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## **The effect of talent attraction on organizational performance of firms listed in the Nairobi Securities Exchange**

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### Abstract

**Purpose:** The purpose of this study was to analyze the effect of talent attraction on organizational performance of firms listed in the Nairobi Securities Exchange.

**Methodology:** Descriptive and correlation survey research designs was used. Stratified simple random sampling technique was employed to enable select the respondents from the ten stratum of NSE listed companies. The target population was 534 top managers of listed companies in the NSE. A sample size of 224 respondents was picked from the listed firms.

**Results:** Results revealed that talent attraction is statistically significant in explaining organization performance of listed companies. An R square of 7.6% shows that talent attraction explains organization performance.

**Policy recommendation:** The study recommends that managers should realize that recruiting and developing talented staff is of importance to the success of their business objectives and hence this implies that it is important for the managers to seek employees with competences and abilities that will contribute significantly to their teams.

**Keywords:** *Talent attraction, organizational performance, Nairobi Securities Exchange*

### 1.0 INTRODUCTION

In order to increase the effectiveness of a firm several resources can be used to achieve this, which includes money, men and machines. of this resources the most important of them all is the people (Kehinde, 2012).Over years men working in a business organization have differing values ,they were once referred to as factor of production, they were called human recourse of the organisation .Today more value has been accorded to them as they are regarded as talent working within the firm (Kehinde, 2012).This concept has been borrowed from the intellectual capital theory which is defined as stock of flows of knowledge available to an organisation .these can be regarded as the intangible resource associated with people which together with the tangible resources like money and physical assets comprise the market or total value of business (Armstrong ,2009)

Talent management involves positioning the right people in the right jobs (Devine *et al.*, 2008). This ensures that the employees maximize their talent for optimal success of the organization. As

talent management is a relatively new area for both public and private sector organizations, most organizations have prioritized it to ensure they acquire the right staff. This is because talent management has been linked to successful attraction, retention and development of employees (Beheshtifar *et al.*, 2011). The prominence of talent management can be traced to around the start of the year 2000. This is the period when a management consulting firm, ‘McKinsey’ reported that employers face a ‘war for talents’ characterized by difficulties in recruitment of employees due to tight labor market (Hartmann *et al.*, 2010). Since then, the topic of talent management has increased in importance and has gained attention in both the literature and in business practices. It has been claimed to be “more critical than ever to organizational strategic success” and a “fast gaining top priority for organizations across countries” (Hartmann *et al.*, 2010).

Talent management involves mechanisms put in place to ensure attraction, retention and development of talent (D’Annunzio-Green 2008). Talent management is of essence because organizations are able to successfully attract and maintain necessary talent. Moreover, talent identification and development helps organizations identify employees who are capable of playing leadership roles in future. This approach emphasizes developing talent pools that have high leadership ability (Beheshtifar *et al.*, 2011).

## **1.2 Problem statement**

At a time when organizations need to optimize their workforces, most agree that talent management is of strategic importance. Determinants of talent management include; talent attraction, talent retention, learning and development and career management, each of these processes must be designed to fit the strategic requirements of the business. To be successful the talent strategy must be aligned with the organizations business strategy. Aligning talent strategy with business strategy is usually unmet need in many organizations, Heinen et al (2004). 50% of the top managers across the globe think there is lack of alignment between talent management strategy and corporate strategy and that is why talent management is not an issue of Human Resource department but other organizations top managers are also involved (Collings et al., 2010)

The logic behind talent management is based on the fact that business is run by people, they are the ones who create value by using corporate assets to create products and services that people need. The implication is that the better the people an organization has the better it will perform and this is the rationale behind talent management to attract, develop, and utilize the best brains to get superior business results (Tonga, 2007). Basing on these arguments, the researcher intends to find out the role of talent management on organisation performance in companies listed in Nairobi Security Exchange.

In today’s competitive climate in business concerning people issues is to find a method of attracting, developing, retaining, and motivating competent people (Sara et al, 2010). However , A survey by Aberdeen Group and Human Capital Institute’s (2005) found that out of the 170 companies studied, 57% said that they were unable to attract the talent they needed to have a competitive edge while 79 per cent of the companies’ chief concern was the issue of challenges in implementing succession planning also CIPDs (2012) learning and development survey found that about 75% of organizations in England reported a deficit of management and leadership skills which led to low performances in their organizations .

To gain competitive advantage through greater performance, the demand for human capital drives talent management in NSE listed companies. To the researcher's knowledge there is limited empirical study done locally on the role of talent management on organization performance in NSE listed companies. This study seeks to fill the existing research gap by conducting a study to analyse the effect of talent attraction on organizational performance of firms listed in the Nairobi Securities Exchange.

### **1.3 Research Objective**

- i. To analyse the effect of talent attraction on organizational performance of firms listed in the Nairobi Securities Exchange.

## **2.0 LITERATURE REVIEW**

Talent attraction was measured by communication and implementation of employer branding (Kim, 2008), existence of safe working conditions (Glen, 2007), effective recruitment and selection process (Armstrong, 2006), existence of both financial and non-financial incentives, low history of staff turnover, support of employees training opportunities and career progression (Worldatwork, 2009), existence and use of talent search matrix (David *et al.*, 2007), work environment and involvement of line managers (Stewart, 2008).

The components of talent attraction are recruitment and selection, employer branding, employee value proposition and employer of choice (Armstrong, 2006). Recruitment and selection requires that organizations use various methods or techniques of selecting the right talent that reflects the culture and value of that particular organization (Armstrong, 2006). The recruitment of members of talent pool is the first task of talent management strategy. The talent pool is a group of employees with special traits and are source of future senior executives (Ballesteros *et al.*, 2010). The sources of talented employees can be internal or external. The best way to create a talent pool is the internal sources since the employees have already the knowledge of how business processes work and can be incorporated directly into the new position and the morale of workforce uplifted (David *et al.*, 2007). However, if the organization want to introduce radical changes or to renew the culture, external sources are the best (Ballesteros *et al.*, 2010). Managers should realize that recruiting and developing talented staff is of importance to the success of their business objectives and hence implies that it is important for the managers to seek employees with competences and abilities that will contribute significantly to their teams (Coetzee, 2004).

To be able to hire the right talented employees for organization success, talent search matrix is very important as it shows different combinations of qualitative and quantitative element of the potential employee. This matrix allows recruiters to focus on the characteristics that are required on the job that has to be done (David *et al.*, 2007). The talent matrix elements to shape the image of the employee needed includes experience, profile, qualification, expertise, potential and qualification which can be summarized to experience, profile and qualification. Expertise, potential and qualification are important to the future development of the person who the organization is seeking (David *et al.*, 2007).

Employer branding includes development of an organization's image, good enough to attract employees. In order to attract the best, organizational branding is a useful strategy, the organizations that manages its corporate brands effectively, will gain advantage in the highly

competitive global market place (Kim, 2008). Without the good brand image, it will be difficult to attract the right talents (Ana, 2009). Top rated companies have one characteristic in common that is they give clear and consistent messages about themselves and that translates into a strong pull on talents (Tanuja, 2007). Employee value proposition is characterized by the potential employee's perception of the value of an organization seeking to recruit him. The employee's measure value proposition based on the challenge the job poses, work environment, training opportunities, flexibility and reputation of the organization (Oehley, 2007). Organizations need to evaluate what they offer to already existing and the new talents and what they expect in return from the view point of the both employer and the employee, this value proposition has to offer fair value exchange. Value proposition is reflected in the organizations image, reputation, mission and records (Sloan *et al.*, 2003).

Poorhosseinzadeh *et al.* (2012) noted that a company's probability of attracting the right talent depends on the company's values and how the supposed talent views the organization. Iles *et al.* (2010) argued that employers have no choice but to brand themselves as employers of choice. This implies that the companies must have a good image in terms of employee working conditions and rewards. Glen (2007) relates talent attraction to successful talent management hence good organization performance. For this reason, in order for talent management to be successful, then they have to ensure that they have a 'talent pool' where they can draw their workforce from when need arises.

In the study Botha *et al.* (2011) which intended to develop an employer brand model that would enhance talent attraction and retention, the research paradigm adopted in the study was non empirical and a model building approach. A total of 129 manuscripts were reviewed by means of key words to identify data of relevance. Research findings indicated that employers who first established target group needs were able to attract talented employees. Further findings indicated that communication of employer brand message was also an important determinant of whether the right job seekers would be attracted to the organization.

Kelly (2013) survey of 100 businesses involved in engineering, finance, government, IT, manufacturing and telecommunication sector, findings indicated that the major components of talent attraction included salary packages, benefits, company culture, recruitment styles, staff turnover, work-life balance, and social networking. The support and active involvement of line managers is very critical at the stage of talent attraction, as in all the other stages of talent management (Stewart, 2008). This is because, line managers interact with employees on a daily basis and therefore the relationship between line managers and employees, determine the duration the employees stay in the organization or the input they make at the work place. This implies that line managers are directly involved in the creation of an employer brand.

Worldatwork (2009) study examined the relative influence of five reward elements on individual attraction, motivation and retention to an organization. Using policy-capturing analysis, the study tested these propositions by surveying three cohorts of professional accounting college students at stages ranging from pre-consulting to post-hire. Findings revealed that development and career opportunities were most important to attracting talented employees to all the big certified public accounting firms in the United States.

A potential employee is motivated to apply for a job at a certain organization due to the job and organization's characteristics (Rynes *et al.*, 2003). This implies that information provided to

applicants during recruitment, including rewards, is critical because applicants make inferences about specific job aspects based on largely, the facts that they are given. Moreover, compensation attracts employee on different ways (Barber *et al.*, 2000).

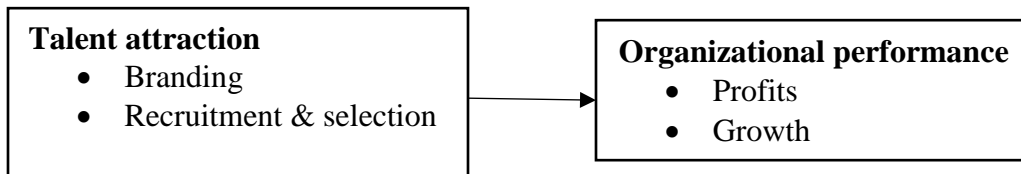
Besides pay, employee benefits also play a key role in attraction of talent (Barber et al, 2000). The authors observed that companies with flexible benefits are able to fill open positions quicker than those without flexibility suggesting that the benefits offered do indeed affect attraction of applicants to the job. In addition, the way an organization is able to balance between work-life and family life, makes the organization more attractive to particular applicants, as some people have a very salient family identity and will look for an organization that supports their life outside work.

Maslow's need hierarchy theory by Abraham Harold Maslow (1908-1970) will be used to expound on concept talent attraction and is based on the assumption that, Human needs can be classified into five categories as follows; at the bottom is the physiological needs which are fundamental and must be satisfied before all other needs. Saleemi (2006) noted that an organization can help individuals satisfy their needs by providing good pay, proper working conditions and other benefits. In the context of this study, the researcher argues that Maslow's theory can be used by firms listed in the NSE to attract employees through favourable working conditions as supported by Mwangi (2009) who observed that organizations could provide basic needs through fair wages and safe working conditions.

Once the physiological needs are satisfied, safety needs become significant. These needs consist of physical safety or protection against fire accident and economic securities against unemployment. An organization can influence safety needs by providing job security, pension plans, Insurance plans, safe and healthy working conditions, Nzuve (2009). It can be deduced that employees will be attracted to organizations that satisfies their safety needs by having benefits such as pension plans and safe working conditions. Next in the hierarchy is the Social needs; man, is a social being, therefore he has a need to belong and to be accepted by others. Social needs include need for love and affection, association with and acceptance by various social groups (Saleemi, 2006). It can therefore be inferred that employees will be attracted to work for an organization that they think will be more able to satisfy their social needs by having good work –life balance as well as having good social net-working (Kelly, 2013).

Self-esteem involve how others see us at work and can be enhanced by working for an organization with good employer brand and allowing employees to gain qualification at work. In addition, employees would be attracted to work for organizations that give them room to grow to their full potential thus realizing self-actualization (Mwangi, 2009).

## 2.2 Conceptual Framework



**Figure 1: Conceptual Framework**

## 2.0 METHODOLOGY

This adopted descriptive and correlation survey research design. The target population of this study is 534 top managers of NSE listed companies. The researcher used stratified sampling in order to achieve the desired representation from various sub groups in the NSE listed companies. A sample size of 224 respondents will be used. Questionnaire was used in this study to collect data. Cronbach alpha was used to test reliability of the study instrument.

## 4.0 RESULTS FINDINGS

### 4.1 Response Rate

The number of questionnaires administered was 224. A total of 162 questionnaires were properly filled and returned. This represented an overall successful response rate of 72%.

**Table 1: Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percent</b>
Successful	162	72%
Unsuccessful	62	28%
<b>Total</b>	<b>224</b>	<b>100%</b>

### 4.2 Descriptive statistics

The first objective of the study was to establish how talent attraction affects organizational performance. The elements that measured talent attraction included; active involvement of company in communication and implementation of employer branding, good working conditions and fair wages, company valuation of talent search matrix during selection, company support of employee training and career progression, company facilitation of work-life balance as well as social networking, good organizational climate in order to attract the right talents. The results were shown in table 2.

**Table 2: Talent attraction**

<b>Statement</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
My company is actively involved in communication and implementation of employer branding	5.60%	3.70%	4.90%	69.8%	16.00%
This company's good working conditions and fair wages has enabled it to attract the right talents	1.90%	4.30%	3.10%	59.3%	31.50%
This company values talent search matrix during selection in order to get experienced, qualified, expertise, potential and qualified employees	5.60%	6.80%	7.40%	46.3%	34.00%
In this company, we support employee training and career progression	3.70%	3.10%	2.50%	64.8%	25.90%
Work-life balance as well as social networking facilities in this company is a motivating factor to our employees	3.10%	0.60%	0.60%	82.1%	13.60%
We ensure good organizational climate in order to attract the right talents	3.70%	3.70%	0.00%	72.8%	19.80%

The study sought to establish the extent to which there was active involvement of company in communication of company brand. Results in Table 2 shows that 86% of the respondents agreed that their company was actively involved in communication and implementation of employer branding. Results also revealed that 9.3% disagreed while 4.9% could not make up their minds on the statement. On the statements whether good working conditions and fair wages had enabled companies to attract the right talents. Results showed that 91% agreed that the company's good working conditions and fair wages had enabled it to attract the right talents. Results also reveal that 6.2% disagreed while 3.1% neither agreed nor disagreed with the statement.

The study sought further sought to establish the extent to which the company valued talent search matrix. Results showed that 80% of the respondents agreed with the statements that the company valued talent search matrix during selection in order to get experienced, qualified, expertise, potential and qualified employees, result also revealed that 20% of the respondent disagreed with the same statements. The study sought to establish the extent to which the company, supported employee training and career progression. Results showed that majority of the respondents 91% agreed with the statements that their company supported employee training and career progression while 7% of the respondents disagreed with the statement.

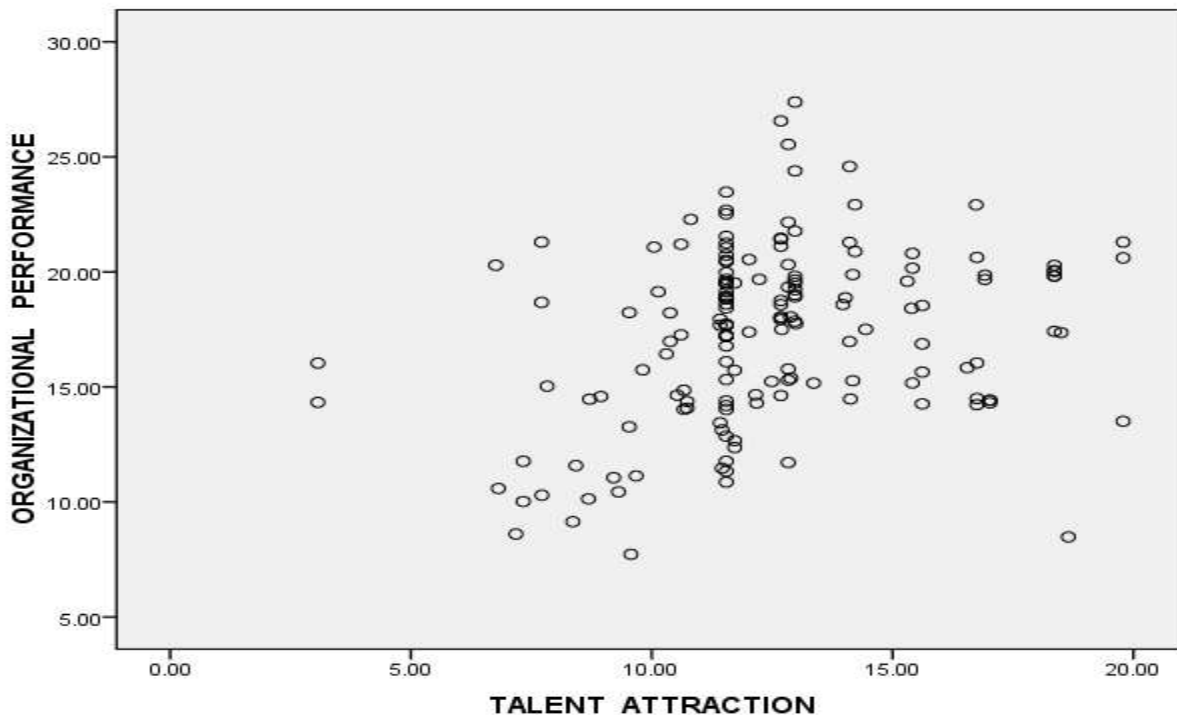
The study sought to establish the extent to which work-life balance as well as social networking facilitated in the company as a motivating factor to their employees. Results showed that majority of the respondents 96% agreed with the statement that work-life balance as well as social networking facilitated in the company is a motivating factor to their employees. Result also revealed that 4% of the respondent disagreed with the statement. The study sought to establish whether there is good organizational climate in order to attract the right talents. Results showed that majority of the respondents 93% agreed with the statement that the listed companies



ensured good organizational climate in order to attract the right talents. Result revealed that 7% of the respondent disagreed with the statement.

#### 4.3 Relationship between talent attraction and organization performance

Figure 2 showed that the scattered plot of talent attraction and organization performance. The figure reveals that there was a weak but positive relationship between the two variables. Therefore, an increase in effective talent attraction affects organization performance of all listed companies.



**Figure 2: Scatter Plot Relationship between Talent attraction and Organizational Performance**

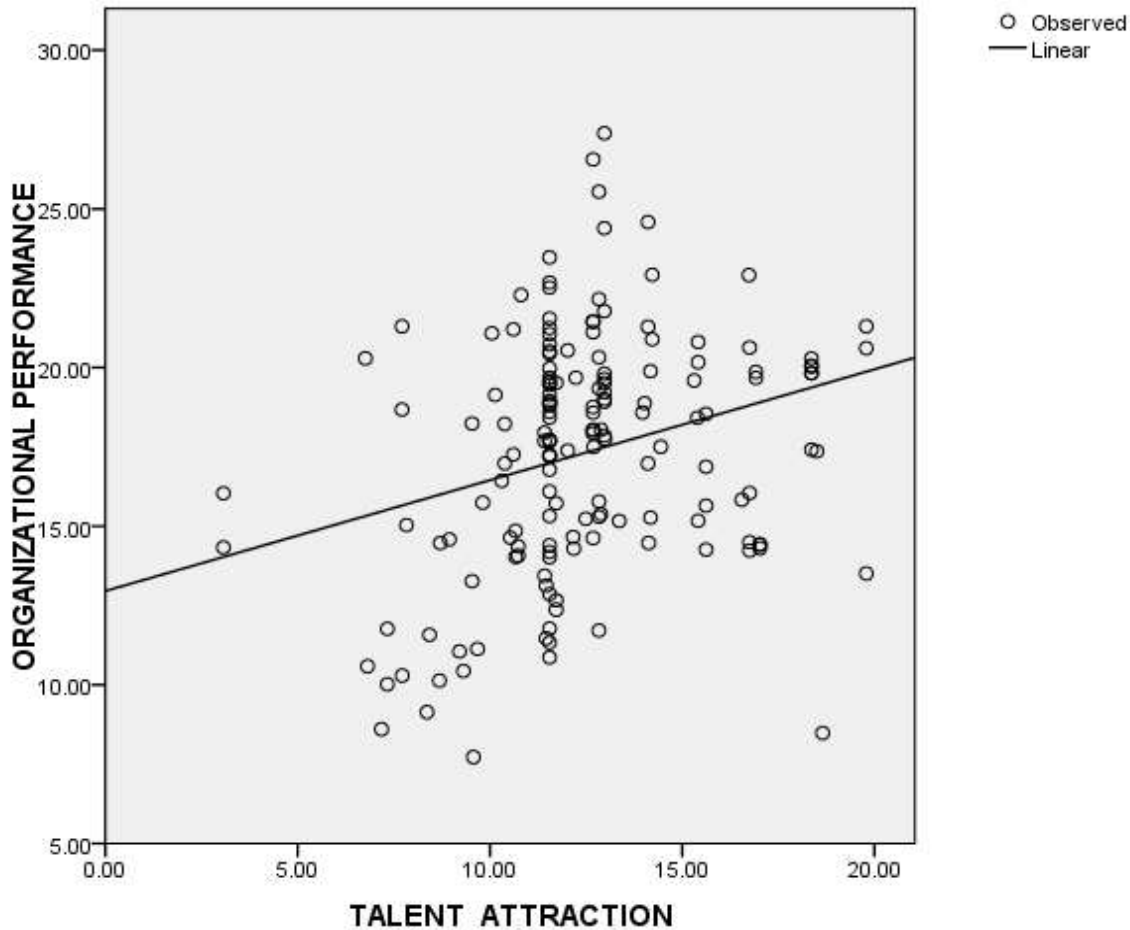
Table 3 displays the results of correlation test analysis between the dependent variable (organization performance) and talent attraction. Results on Table 3 shows that acceptance of organization performance was positively correlated with talent attraction. This reveals that any positive change in talent attraction on organizational performance led to increased acceptance of organizational performance.

**Table 3: Relationship between Talent attraction and Organizational Performance**

Variable		Organizational Performance	Talent Attraction
Organizational Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	Pearson Correlation	0.275	1
Talent Attraction	Sig. (2-tailed)	0.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

A graphical illustration of the relationship between talent attraction and organization performance was presented in figure 3.



**Figure 3: Linear Relationship between Talent attraction and Organization Performance**

Regression analysis was conducted to empirically determine whether talent attraction was a significant determinant of organization performance listed companies. Regression results in table

4 indicate the goodness of fit for the regression between organization performance and talent attraction was satisfactory. An R squared of 0.076 indicates that 7.6% of the variances in the acceptance of talent attraction by listed companies are explained by the variances in the organization performance. The correlation coefficient of 27.5% indicates that the combined effect of the predictor variables have a weak and positive correlation with organization performance.

**Table 4: Model Summary for Talent Attraction**

Indicator	Coefficient
R	0.275
R Square	0.076
Std. Error of the Estimate	3.62233

The overall model significance was presented in table 5. An F statistic of 13.101 indicated that the overall model was significant. This was supported by a probability value of (0.000). The reported probability of (0.000) is less than the conventional probability of (0.05). The probability of (0.000) indicated that there was a very low probability that the statement “overall model was insignificant” was true and it was therefore possible to conclude that the statement was untrue.

**Table 5: ANOVA for Talent attraction**

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	171.904	1	171.904	13.101	0.000
Residual	2099.403	160	13.121		
Total	2271.307	161			

Table 6 displays the regression coefficients of the independent variable (talent attraction). The results reveal that talent attraction is statistically significant in explaining organization performance of listed companies.

The regression results were used to test the null hypothesis “ H0: There is no relationship between talent attraction and organizational performance in companies listed in the NSE.” The null hypothesis was rejected at 0.05 level of significance. This implies that there is a relationship between talent attraction and organizational performance in companies listed in the NSE

**Table 6: Regression Coefficient for Talent attraction**

Variable	Beta	Std. Error	t	Sig.
Constant	12.96	1.237	10.474	0.000
Talent attraction	0.349	0.096	3.62	0.000

## **5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Summary of Findings**

The first objective of the study was to establish the effect of talent attraction on organizational performance in firms listed in the NSE. Various methods were used to arrive at the findings. These methods included descriptive statistics, parametric analysis and regression analysis.

The findings indicated that firms listed in the NSE had practised talent attraction and this may have had an effect on organizational performance. This observation was arrived at because majority of the respondents agreed with the statements that their company was actively involved in communication and implementation of employer branding, the company's good working conditions and fair wages had enabled it to attract the right talents, the company had values talent search matrix during selection in order to get experienced, qualified, expertise, potential and qualified employees, in their company, they supported employee training and career progression, work-life balance as well as social networking facilities in their company was a motivating factor to their employees and that they ensured good organizational climate in order to attract the right talents.

### **5.2 Conclusion**

The study concludes that talent attraction practices were implemented by firms listed on the NSE. The study also led to conclusion that recruitment and selection requires that organizations should use various methods or techniques of selecting the right talent that reflects the culture and value of that particular organization as this has a positive effect on organization performance.

The study led to conclusion that to be able to hire the right talented employees for organization success, talent search matrix is very important as it shows different combinations of qualitative and quantitative element of the potential employee as this matrix allows recruiters to focus on the characteristics that are required on the job that has to be done.

The study led to conclusion that the major components of talent attraction which included salary packages, benefits, company culture, recruitment styles, staff turnover, work-life balance, and social networking have a positive and significant effect on organizational performance.

### **5.3 Recommendations of the Study**

The study recommends that managers should realize that recruiting and developing talented staff is of importance to the success of their business objectives and hence this implies that it is important for the managers to seek employees with competences and abilities that will contribute significantly to their teams

### **5.4 Areas for Further Research**

The study suggested that further studies focusing on talent management should be conducted in non listed firms. Future studies should also investigate other factors affecting organizational performance since talent management is just one of the many factors that affect organizational performance.

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