

IMPACT OF TYPES OF REWARDS ON EFFICIENCY OF TALENT MANAGEMENT AND DEVELOPMENT PROGRAMMES

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Abstract

As talent management is on the rise, the efficiency of talent management program is currently discussed theme and its impact on performance was not proved yet. Therefore, this study focus on selected measurable areas of impact of talent management and reveals significant relations between talent management and human resource management practices leading to improvement of efficiency of talent or development programs. The aim is to formulate applicable approaches to work with talents and test impact of type of reward on talents' development, and placement in talent programmes. In particular, the article strives to determine whether there are any differences or dependencies among types of employees and their placement in talent programmes and their approaches to work in the organisation. The data were collected by quantitative survey of 134 employees across sectors in the Czech Republic. Descriptive statistics and two-dimensional statistics were used to evaluate the data. The results indicate significance of types of income and their impact on the employee's further development. Employees with individual incomes based on performance are more specialised at development areas. The study is first empirical approach in defined areas. It may inspire other researchers to continue and further analyse and validate the results.

Key words: talent management, rewards, efficiency, income variability

JEL Code: J24, J32

Introduction

The paper focus on selected measurable areas of impact of talent management in accordance with the aim of the conference International Days of Statistics and Economics, which is to present and discuss current problems of statistics, demography, economics and management and their mutual interconnection. The abstract of the paper was created and accepted by the section Demography and human resources; the corresponding subsections are Reproduction of

human capital, Human resources, and Regional demography. Therefore, the paper address talent management and reveals significant relations between talent management and human resource management practices leading to improvement of efficiency of talent or development programs in the Czech Republic.

Economic development, globalization, new technologies and the changing structure of workforce including the increasing diversity and population aging show that the traditional universal approach to managing talents is not adequate any more, as evidenced by the researches by Morley et al. (2015) and McCracken et al. (2016). Employees expect an individual approach from organizations they work for, which includes customized systems of remuneration, evaluation and development. In contrast, however, in the market, there is lack of employees with key competencies and knowledge; and the expectation from the new innovative personal systems of remuneration, education and performance management is to help to attract key talents and keep them, as evidenced by the researches by Mathew and Brindha (2014). Considering the complexity of changes, however, many organizations have a problem to find the proper direction how to remunerate talents and set up their development.

The aim is to formulate applicable approaches to work with talents and test impact of a type of remuneration on talents' development and placement in talent programmes. Within the theoretical background, there are stated actual attitudes of foreign authors to the topic, the second chapter presents the procedure of obtaining and processing data, the third chapter presents results of the carried out research and last but not least there is the synthesis of results and also a formulation of the applicable approaches to work with talents in the discussion and conclusion section.

1 Theoretical Background

In history, three basic development stages of human resource management and development can be identified (Cheese, Craige, Thomas, 2008):

- Personnel control – An organisation endeavours to accomplish its core activities. Although emphasis is put on a comprehensive employee, the focus is on such attributes as wages, benefits, register of the level of education completed or recruitment process control. Employees are not perceived as individuals, but rather as a group.
- Workforce development – A great weight is attached to human resource development. Performance management is promoted (via a reward system, punishment, compensation, education, etc.). However, the above activities are not integrated in the

organisation; they often lack support of both line managers and workers; they are implemented inconsistently and therefore, the organisation feels the lack of conditions for a strategic talent monitoring.

- Talent management – Strategic processes regarding personnel work are in place. Competency models are established, being closely linked with talent recruitment, deployment and development. Every (even potential) employee is viewed individually and his or her ability to generate some benefits for himself or herself and for the organisation is evaluated.

However, Egerová et al. (2013) points out that although it is possible to observe the above-mentioned development stages, talent management as such is not a revolutionary innovation of recent years; instead, it is an activity that has been developing since as early as the 1980s.

Although the main phase of the talent management is to get talents and their development, it is necessary not to forget the sphere that permeates through each phase, which is remuneration of talents. Unfortunately, the previous researches proved that in the sphere of remuneration, there are perceived the biggest limits on the part of employers, which include tangible and intangible remunerations; employees learn and develop rather for themselves and based on their own decision, because the organisation does not offer many incentives and stimuli. Researches by Tansley et al. (2016) emphasize the importance of the gamification as a part of the talent selection processes as well as the gamification for training and development.

Frank and Taylor (2004) hold the opinion that personalized remuneration is one of the most important factors of the successful and efficient talent management. Concerning this topic, Rumpel and Medcof (2006) add that it is up to organizations to consider what types of tangible/intangible remunerations is being preferred by employees (or talents) and to determine their optimal configuration. Within remuneration, there is necessary to take into account the balance of particular components within a remuneration package, which could contain a fixed remuneration, benefits or variable parts (Schlechter et al., 2014). If we take into account, for example, one of the wider concepts, so called “total remuneration”, it is necessary to mention, except the already mentioned basic salary and benefits, also the performance and career management, contingency pay, quality working environment and work-home integration (Hoole and Hotz, 2016).

Collings and Mellahi (2009) or Dries and Pepermans (2008) agree that despite the need for continuous development of the theory and practice of the talent management, there is still a lack of empirical studies. In the talent management procedures, primarily within acquisition

and development, there are still many inadequacies and organizations do not have a complex perspective and coherent understanding very often as a skill, ability, key labour power or performance level (Cheese, 2010, p. 3). Already in 2007, the study by Boston Consulting Group identified the talent management as one of the five challenges, to which the sphere of HR will face in the future (Boston Consulting Group, 2007), which actually proves true today. That is the reason why the performed study focused on just finding out demonstrable relations between the results and the talent management application. Tan (2013) also emphasizes that a support of development in an organization and development of individual employees contributes to talent promotion and excellence of the young and in doing so, allowing them to play a positive and innovative role in a variety of social contexts.

Researches by McCracken et al. (2016) show that, currently, organizations are trying to get talents already at schools, which is perceived as a logical talent management (TM) strategy. Compared to that, Mathew and Brindha (2014) state that just the competency based talent management can improve both productivity and performance by identifying key characteristics of top performers and how those traits differ from average employees.

Considering the results of McCracken et al. (2016), we can state that according to their researches, there are more organizations considering talent to be characteristics of people compared to similar results of researches abroad, when talent as people and what they do is preferred. There happens that employers conceptualise graduate talent by what they describe as “the edge” which needs to be “sharpened” to fully realise the potential that graduates offer, which can be considered as another possibility of exploration within empirical studies.

Considering the trends in the sphere of the human resource management that includes primarily the human resource globalization, demographic population structure, which supports that talent management can't be a mere slogan for organizations, the emphasis on employer branding, innovation in the social sphere, leadership development, global sourcing and last but not least measuring the key performance indicators lead to the fact that an organization management do not always realize how the lack of talents in combination with retirements will affect an organization strategy. A human resources department must be, as well as other managers, able to transform the external trends to future scenarios and to determine their impact on the number of people in an organization. Thus it may initiate a discussion about the potential and efficiency of a human capital and accept the responsibility for them, which will lead not only to fulfilling goals of an organization but also to the effective co-operation support of a human resources department and whole management, which is according to the recommendation of Mathew and Brindha (2014).

2 Data and Methods

The paper was prepared based on the method of the secondary and primary source analysis, knowledge synthesis and induction. From secondary sources, there were analysed scientific monographs and scientific articles from the database of “Web of Knowledge” and “Web of Science” dealing with aspects of the talent management and remuneration systems. Primary data were gathered through a quantitative survey, using questionnaires as a method of the data collection. The survey was carried out among employees of organisations operating in the Czech Republic.

The questionnaire collected data using CAWI. The sample group of employees consisted of 134 employees. The employees were in the main employment. The structure of the interviewed employee respondents was as follows:

- By size of the organisation they work for: 42.5 % from small, 22.4 % from medium-sized and 35.1 % from large organisations,
- By ownership of the organisation they work for: 53.0 % Czech organisations, 14.9 % Czech ones with a foreign owner and 32.1 % supranational organisations,
- By sector: 31.5 % primary sector, 19.5 % secondary sector and 49 % in tertiary sector,
- Most of the employees, 76.9 % in total, do not hold a managerial post; they are rank-and-file employees,
- Part of talent management program: 18.7 % is currently part of the talent pool, 81.3 % is not.

The results were evaluated by descriptive statistic instruments, namely the absolute and the relative frequency, the dependency tests and the dependency force tests. The Pearson’s χ^2 test was applied and if the significance value was lower than $\alpha = 0.005$, the zero hypothesis was rejected. Additionally, the association analysis was employed to detect a potential dependency among the attributes in question.

3 Results and Discussion

With regard to the identified outcomes, further examination was carried out regarding employees’ participation in talent programmes depending on the form and type of their remuneration in the organisation. An assumption that fixed remuneration inhibits talent was examined. Flexible forms, by contrast, enable development. Types of income of the employees under review are shown in the Table 1. The table illustrates clearly that the most frequent

employee remuneration is a combination of a fixed and variable components, or a fixed pay only. However, the solely fixed remuneration demotivates many of them.

Tab. 1: Types of remuneration

Type of remuneration	Absolute frequencies	Relative frequencies
Individual based on performance	12	9.0
Fixed with variable part	61	45.5
Fixed	56	41.8
Differentiated based on projects	5	3.7
Total	134	100.0

Source: authors

As it has been learned, employees perceive the hardest limits of all the factors inquired to be related to remuneration (which includes both financial and non-financial remunerations), employees learn and develop rather for themselves and based on their own decision, because the organisation does not offer many incentives and stimuli.

At further examination, it has been found out that types of income (fixed or variable depending on performance or projects) have a crucial impact on employees' development. Employees with variable income more specialise in the areas of development that can help them to be more successful and get a better (higher) variable remuneration. This type of remuneration thus encourages employees to develop further and results in a condition for placement in a talent programme.

Additionally, the differences between types of remunerations were tested. It has been found that there are statistically significant differences between individual remuneration based on performance and fixed remuneration. Employees, who are classified as talents and are part of talent programmes are statistically significantly more often remunerated individually, which stimulates their performance. Results are placed in the Table 2.

Tab. 2: Hypotheses related to types of remunerations of talents

Hypothesis – types of remunerations	Pearson's Chi-square	significance
Individual based on performance - fixed	1.472 E-09	0.000
Variable - fixed	0.023	0.325
Type of remunerations – part of a talent program	1.789 E-14	0.000

Source: authors

Talented employees are stimulated by individual and personalised types of remunerations, based on their performance. Remuneration is therefore significant talent management practice and have to be taken seriously. The differentiation of talented employee

remunerations leads to improvement of efficiency of talent or development programs. The results show that there are differences among types of employees and their placement in talent programmes. Types of income impact employee's further development. Employees with individual incomes based on performance are more specialised in development areas.

On the contrary, further tests revealed that financial remuneration has a negative impact on the intrinsic motivation for development. Development ordered and defined by the organisation destroys employees' motivation for developing of their own accord. Employees who are encouraged are motivated to develop themselves and they are willing to go in for self-development in their spare time, work on their growth in the long run and opt for particular jobs for the purpose of developing further.

Considering the achieved results we can state that each program set for talents must be motivational for employees, but not only for employees that are actually involved into a talent program, but also for other possible candidates, as Tansley et al. (2016) support in their researches. On the other hand, it is important that also current employees involved in a talent program know that it is important to work constantly on themselves, develop themselves and fulfil criteria set up in such a talent program by an organization management. A type of incomes significantly influences other development of an employee. Employees with individual incomes dependent on their performance specialize more in the sphere of self-development that could help them to succeed, get into talent programs or move to a higher (specialized) working position. This kind of remuneration stimulates employees to other self-development programs, according to Tan (2013) also to improving development of all special skills necessary for an effective performance of their job.

It is necessary to constantly support healthy competition that leads to self-development encouragement. But it depends on the extent and intensity of this development, as emphasized by Tan (2013) or Mathew and Brindha (2014) stating that it is a tool for survival in today's competitive environment, because each worker must face the necessity to solve problems in personal as well as professional life every day.

Conclusion

The paper formulates applicable approaches to work with talents and use the impact of a type of remuneration on talents' development, and placement in talent programmes. The results indicate significance of types of income and their impact on the employee's development.

The results imply importance of types of income and their impact on the employee's further development. Employees with individual income based on their performance more specialise in the areas of development that can help them succeed, join the talent programmes or advance to a higher (specialised) position. This type of remuneration encourages employees to join further development programmes that are focused on special skills that they need to perform their work efficiently. In view of the results it can be stated that by well-defined talent programmes an organisation can build its brand as an employer and can get talents already in the labour market.

The practical contribution of this article is a presentation of the achieved results in the sphere of impact of types of remuneration on the efficiency of talent management and development programs in Czech organizations. Other research in this sphere could focus on the competency based talent management and its influence on improving productivity and performance of an organization.

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