the management employees.

The following sub-hypotheses were supported by empirical evidence and are therefore accepted:

- Sub-hypothesis 1.1:
There is a statistical significant relationship between talent management and employee obligations.
- Sub-hypothesis 1.2:
There is a statistical significant relationship between talent management and employer obligations.
- Sub-hypothesis 1.3:
Talent management practices have a statistical significant effect on the psychological contract.
- Sub-hypothesis 1.4.3:
There is a statistically significant difference between the effects of age on talent management and the psychological contract.
- Sub-hypothesis 1.4.5:
There is a statistically significant difference between the effects of level of work on talent management and the psychological contract.

The following sub-hypotheses were not supported by empirical evidence and are therefore rejected:

- Sub-hypothesis 1.4.1:
There is a statistically significant difference between the effects of gender and talent management and the psychological contract.
- Sub-hypothesis 1.4.2:
There is a statistically significant different between the effects of race on talent management and the psychological contract.
- Sub-hypothesis 1.4.4:
There is a statistically significant difference between the effects of education on talent management and the psychological contract.

CHAPTER 5: DISCUSSION OF THE RESULTS, CONCLUSIONS AND RECOMMENDATIONS

5.1. INTRODUCTION

This chapter focuses on discussing and interpreting the results of the statistical analysis, the research objective(s) and the literature results. The findings of the study will be detailed with due consideration of both the literature as well as the outcomes of the statistical analysis. Lastly, the limitations on the study, as well as the related recommendations, will be reviewed to finalise the study.

Chapter 1 served as an introduction to the research and provided the background, underlying problem and objectives of the study. This chapter consisted of an introduction, problem statement, research objectives, importance and benefits of the proposed study and an outline of the chapters to follow.

Chapter 2 reviews an extensive literature study. The key concepts researched were talent management and the psychological contract. Definitions, psychological contract expectations, purpose of the psychological contract and breach, and fulfilment of the psychological contract were examined. This was followed by definitions, the importance of talent management and the how of talent management. The chapter concluded by giving an overview of existing literature on talent management and the psychological contract.

In chapter 3 the research design, research paradigm, the research sample, measuring instruments, research procedure, analysis of the data and research ethics were discussed. The research was designed in such a way that it adequately addresses the research objectives of the study.

Chapter 4 presented the results of the study. The results of descriptive statistics, reliability analysis, correlation analysis, regression analysis and ANOVA were revealed.

This chapter discusses the findings of the study. Conclusions are drawn from both the literature review and this study. Recommendations are made based on the findings of the study. The value as well as the limitations is pointed out, and proposals for future research are made.

5.2. PURPOSE AND OBJECTIVES OF THE STUDY

The main purpose of the study is to investigate the relationship between talent management and the psychological contract.

The study's research objectives are once again specified below:

Literature Objectives:

- To define the construct “psychological contract”.
- To define the construct “talent management”.
- To identify important aspects of talent management.
- To identify types and characteristics of the psychological contract.
- To review the breach and fulfilment of the psychological contract.
- To review the influence of certain key talent management practices on the psychological contract.

Empirical Objectives:

- To determine the relationship between talent management and the psychological contract.
- To determine if talent management is important to employees.
- To determine if talent management is an expectation that employees have of their employer.
- To determine if talent management does strengthen the psychological contract between employers and employees.
- To determine the effect of talent management on the psychological contract.
- To determine if talent management will be a successful intervention in retaining the best employees in an organisation.

- To determine if it is beneficial for the organisation to implement talent management practices.
- To determine the effect of biographical variables (age, gender, race, education and level of work) on talent management and the psychological contract.

The study's hypotheses are once again specified below:

Hypothesis 1:

There is a statistical significant relationship between talent management and the psychological contract.

The following sub-hypotheses was formulated to meet the secondary objectives of the research study:

Sub-hypothesis 1.1

There is a statistical significant relationship between talent management and employee obligations.

Sub-hypothesis 1.2

There is a statistical significant relationship between talent management and employer obligations.

Sub-hypothesis 1.3

That talent management practices have a statistical significant effect on psychological contract.

Sub-hypothesis 1.4:

There is a statistically significant difference between the effects of the different biographical variables (gender, race, educational level, age and level of work) and talent management and the psychological contract.

In order to achieve these objectives and to prove the hypotheses, the following two assessments were administered:

- HCI's Assessment of Talent Management Practices, which measured the perception of talent management practices within the organisation.
- The Psychological Contract Inventory, which measures the perception of the employer and employee obligations of the psychological contract.

The results of these assessments were analysed and demonstrated in the previous chapter.

5.3. RESEARCH QUESTION

The aim of the study was to determine the relationship between talent management and the psychological contract. The main research question posed in this regard is therefore:

- What is the relationship between talent management and the psychological contract?

5.4. LITERATURE OVERVIEW

During the literature review it was established that performance, skills, career growth and lifelong learning are expectations of the new psychological contract (Cascio, 2001). These expectations can be linked to development, which is a component of talent management. Should an organisation fulfil the expectations employees have it most probably will lead to a stronger psychological contract.

Research has indicated that talent management is becoming more important to employees (Knowledge Infusion, 2008). The more important it becomes to employees the more important it will become as part of the psychological contract. Talent management may lead to retention in the absence of job security (Phillips & Phillips, 2002). Therefore when an organisation cannot meet the expectation of job security, talent management may be an alternative intervention.

Generation X employees valued career-related issues, specifically content, utilisation of skills, and career advancement (Masibigiri & Nienaber, 2011). Generation Y employees linked talent management to organisation and supervisor support, which lowered their

intention to leave (Du Plessis, 2010). Talent management for Generation Y does influence retention. Development, which is one of the components of talent management, influences retention for Generation X employees. A result of the fulfilment of the psychological contract is lower turnover or higher retention (Freese & Schalk, 1996).

Lack of promotion was found as a reason rated highest as a violation of the psychological contract. Promotional opportunities may be addressed through the redeployment process in talent management. Lack of development was also identified as a reason of psychological contract breach. This again is addressed through the development process of talent management. Development, growth and opportunities were found to be the key factor to retain talented employees (Van de Ven, 2004)

From the literature it can be concluded that certain talent management practices are seen as expectations employees have as part of the psychological contract, and that this may lead to a possible relationship between talent management and the psychological contract. There was, however, no previous research confirming this.

A breach in the psychological contract may lead to negative consequences, such as absenteeism, intention to leave, reduced performance and reduced contribution to the organisation (Freese & Schalk, 1996). The fulfilment of the psychological contract, on the other hand, can lead to intention to stay with the organisation, increased productivity and performance (Freese & Schalk, 1996).

Research suggests that organisations should focus on employability to improve the psychological contract (Scribd, 2009b). Job security cannot be guaranteed, but organisations can recognise employees' need to build up a portfolio of skills and competencies that will make them more marketable (Scribd, 2009b).

Literature has given an indication that some of the talent management practices are of more importance to employees and will lead to the benefits achieved with psychological contract fulfilment. There is, however, no research available addressing talent management as a whole and what influence talent management has on the psychological contract. It can just be concluded that if some of the practices of talent management

influence the psychological contract positively then talent management itself will have the same effect.

5.5. FINDINGS

The results, as analysed in Chapter four, led to findings on the research objectives pertaining to the reliability and validity of the two questionnaires. This discussion of the findings will focus on the reliability analysis, a discussion of the results obtained, a discussion on the comparison between the different biographical characteristics and the link between the results of the study and the existing literature or theory.

5.5.1. Reliability Analysis

Reliability measures the consistency of an instrument (Social Research Methods, n.d.). It refers to the degree to which the instrument measures in the same manner each time it is used under the same conditions with the same subjects (Social Research Methods, n.d.). A Cronbach Alpha of 0.7 and greater indicates a reliable instrument and therefore the results of the test can be used with confidence (Social Research Methods, n.d.).

A reliability analysis was conducted on both instruments used during the research study. 102 respondents were included in the analysis of the reliability and the item analysis of these instruments. A discussion of reliability analysis on both the instruments follows. This is supported by other studies (Du Plessis, 2010).

HCI Assessment of Talent Management Practices

Table 3.2 depicts the reliability statistics from the mentioned reliability analysis and indicates a Cronbach Alpha Coefficient of more than 0.7 for each talent management practice, which means that talent management is being measured reliably.

Psychological Contract Inventory

Table 3.3 depicts the reliability statistic from the mentioned reliability analysis and indicates a Cronbach Alpha Coefficient of more than 0.7 for each sub-group of the psychological contract, which means that the psychological contract is being measured reliably.

5.5.2. Evaluation of the findings

The first part of this section will focus on the key results of the literature review. Following this, the findings regarding the primary research objective and main research question, namely whether there is a relationship between talent management and the psychological contract will be discussed. Next, the empirical secondary research objectives will be addressed and finally, the findings regarding the hypothesis will be discussed.

Key Results of the Literature Review

A review of the literature revealed that the concept “Psychological Contract” can be defined as the unwritten expectations between employees and the organisation (D’annunzio-Green & Franzis, 2005; Freese & Schalk, 1996; Rousseau, 1995).

The concept of talent management can be defined as “workplace practices that integrate workforce planning, recruitment, development and retention” (Howard, 2003; Human Capital Institute & Vurv Technology, in press).

Literature has revealed that an old and a new psychological contract exists, as well as a transactional and relational psychological contract. The old and new psychological contract refers to the changes that have taken place over the years in terms of the expectations that form part of the psychological contract. Key findings were that performance, skills, multiple career growth, and lifelong learning is expectations of the new psychological contract (Cascio, 2001). It was found that professional development, performance management and leadership development are key components of talent management (Morton, 2004). These talent management practices are in alignment with the expectations

of the new psychological contract. From the literature it can therefore be concluded that these talent management practices will have an influence on the psychological contract.

Research has shown that when an employee feels the organisation is not delivering on its expectations may lead to consequences, such as absenteeism, intention to leave the organisation, job dissatisfaction and reduced performance (Freese & Schalk, 1996; Schalk & Roe, 2007; Scribd, 2009b). If an organisation, on the other hand, delivers on the employee's expectations it may lead to job satisfaction, productivity, loyalty, improved performance and increased motivation (CIPD, 2010; Freese & Schalk, 1996; Guerrero & Herrback, 2008).

From the above it is clear that literature has revealed that certain talent management practices are expectations employees have as part of the psychological contract. It further revealed the consequences of delivering and not delivering on these expectations. It can therefore be concluded that certain talent management practices are part of the psychological contract, and implementing these talent management practices will lead to positive results, which may strengthen the psychological contract.

From the literature review all the secondary literature objectives were achieved. **There is, however, no empirical evidence supporting a direct relationship between talent management and the psychological contract.**

Key Results Regarding the Empirical Research

The central research objective was to determine if there is a relationship between talent management and the psychological contract. The central research question is whether talent management and the psychological contract have any relationship at all, and if so, to describe the nature of the relationship.

Hypothesis 1 was formulated to test the central research question.

Hypothesis 1: There is a statistical significant relationship between talent management and the psychological contract.

The study found that there is a relationship between talent management and the psychological contract. Hypothesis 1 was therefore accepted and supported by empirical evidence.

This is an important finding, because no evidence in the relevant literature could be found to support this.

The study found that there is a relationship between talent management and the psychological contract. Not all talent management constructs are significantly correlated with all the psychological constructs. However, it has been discovered that generally good talent management practices are associated with a positive psychological contract.

The correlation analysis has shown that there is a relationship between talent management and the psychological contract. Not all talent management constructs are significantly correlated with all the psychological contract constructs. However, it has been discovered that generally good talent management practices are associated with a positive psychological contract. From the literature study it was found that development and deployment, which are talent management components, will influence the employee's intention to stay with an organisation (Phillips & Phillips, 2002). From this study it was found that overall talent management is correlated with the psychological contract and that there is a positive relationship between the two. Talent management can therefore lead to retention, but also to other advantages of psychological contract fulfilment.

The correlations show that employees who prepare themselves for external marketability are those who are not satisfied with the talent development, deployment and retention practices of their employers. These talent management practices therefore have an influence on turnover. Literature indicates that higher turnover is a result of psychological contract breach. It can be concluded that satisfaction with talent development, deployment and retention practices will lead to better retention, which is also a result of satisfactory psychological contract fulfilment. Based on these correlations, one is persuaded to say that organisations that have bad talent development, deployment and retention practices demotivate their employees to the extent that employees make personal efforts to improve

their chances of joining other organisations. It therefore has an influence on the psychological contract.

Employee stability is crucial to the proper functioning of any organisation and was found to be significantly positively correlated with most of the talent management practices. Talent management practices will therefore fulfil employees' expectation of stability. This is in alignment with past research that indicated development leads to retention during uncertain economic times (Birt *et al.*, 2004). This study added that all the talent management components will fulfil the expectation of stability of the psychological contract.

From these correlations, it was also revealed that good talent acquisition, development, engagement, deployment and retention practices within an organisation are likely to have the effect of keeping the employees within the organisation. This is in alignment with what literature found to be important to employees, namely development and engagement. This study found that, in addition to development, the other talent management processes will also have the effect of keeping employees within the organisation.

The above determines that good talent management practices result in a more stable workforce and reduced employee turnover. The above conclusions are based on the correlations between employee obligations to employers and talent management practices. This confirms a relationship between talent management practices and the psychological contract. Past research has indicated a relationship between intention to stay with an organisation and some practices that can be linked to the talent management practices. Some studies indicated a positive relationship between talent management retention. There were no studies investigating the relationship between talent management and the psychological contract.

It was therefore found that there is a relationship between talent management and the psychological contract. Even though there were some psychological constructs with which talent management did not have a significant positive relationship, it was discovered that in general, good talent management practices are positively correlated with the psychological contract. From this it can be concluded that employees value talent management and that

it is part of the psychological contract expectations. The results showed that talent management can be a successful intervention in retaining employees because it resulted in less turnover intention. Because of the above findings it will be beneficial for an organisation to implement talent management practices due to the relationship with the psychological contract and its constructs.

Key Results Regarding the Secondary Empirical Research Objectives

The following section will briefly discuss the findings regarding the secondary research objectives.

- To determine if talent management is important to employees.

From the results regarding Hypothesis 1 it can be concluded that employees value talent management and that it is part of the psychological contract. The finding that talent management is part of the psychological contract means that it is an expectation employees have, and is therefore important to them. As examined in the literature review it was found that talent management will have an influence on intention to stay with the organisation (Du Plessis, 2010). From this study it can therefore be concluded that talent management is important to employees. This is in alignment with past research findings and this objective is supported by the results.

- To determine if talent management is an expectation employees have of their employer.

Sub-hypothesis 1.1 was formulated to test this objective.

Sub-hypothesis 1.1: There is a statistical significant relationship between talent management and employee obligations.

The study found that there is a relationship between talent management and employee obligations. Sub-hypothesis 1.1 was therefore accepted and supported by empirical evidence.

Talent management is therefore an expectation employees have as part of the psychological contract. The empirical research supports the above objective.

- To determine if talent management strengthens the psychological contract.

Sub-hypothesis 1.3 was formulated to test this objective.

Sub-hypothesis 1.3: Talent management practices have a statistical significant effect on the psychological contract.

The study found that talent management practices have a statistical significant effect on the psychological contract sub-scales. Hypothesis 1.3 was therefore accepted and supported by empirical evidence.

It was found that good talent management practices are positively correlated with the psychological contract. The positive correlation indicates that talent management will strengthen the psychological contract between employers and employees.

- To determine the effect of talent management on the psychological contract.

From the results regarding Sub-hypothesis 1.3 it is confirmed that good talent management practices are positively correlated with the psychological contract. Talent management therefore influences the psychological contract, and this influence will be positive if the talent management practices are rated positively. Good talent management practices will therefore lead to a stronger psychological contract, whereas unsuccessful or no talent management practices will lead to a weaker psychological contract.

- To determine if talent management will be a successful intervention in retaining the best employees in an organisation.

Previous research has indicated that there is a positive relationship between talent management and retention for Generation Y employees (Du Plessis, 2010). Past research also indicated a positive relationship between certain processes of talent management and retention (Du Plessis, 2010; Phillips & Phillips, 2002; Van de Ven, 2004). The findings of this study indicated that implanting successful talent management practices will have a positive relationship with the psychological contract, i.e. leading to the fulfilment of the psychological contract. As indicated in the literature review, the fulfilment of the psychological contract will lead to, amongst other benefits, the intention to stay with the organisation (Freese & Schalk, 1996). Talent management can be a successful intervention in retaining employees in the organisation.

- To determine if it is beneficial for the organisation to implement talent management practices.

It was discovered that talent management will lead to retention. Positive talent management is further associated with a stronger psychological contract. The literature study showed that a strong psychological contract is associated with motivation, increased productivity, loyalty, increased performance etc. (Freese & Schalk, 1996). It was found that talent management leads to a stronger psychological contract, and will therefore lead to benefits, such as retention, motivation and increased performance. Therefore it can be concluded that it will be beneficial for an organisation to implement talent management practices.

- To determine the effect of biographical variables (race, age, gender, education and level of work) on talent management and their psychological contract.

Sub-hypothesis 1.4 was formulated to test this objective.

Sub-hypothesis 1.4: There is a statistical significant difference between the effects of the different biographical variables (age, gender, education and level of work) and talent management and they psychological contract.

It was confirmed that education, race and gender did not have a significant impact on talent management and they psychological contract. Whereas age and level of work did have a significant impact on talent management and the psychological contract.

It was discovered that there is no evidence that the opinions on talent management and they psychological contract are the same for both gender and race groups compared in this study. None of the constructs measured were different across the various age groups except for the intention to leave construct. It was confirmed that employees over forty years of age are less likely to make deliberate efforts to improve their external marketability compared to employees younger than forty. It was found that education does not have an effect on the talent management and psychological contract constructs. It was further found that level of work does have in influence on talent management and the psychological contract. Employees on management level feel more secure than employees on professional or skilled level.

5.5.3. Analysis between Biographical Variables

Sub-hypothesis 1.4: There is a statistical significant different between the effects of the different biographical variables (age, gender, race, education and level work) and talent management and the psychological contract.

Talent management and the psychological contract scores were the same across all levels of biographical variables. It was therefore found that overall biographical variables did not influence the talent management and psychological contract score. This contradicts what one would expect, based on previous research and literature. It would be assumed that age, specifically, may have an influence on the talent management and psychological contract scores. Research has suggested that the younger generation will exit the organisation easier when feeling dissatisfied with it. It also suggested that the younger

generation does not stay with one organisation for a long period of time, but instead moves around a lot more. Reasons given for this were that they are more committed to their knowledge, skills and experience than to being loyal to an organisation. This study, however, found that age and the other biographical variables did not influence the talent management and psychological contract score.

After conducting a further analysis on the biographical variable on the constructs that were derived after utilising the data reduction methods, it was found that:

- The null hypothesis that there is a statistically significant difference between the effects of race on talent management and the psychological contract was rejected;
- The null hypothesis that there is a statistically significant difference between the effects of gender on talent management and the psychological contract was rejected;
- The null hypothesis that there is a statistically significant difference between the effects of age on talent management and the psychological contract was accepted;
- The null hypothesis that there is a statistically significant difference between the effects of education on talent management and the psychological contract was rejected;
- The null hypothesis that there is a statistically significant difference between the effects of level of work on talent management and the psychological contract was accepted.

It can therefore be concluded that:

- There was no significant gender or race effect on all the constructs. In this study race and gender therefore did not have an impact.
- Employees over 40 years of age are less likely to make deliberate efforts to improve their external marketability, compared to those younger than 40 years of age. The impact of age, however, is still not big.
- While it may seem reasonable that level of education may have an effect on these constructs, it was not the case for the sample used in this study. Again, one would have expected that level of education will have an effect. This may have been due

to the specific sample. It is, however, difficult to say if further research is not conducted.

- Level of work was found to have significant effects on job security. The study showed that employees in management positions feel slightly more secure than professional and skilled employees. Younger employees are therefore more likely to be interested in preparing themselves to join other organisations than older employees. This may be due to the fact that younger employees are just starting their career and still perceive conditions as being better elsewhere. It may also be that older employees have recently moved to their current organisation and are not really concerned about external marketability, as long as they are competent enough in their current position. It would have been interesting if the questionnaire included questions for determining experience (overall experience and with current employer), number of employers to date, and reasons for leaving previous employers.
- Employees in management positions were found to be more secure and stable than employees that were not in management. This may be because management runs the organisation and is therefore less likely to be operating in a professionally-restricted environment. Employees in the management category are less willing to leave their current organisation and organisations are less willing to lose them. Such employees are bound to be more secure and stable when compared to employees on skilled or professional levels.

Talent management and psychological contract scores were the same across all levels of the biographical variables.

5.6. LIMITATIONS OF THE STUDY

Although the study provided relevant insights into the relationship between talent management and the psychological contract, it is accepted that this study has the usual limitations of survey research. The following are recognised as specific limitations of this study:

- Although the need for a comprehensive sample was explained to the target organisation's management, replies to the questionnaire were voluntary, which made the size and the quality of the sample dependent on the goodwill of the target organisation. A low response rate of 102 was received and this may have restricted the results obtained. The recession, too, may have had an influence on the response rate. The limited sample prohibited the completion of a factor analysis. The sample utilised for this study was a sample of convenience. The sample was chosen because the researcher was familiar with the environment and because of the fact that the target population declared itself available to participate in this study. This implies that the results of this study can only be generalised to the population of the target organisation and to another similar environment.
- It must be borne in mind that the study suffers from the usual limitations of survey research.
- A limited sample of organisations was used; therefore, caution is necessary in making generalisations to other industries without additional empirical tests.
- The target group could have been suspicious regarding the purpose and confidentiality of the survey. This may have influenced the employees' perception regarding talent management practices and the psychological contract. The impact thereof on the results of this study was not investigated.
- The number of years' service may influence perceptions regarding talent management and the psychological contract. This research study did not focus on how long employees have been with their current organisation.

The recommendations for future research will be discussed next.

5.7. RECOMMENDATIONS

- A system should be used that will ensure a higher response rate and an adequate sample. Organisations should encourage developing a culture of research, and this must be supported by top management in order to encourage employees to participate in research studies.

- Qualitative approaches and methods, such as interviews, focus groups, etc. should be employed to supplement the questionnaire surveys. These will also assist in getting a participative audience a higher response rate.
- A more widely-spread geographical area should be used so that the results can be generalised to other organisations in different geographical areas.
- Future research should either focus on companies in a bigger variety of industries or solely on different companies in one industry to ensure that results can be easily generalised.
- The number of years' service should be assessed to determine if this has an influence on the perception employees have regarding the psychological contract and talent management.
- Future research should be undertaken to investigate the influence of biographical variables, such as age and education on employee expectations, the psychological contract and their perception of talent management practices.

5.8. CONCLUSION

This chapter provided the final conclusions and recommendations regarding the study discussing the key findings and limitations of the study as well as suggested potential research opportunities.

The study of the relationship between talent management and the psychological contract is still a relatively new field of study and many gaps still exist. The potential ability of talent management to lead to a stronger psychological contract unlocks an intervention that will hold numerous benefits for an organisation. The psychological contract has been a popular field of research for many years. The gap, however, remained between the influences of human resource management interventions on the psychological contract.

The findings of the study do not only provide valuable insight into the relationship between talent management and the psychological contract, it also provides insight into factors influencing retention and motivating employees.

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APPENDIX A

- Data Collection Instruments -

PART 1: HCI Assessment of 45 Talent Management Practices

Available on Request.

PART 2: Psychological Contract Inventory

Available on Request.

PART 3: Biographical Information

1. Gender

Male	Female
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2. Race

African	White	Coloured	Indian
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3. Highest Qualification

Matric	Diploma	Degree	Post Graduate
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4. Level of Work

Unskilled	Skilled	Professional	Junior Management	Management	Senior Management
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APPENDIX B
- Respondents' letter of consent -

**Informed consent for participation in an academic
research study**

Dept. of Human Resource Management

THE INFLUENCE OF TALENT MANAGEMENT ON THE PSYCHOLOGICAL CONTRACT

Research conducted by:

Mrs. L. Prinsloo (23043696)

Cell: 071 604 4979

Dear Respondent

You are invited to participate in an academic research study conducted by Lizel Prinsloo, a Masters student from the Department of Human Resource Management at the University of Pretoria.

The purpose of the study is to determine what the influence is of Talent Management on the Psychological Contract between an organisation and employees.

Please note the following:

- This study involves an anonymous survey. Your name will not appear on the questionnaire and the answers you give will be treated as strictly confidential. You cannot be identified in person based on the answers you give.
- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 40 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my supervisor, Prof K Stanz (Karel.Stanz@up.ac.za) if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.
- You give your consent to participate in the study on a voluntary basis.

Respondent's signature

Date