

# **Talent management strategy and succession planning within the financial service industry**

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requirements for the Master degree of **Business  
Administration** at the North-West University

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# DECLARATION

I **Mpho Nkoane**, hereby declare that this dissertation is my own unaided work. Any assistance that I have received has been duly acknowledged in the dissertation. It is submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration at North West University.

I certify that the research described in this dissertation has not already been submitted for any other degree, or examination at this or at any other University.

I certify that to the best of my knowledge all sources used and any help received in preparation of this dissertation have been acknowledged.

Mpho Nkoane

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## **ABSTRACT**

Talent management, succession planning and retention issues are emerging as some of the most critical organisational challenges of the present and immediate future, driven largely by lack of proper planning, talent mapping, and development of highly talented individuals in organisations.

This study investigates the common traits, definitions, benefits and outcomes associated with talent management in the context of the South African financial services industry. A quantitative research approach was used to explore talent management strategies and succession planning practices within the financial services industry, targeting the top four big banks, namely First National Bank (FNB), Nedbank, ABSA, and Standard Bank. The respondents were selected from a population of 300 permanent employees across the four big banks, of which 101 completed the Survey Monkey™ online questionnaire, which was used as the data collection tool for the study. Quantitative content analysis was used to draw valid inferences from the texts and context. Key themes were identified from the literature, which included: the definition of talent management, talent management outcomes, succession planning, talent management traits, and benefits of talent management.

The analysis found that people perceive talent management as closing the skills gap, and that talent management starts with the sourcing and selection of candidates. Respondents were also found to consider talent management as a tool that provides them with skills and the ability to perform well. Career growth is one perception that was strongly associated with talent management, reflecting general employee interest in growth and career promotion.

Retention is the single biggest factor associated with succession planning, implying that effective succession planning results in employees refusing job offers from competing organisations and remaining loyal. The responses also indicated that employees experience a good general sense of employee well-being.

## **KEYWORDS**

Talent Management, Job satisfaction, employee turnover, retention, promotion

## LIST OF ABBREVIATIONS

AA	Affirmative Action
CEO	Chief Executive Officer
EVP	Employee Value Proposition
FNB	First National Bank
HC	Human Capital
HR	Human Resources
SA	South Africa
RBV	Resource Based View
EE	Employment Equity
EVP	Employee Value Proposition
ACI	African, Coloured and Indian

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# **1 CHAPTER ONE: INTRODUCTION TO RESEARCH PROBLEM**

## **1.1 RESEARCH TITLE**

Talent management strategy and succession planning within the financial services industry.

## **1.2 RESEARCH PROBLEM**

Today's global economy has developed a complex and dynamic environment where many organisations must learn to compete effectively to achieve sustainable growth. Workforces globally have expanded, increasingly diverse, more educated, and more mobile (Briscoe, Schuler, & Claus, 2009; Friedman, 2005).

The situation has changed the manner in which business is conducted, and organisations are required to manage their workforce differently in a global context. As a consequence, the notion of a "global workforce" has been a topic of great discussion, particularly pertaining talent management (Briscoe et al., 2009; Collings, Scullion, & Dowling, 2009; Scullion & Collings, 2006). Existing research on talent management is premised on talent shortage, reflecting the robust economic conditions from 2000 to 2008 (Collings & Mellahi, 2009).

High talent attrition rates are costly to organisations, where talent attrition can partly be ascribed to a lack of talent management. The loss of critical skills results in the stripping of valuable human capital, high-potential individuals and institutional memory (Entrekin, 2001). Organisations do not suffer only loss of productivity but also the benefit of knowledge that critical talent could hold for them. Retaining these valuable talents is therefore a strategic and competitive advantage for many organisations, where talent management and succession planning play indispensable roles. An often-recurring feature is that some organisations are unable to properly define and identify the requirements of a true talent, resulting in low talent retention.

To have a proper workforce planning in place, and to gain and sustain a global competitive advantage, organisations should effectively manage their workforce and have a proper talent management strategy in place. In this way organisations can

attract, develop and retain its required supply of talent, which is presently a challenge that many organisations face (Coy & Ewing, 2007).

South African companies have considered strategic avenues in providing their services for alignment with the National Development Plan to gain exposure to international markets towards innovation, job creation and contributing to the country's economic growth (Rankin, 2013). Talented individuals would be able to assist in meeting strategic objectives in this avenue. However, there is a lack of highly qualified employees, especially in senior roles, results in companies competing for talent.

“Globally, there is a serious shortage of highly qualified individuals in leadership positions within the financial services sector (Management Study Guide, 2015). According to Bhatti, Rehman, Waris & Zaheer (2011), talent management is a tool that creates a talent pipeline for employee development and opportunities for growth and promotion of internal talent. Some organisations retain unsuited talent by not meeting appropriate requirements for identifying talent. For organisations to be successful in exploiting talent to reach their strategic objectives, Kim (2003) suggests that an appropriate match of said talent to the organisational strategy should be in place.

Talent management is also a loosely defined concept, which contributes to the perceived failure of what employees expect organisations to do in focusing on individual career plans and talent development. This simply means that the concept and practice of talent management is poorly defined and understood, thereby resulting in poor execution and implementation (Hughes & Rog, 2008).

The top four big banks in South Africa, namely Absa, FNB, Standard Bank and Nedbank create opportunities for roughly 166 000 applicants in need of employment, as can be seen in one BusinessTech article written in 2016. This is a significant workforce to consider when taking a view of the economic viability of the country.

To attain high performance and competitiveness, organisations will have to ensure that they attract and recruit the best talent in the market while also having a retention strategy in place for these talents (Bhatti et al., 2011).

According to Reitman (2007), attracting and retaining the best performers have led Human Resources (henceforth HR) departments to be creative. To this end, it is

important that human resource practitioners maintain a strategic approach to recruitment, which should be in line with the strategic objective of the company (Swanepoel, Erasmus, Van Wyk & Schenk, 2003). According to Bratton and Gold (2003), a variety of recruitment and selection processes exist. They suggest that talent company management strategies be reviewed annually to ensure that they have the suitable talent with the right attitudes to prevent talented employees from leaving organisations.

Organisations appear to view talent management as a short-term brain drain that requires a quick fix rather than a long-term integrated process as suggested by Guthridge, Komm & Lawson (2008). In addition, Bluen (2013) suggests talent management proactive processes in identifying talent from the local and international markets, subsequently for retaining, developing, and effectively managing these individuals within the workplace.

### **1.3 SIGNIFICANCE OF THE STUDY**

Given the popularity of talent management and its exiting need, it is important to review since there is not much clarity regarding the definition, scope and overall goals of talent management (Lewis & Heckman, 2006).

The term talent management is broadly used and applied, however in academic research it is rather fragmented since it includes various aspects of Strategic Human Resource Management (Collings & Mellahi, 2009; Bhatnagar, 2007).

### **1.4 RESEARCH AIM**

This study will attempt to gain a deeper understanding of the factors that can be leveraged in devising talent management strategies and succession planning as part of employee retention.

### **1.5 RESEARCH OBJECTIVE**

The above research problem has several related research objectives:

#### **1.5.1 Primary research objectives**

- The meaning and definition of talent management in the financial services industry context within South Africa

- What are the common traits of the practice of talent management with the context of financial services in South Africa?

### **1.5.2 Secondary research objectives**

- What are the key benefits of effective talent management?
  - Does effective talent management lead to employee retention?
  - Does talent management led to greater employee satisfaction?
  - Does talent management lead to greater competitive advantage?
- What are the key outcomes of effective talent management?
- What are the key drivers of succession planning?
  - Does effective talent management lead to a seamless succession planning process?

## **1.6 RESEARCH DESIGN**

According to Locke, Silverman & Spirduso (2010), the purpose of a research design is to determine research validity by defining whether data collected can answer the questions posed. There are seven types of research design that a researcher can undertake namely historical, ethnographic, descriptive, experimental, case study, explanatory and exploratory research designs (Milpark, 2015).

This research will follow a descriptive research design in studying the top four leading banks in South Africa, namely FNB, ABSA, Nedbank and Standard Bank. The descriptive research design seeks to describe phenomena as they exist, where raw data is taken and summarised in a useable form for any research method, be it qualitative, quantitative or mixed method, although for this study a quantitative method will be used.

A research questionnaire was administered amongst selected 300 talented employees who were purposely selected in terms of their ability to contribute to the organisational strategy within the four banks

## **1.7 RESEARCH METHOD**

There are three research methods that can be undertaken, which are qualitative, quantitative and mixed method research (Milpark, 2015). According to Thomas, Nelson & Silverman (n.d.), a qualitative research method provides detailed information

on participant reports and contextualises it in settings that give their experiences meaning. Furthermore, qualitative methods take on the form of one-on-one interviews and focus group interviews with the purpose of gathering detailed information that will provide facts and opinions on the subject at hand.

This study employed a quantitative research method, using an electronic questionnaire distributed through a web survey.

## **1.8 SAMPLING**

Sampling is defined as the process of selecting a group of people, events and behaviour to conduct a study (Impark, 2015). According to Sapsford and Juppe (2006), the initial step in a sampling process is to clearly and accurately define the population of interest. Two types of sampling methods can be used for data collection, which are probability and non-probability sampling (Impark, 2015). With probability sampling, everyone in the population has the opportunity to participate, while with the non-probability sampling not everyone has the opportunity to be selected to participate. Purposive sampling and convenience sampling will be used to identify a sample of participants (Creswell, 2002; Creswell, 2013).

### **1.8.1 Sample population**

Polity and Hunger (2004) refer to a population as an aggregate of all the objects, subjects or members that conform to a set of specifications. The population is a group of individuals, persons, objects or items from which samples are taken for measurement (Impark, 2015). For this study the population will be junior, middle, and senior general staff members; junior, middle, and senior managers, and HR professionals from the top four big banks, FNB, Absa, Nedbank and Standard Bank. The target population will include male and female genders, race and age groups.

### **1.8.2 Sample size**

Wolman and Kruger (1999) suggest that the smaller the population, the relatively larger the sample should be to ensure satisfactory results and, the larger the population, the smaller the sample size would be. Impark (2015) suggests that with a quantitative method, if the population is 100, the sample should be 80 for a smaller population, and for a larger population of 1200, a sample of 291 is required. For the

purpose of this study, a population of 300 was targeted with a sample of 100 responses required.

Diamantopoulos and Schlegelmilch (2000) argue that there are four key statistical considerations in sample size determination, which are variability in the population, precision associated with population estimates based on a sample, confidence associated with any estimates made, and use of sub-samples for cross-classification purposes.

### **1.8.3 Sample method**

Sampling methods follow population and sample size. According to Sapsford and Jupp (2006), sampling methods fall under two main categories, which are probability sampling and non-probability sampling.

Probability sampling is the most common method used in relation with survey-based research, where assumptions about a population are made for meeting objectives Saunders et al. (2000). Types of probability sampling include simple random, stratified random, multi-stage, and cluster sampling.

Non-probability sampling, as described by Bless and Higson-Smith (2004), is where the probability of selecting a single element is unknown. Types of non-probability sampling include convenience, snowball, purposive, and quota sampling.

For the purpose of the study the preferred method will be the stratified random sampling method. This sampling type divides a population into different groups, called the strata, so that each element of the population belongs to one stratum (Milpark, 2015).

## **1.9 RESEARCH LIMITATIONS**

The following aspects are limitations to this study:

The in-depth view of talent management activities within the financial services industry may require engagement of HR departments within organisations, although biases may skew the views between HR and the employees in particular. HR professionals may not give a clear view of their organisations, possibly to ensure that they and their

employees are protected. Having said that, the exclusion of HR may appear to be a limitation as it will reduce the risk of bias in the findings.

Employees that will be completing the survey might not be in support of talent management and succession planning; the limitation here is that while a segment of the survey participants may be in support of talent management and succession planning in their organisations, limited information will be obtained from those who do not believe in the intervention of talent management, in which case obtaining information pertaining to whether talent management and succession planning do work in favour of co-creating their talent management and career objectives, may be counterproductive. The opposite is also a possibility, in which case most employees may already be in a space where talent management and succession planning is viewed as a tick box exercise and not a practical intervention, which could also skew findings regarding working environment and conditions.

Employees may also not be willing to share all the information with the researcher because of organisational confidentiality.

Further research should be considered for obtaining talent management strategies and succession planning within the financial services industry after an extended period to ascertain the effectiveness of the research project.

#### **1.10 DELIMITATIONS OF THE STUDY**

The focus will be for participants from the financial services industry to complete the online survey from the researcher. To gather more information, employees of the four top banks within South Africa will be approached, namely FNB, Nedbank, Standard Bank and Absa Bank. These top banks all have a large clientele base in the market and are well-known as some of the biggest brands in South Africa (Battle to be the biggest bank in SA, 2015).

Employees from other financial institutions will not be part of the study. Capitec has surprised many by gaining a large customer base, now competing with the four top banks even though it has not been in existence for as long as they have (Battle to be the biggest bank in SA, 2015). Each bank has a unique culture and different ways of operating, which will allow the researcher to identify how these differences influence

talent management and succession planning between employees who form part of the research survey.

The geographic scope for this research includes different regions and provinces where the headquarters or head offices for each of the banks selected are situated, using some front-line staff to gauge the practicality of talent management and succession planning systems within the financial services industry. Back office employees will also form part of the study, as it is important to have a mixture of departments to obtain a different view.

### **1.11 STRUCTURE OF THE DISSERTATION**

Chapter 1: Introduction to the research topic.

This chapter introduced the topic and study background, and outlined the main problems. This chapter also addressed the significance and delimitations of the study.

Chapter 2: This chapter will comprise a literature review of previous research that had been conducted on this topic

Chapter 3: This chapter will focus on the methodology, research design, the population and sample, the research instrument in terms of how data is collected, data analysis including interpretation of results as well as limitations of the study, along with validity and reliability.

Chapter 4: This chapter will cover the analysis and presentation of results collected through a survey questionnaire as well as statistical analysis of the data.

Chapter 5: The final chapter will focus on the findings discussions, conclusion and recommendations for the study.

### **1.12 CONCLUSION**

This chapter has laid out the foundation of the study by providing the background, problem statement, objectives, research design, methods, and limitations. Chapter 2 will critically review the existing literature on talent management and succession planning within the financial services industry.

## **2 CHAPTER TWO: THEORY AND LITERATURE REVIEW**

### **2.1 INTRODUCTION**

The theory reviewed in this section defines and describes the concept of talent management and succession planning within organisations. The research problem focuses on organisational talent management and succession planning within the financial services industry.

### **2.2 TALENT MANAGEMENT BACKGROUND AND DEFINITIONS**

Fixed and non-fixed assets of an organisation are no longer key resources of organisational competition, rather it is talented individuals (Gardner, 2002).

The word *talent* is over a thousand years old and its meaning has varied in degrees with location, time and civilisations (Tansley, 2011). In the 13<sup>th</sup> century the word was related to inclination; in the 15<sup>th</sup> century it was related to riches and natural ability; in the 17<sup>th</sup> century it was related to special natural ability, and in the 19<sup>th</sup> century it was embodied in skills. Talent management is aimed at creating a sustainable organisation that yields high performance on a consistent basis, thereby reaching strategic goals and objectives.

Tansley (2011) defines *talent* as the natural ability to do something well, whereas Fitzgerald (2014) suggests that talent is about high performance of the selected few employees to be promoted within the organisation to senior positions. On the other hand, Ross (2013) argues that talent is above-average ability with capacity for achievement. Tansley (2011) further notes that talent is mostly identified as individuals with the capability to influence the organisation in both long and short term with minimal assistance.

Organisations are also focusing on identifying talent and high-potential individuals, with whom they can develop a strong pipeline of candidates that could be selected in preparation for succession planning (Church, Rotolo, Ginther, & Levine, 2015). Needless to say, the development of current and future leaders remains a critical component of an effective talent management strategy, especially given the war for talent amongst organisations locally and globally and the need to implement

succession planning amongst senior managers (Church, Rotolo, Ginther, & Levine, *et al.*, 2015).

Cappelli (2008) describes talent management as a process of forecasting future needs with regards to human resourcing, while Mellahi and Collings (2010) explain talent management as a mind-set where talent is key to the success of the organisation. The process begins with identifying critical positions that contribute to an organisation's competitive advantage (Cappelli, 2008). This first process is then followed by development of high potential employees who will address the skills need and of a differentiated human resources architecture to ensure that said employees are engaged and committed to the organisation.

Warren (2006) defines talent management as the process of identifying, developing, engaging, retaining and deploying talent in the short and long term, which is mostly narrowed down to senior managers and high-performing employees. Furthermore, talent management is an integrated process of sourcing and selection, coaching and mentoring, individual development planning, performance management, career development, leadership development, and succession planning that includes reward and recognition (Heinen & O'Neill, 2004). For this process to proceed, required talent and leadership competencies need to be clearly defined; sustainable sourcing and selection, development and retention strategy need to be in place and high performing individuals should be well-developed and prepared for leadership roles.

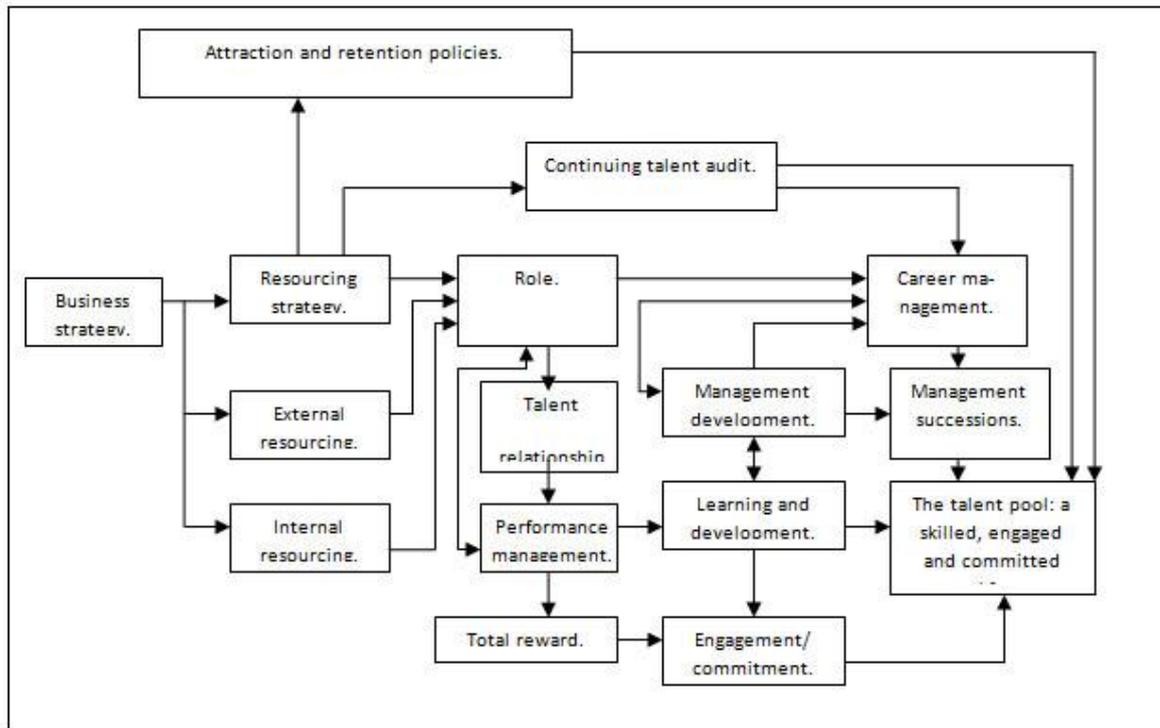
Cardy and Lengnick-Hall (2011) suggest that an organisation's competitive advantage can be maintained by retaining high-performing employees, and that this should be a focal point, as most research has only considered preventative measures, as opposed to actual retention strategy development. This loss of talent can result in adverse strategic and operational performance by organisations (Cardy & Lengnick-Hall, 2011).

According to Amankwaa and Anku-Tsede (2015), retention of high-performing individuals has become a critical success factor for organisations. Employees prefer organisations to have a plan in place with respect to their career paths and development plans, which will assist and support them in achieving their own plans for growth. If organisations do not invest in high-performing or talented employees, they

will end up seeking employment elsewhere outside the organisation and sometimes even from competitors. Transformation is key, and organisations require transformational leaders who will support talent management and boost the spirits of talented employees (Amankwaa & Anku-Tsedde, 2015).

Barlow (2006) states that retaining critical roles in succession planning for leadership positions is key for many organisations. However, it is proven that in many cases organisations do not really keep to the original plan. One of the reasons why succession planning has failed in practice is that some employees have been found to be disinterested in their roles, and end up leaving the organisation. Barlow (2006) suggests that organisations have a more generic pool as part of the solution – a pool with capable employees who can be identified as successors in key leadership roles. Cappelli (2008) proposes that the risk be spread out when it comes to talent supply; even if it is often less expensive to develop and train people internally, the external market is can be more responsive. Another reason succession planning fails is that are reluctant to provide employees with growth and development opportunities as a result of flattened hierarchical structures in organisations (Collings & Mellahi, 2009).

Talent management is also described as an integrated and comprehensive approach to managing the abilities, competencies, skills, needs, concerns, fears and expectations of the people whom an organisation values and needs to be highly effective (Abraham, 2011). Below is a diagram illustration of the elements of the talent management process according to Armstrong (2006).



**Figure 2-1 Elements of talent management process (Armstrong, 2006)**

### 2.3 THE STRATEGIC IMPORTANCE OF TALENT MANAGEMENT

Talent management has been identified as one of the biggest needs across the globe. According to Guthridge et al. (2008), most organisations view employees as their greatest resource as a means to a competitive advantage. Stuart-Kortze and Dunn (2008) also support this notion and further explain how critical it is to manage talent, and how many organisations place people as their most valuable assets.

Jackson, Schuler and Werner (2009) and Sadler (2009) further allude to the importance of treating talent as a strategic issue. This suggests that having effective talent management allows organisations to achieve many things, such as workforce planning, employee satisfaction, competitive advantages, saving on labour costs, and supporting the organisational strategy.

Various factors that influence organisational performance, which include skills shortage, workforce demographic changes, increased globalisation, digitisation, information and consistent economic expansion (Amundson, 2007; Holland et al., 2007; Boudreau & Ramstad, 2004). However, the great competition for talent between

different organisations resulting from global skills shortages is striking (Holland et al., 2007). In support of this statement, a McKenzie report in 2008 (quoted by Kerr-Phillips and Thomas, 2009), addresses how critical the skills shortage impact on competitiveness amongst organisations is globally.

The increase in globalisation leads to massive competition and high pressure when it comes to productivity, mergers and acquisitions (Amundson, 2007). This means that many organisations regard talent management as important in an age of globalisation (Guthridge, 2008). Consequently, companies should create organisational cultures in which senior managers and executives are willing to work in other countries to gain international exposure (Guthridge et al., 2008).

## **2.4 TALENT ATTRACTION**

Organisations employ different methods for attracting talent as part of talent management tools, which are also used to attract high-calibre talented individuals in organisations (Oehley, 2007). Talent attraction involves different processes and steps that include recruitment and selection, the organisation as a brand, employee value proposition, and employer of choice (Oehley, 2007).

### **2.4.1 Recruitment and selection**

Many organisations have processes such as capacity planning or workforce planning in place to forecast a future resourcing plan that will attract the type of skills required in support of the organisational strategy, where HR and management teams work together toward developing processes suitable for sourcing the right talent for the organisation. Different methods are used in selecting talent for the appropriate role which will be well-suited to the organisation and its culture (Oehley, 2007). Furthermore, each role will have specific requirements with respect to qualifications and experience to match the profile (Armstrong, 2006).

### **2.4.2 The organisation as a brand**

A brand is important to any stakeholder and potential employee, as it promotes the image of the company. The organisation's image plays an important role in customer and future employee decisions to join the organisation (Armstrong, 2006:395). The

branding of an organisation is a part of marketing and it makes an organisation unique, distinguishing it from other brands and the way people are treated in the industry (Armstrong, 2006).

### **2.4.3 Employee value proposition**

Employee value proposition (EPV) is a unique factor in determining what product, service or brand to choose, as well as what the brand offers. In a context of employees this can include meaningful work, growth opportunities and work-life balance (Oehley, 2007).

### **2.4.4 Employer of choice**

According to Armstrong (2006) an employer of choice is “a place where people prefer to work” (p.396). Indeed, many employees look for factors that will affect them positively in their careers when deciding which company to work for. These factors are developmental opportunities, reward and recognition, career development, job security, better employee benefits, and competitive salary (Armstrong, 2006).

## **2.5 THE EVOLUTION OF TALENT DEVELOPMENT**

According to (Simonton, 2011) the history of talent management dates back as far as 1865. Bersin (2014) explains the development of talent management. In the 1970s and early 1980s, the business function responsible for hiring and paying people in a work environment was called the *personnel division*. In the late 1980s to 1990s, the name *Strategic Human Resources* emerged upon realising the important functions that departments have, thereby adding more roles and functions which included hiring, training, salary payments, employee benefits, and employee wellness. In the 21<sup>st</sup> century, new roles were identified in addition to the HR strategic roles, which were incorporated after carefully studying the following factors (Bersin, 2014):

- Recruitment on its own was not enough; getting the right people with the right skills and competencies in the right roles were equally important.
- The work environment is forever changing; therefore employees, skills and responsibilities should always be aligned with the organisational objectives.

- Trends are a constant force in every field; organisations need to provide and undergo continuous training to keep up with the changes.

These considerations led to the emergence of talent development. This concept encourages three elements, which are to identify, develop and retain talent. It is interesting to consider how the whole concept emerged from just few roles to much bigger responsibilities that would drive human capital forward. HR is one of an organisation's most valuable assets, and they need to be well-equipped to ensure that the organisation is talent-rich as a means to reach its goals.

## **2.6 TALENT DEVELOPMENT**

One of the processes in talent management is talent development, which is also a process that constitutes talent retention (Armstrong, 2006; Blass & April, 2008; Oehley, 2007; Miller & Desmarais, 2007). According to Armstrong (2006), talent management processes focus on developing and maintaining a talent pool with the right skills, instilling incentive to remain loyal to organisation. Part of this process involves career management, performance management, succession planning as well as learning and development within the organisation (Armstrong, 2006, Blass & April, 2008)

### **2.6.1 Career management**

This is a process that allows employees to plan for and manage their careers and receive support from the organisation in the form of being given clear career paths (Armstrong, 2006; Blass & April, 2008). Career management plays a role in ensuring that an organisation has sufficient talent (Armstrong, 2006). Blass and April (2008) support this view and agree that creating competitive advantages in organisations requires highly skilled, talented employees in senior and critical roles.

### **2.6.2 Performance management**

This part of the process allows organisations to form a contract with its employees with set out objectives in alignment with the organisational strategy, allowing an individual's performance to be measured and rated; the other part of the process is to identify employees with high potential. This process forms part of talent management and

there is a direct link between identifying talent and identifying an organisation's potential (Armstrong, 2006).

### **2.6.3 Succession planning**

This is important for many organisations as it ensures that individuals are developed and ready to step in and fill critical roles in the future (Armstrong, 2006:403; Oehley, 2007:30).

### **2.6.4 Learning and development**

Learning and development as part of the process of talent management focuses on ensuring that any learning interventions for identified talented employees take place as part of the process of retaining and preparing them for new positions (Oehley, 2007). The process also plays a part in ensuring that talented individuals are fully developed for promotional purposes or to fill new roles (Armstrong, 2006).

## **2.7 TALENT RETENTION**

Talent retention is an important and continuous organisational endeavour. One of the critical challenges for most organisations is having line managers who understand their responsibilities in creating and sustaining an environment that bolsters retention (Kameswari, n.d.). According to Kameswari, (n.d.), talent requires strengthening, target, and acknowledgement to develop employees who will remain fulfilled in their positions. Managers should therefore understand that establishing these essentials would demonstrate their objectives to support, nurture and motivate talent. Recruiting the right talent for the right job is the greatest contributing factor to workforce retention. Diverging from this would result in employee attrition.

According to Bussin (2007), the global talent pool is shrinking and organisations are indecisive as to what talent management strategies they should be making. Where talent shortage can render an organisation vulnerable to threats regarding economic sustainability, organisations are required to implement talent management strategies to reduce employee turnover (Botha, 2011).

Kameswari, (n.d.), strongly suggests that talent retention requires an organisation to be sensitive to talent needs and to demonstrate various talent management strategies.

Most talent are looking for a good working environment, opportunities for learning, career growth, and earning decent salaries. The retention of key talents is critical to the organisation's long-term objectives and performance. Managers agree that retaining talent ensures customer contentment and high productivity, and that satisfied talents have deeply embedded organisational knowledge and learning.

Numerous organisations fail to retain talented employees and in many instances consider retention of such employees only when they are on their way out, by which time it is already too late (Armstrong, 2006). Various factors also affect talent retention, including demographics such as age, gender and the profile of the individual. Younger generation employees tend not to stay in organisations for long, while the older generation places greater emphasis on stability and job security, thereby making them work for a single organisation for longer periods before retirement.

## **2.8 THE CHALLENGE OF RETAINING TALENT**

Employers should continuously ask themselves, "how do we retain talent?". The question is crucial now more than ever before, where the demand for talent is at all-time high as competition for the limited pool of talent becomes more intense. The cost associated with replacing talent is prohibitive and negative for many organisations (Howatt, 2010). HR is a critical resource for any organisation, and is accountable for every result, decision made, and work completed. Talent should be developed and managed, and should be motivated by and rewarded fairly as per business standards. Competitive salaries are the driving force that assist in organisations attracting and being able to retain the best talent (Matkeri, 2011).

The challenge to retain talent is further complicated by talent ease of mobility. Talented people mostly change jobs for better salaries and for improved working conditions. In addition, talent is frequently poached by bigger organisations offering better career prospects and employee benefits (Zheng & Lamond, 2010). This is a predominating factor in countries such as South Africa. Many organisational leadership teams are aware of the importance of talent retention, and are therefore committed to scouting talent, skills and abilities that contribute meaningfully towards organisational success; although, at times the required resources for introducing changes that will solve retention difficulties are lacking (Burke, 2006).

## **2.9 REASONS WHY TALENTED EMPLOYEES EXIT ORGANISATIONS**

### **2.9.1 Defining employee turnover and its cost**

Employee turnover refers to employees that have left or are in the process of leaving the organisation they work for, for various reasons (Grobler *et al.*, 2006; Dess & Shaw, 2001). The increase in talent turnover costs has become problematic for many organisations; in some industries turnover costs are estimated to be more than the organisation's profit per annum. As a result it has become more critical for organisations to address the issue of talent retention across the board. According to Matkeri (2011), the greatest challenge faced presently by organisations worldwide is that of retaining talent. Howatt (2010) claims that the cost of replacing talent varies conservatively from 30 percent of talent annual salary to a staggering 15 times the annual salary.

Organisations should therefore understand that in order to retain talent they need to understand their employees, what is important to them and what is not important to them (Howatt, 2010). The employee value proposition (EVP) is a unique differentiator that provides a concise and clear representation of what sets an organisation apart as an employer, and is defined by an exceptional set of attributes and remuneration that motivates talent to stay (Sartain, 2006).

### **2.9.2 Causes of employee turnover**

There are many reasons for employee turnover in numerous organisations, one of them being job dissatisfaction, which is a motivating factor to leave an organisation (Harman, Lee, Mitchell, Felps & Owens, 2007; Hausknecht, Rodda & Howard, 2008; Morrell *et al.*, 2008; Mitchell, Holtom & Lee, 2001; Phillips & Connell, 2003). In most instances employees become dissatisfied due to lack of remuneration and promotion opportunities in the organisation for the employee to grow from within.

Other reasons why employees leave the organisations are related with better offers from another organisations, career growth or spouse relocation (Mitchell & Lee, 1994). According to Hay (2001); Grobler *et al.* (2006:126) and Branham (2001) other reasons why employees leave is bad management styles. Some believe that employees do not

leave organisations, rather they leave their managers. They sometimes also leave as a result of lacking opportunities for growth and within the organisation.

### **2.9.3 The negative implications of employee turnover**

Employee turnover has been proven to be negative, costly and one of the most serious issues for many organisations (Mitchell et al, 2001; Grobler et al., 2006; Kotze & Roodt, 2005; Hay, 2001; Des & Shaw, 2001; McKinney, Barlett & Mulvaney, 2007; DPSA Retention Guide, 2006). Employee turnover has a direct implication on recruitment and training costs, and results in a loss of skills. Furthermore, in most cases it is difficult to find a replacement for an exiting talent, thereby dragging out the employment process, implicating the organisation and leading to low productivity and low staff morale. Furthermore, these costs are difficult to measure and track, particularly when they are for employees leaving the organisation (Phillips & Connell, 2003; DPSA Retention Guide, 2006).

## **2.10 REASONS WHY TALENTED EMPLOYEES STAY IN AN ORGANISATION**

This is one of the critical factors that organisations should understand when considering talent retention (Bauknecht et al., 2009; Barric & Zimmerman, 2009; De Vos & Megananck, 2007; Kotze & Roodt, 2005; Dainty, 2008; Harman *et al.*, 2007; Mitchell *et al.*, 2001).

There are many reasons why employees stay in organisations and also why they decide to leave. The reasons for employees choosing to stay in an organisation involve job satisfaction, organisational commitment and lastly, employer of choice

### **2.10.1 Job satisfaction**

Job satisfaction is defined as the degree to which individuals like their jobs (Hausknecht *et al.*, 2009). This can also relate to how employees feel about their jobs or even the attitudes towards their work (Armstrong, 2006; Robbins *et al.*, 2001).

Job satisfaction involves many factors which play a role in employees staying in an organisation, some of which are rewards and recognition, opportunities for growth, meaningful work, promotion opportunities and conditions of employment (Mitchell et al., 2001; Kotze & Roodt, 2005; Harman *et al.*, 2007). Other contributing factors are

the leadership strategy and style in carrying out the work, and direction to employees in support of the organisational strategy (Kotze & Roodt, 2005).

Robbins and Judge (2013) define job satisfaction as a positive feeling about one's job resulting from an evaluation of its characteristics. It can also be viewed as an attitude towards a job, and according to Robbins and Judge (2013), an attitude has three main components, namely cognitive, affective and behavioural, all of which influence job satisfaction. Silverthorne (2005) regards job satisfaction as important for effective organisations.

A survey conducted by Human Resource Management (2005) suggests that nearly eight out of every ten employees in the world who are satisfied with their jobs say that benefits, compensation, and work-life balance are the most important factors in their overall job satisfaction. Given this information, it can be said that job satisfaction involves personal disposition, cultural influences, the nature of the job itself, and work motivation.

### **2.10.2 Organisational commitment**

Organisational commitment is defined as a status of employee commitment, involvement and loyalty to the organisation (Steers, 1977). Mowday, Steers & Steers (1979) define organisational commitment as "the relative strength of an individual's identification with and involvement in a particular organisation". On the other hand, Bateman and Strasser (1984) further describe organisational commitment as "multidimensional in nature, involving an employee's loyalty to the organisation and their willingness to exert effort on behalf of the organisation.

Meyer and Allen (1997) describe a committed employee as one who stays with the organisation through its up and downs, always at work and giving their best in contributing to the organisational goals.

### **2.10.3 Employer of choice**

Employer of choice is defined as a company with a good brand image, high quality and skilled employees, a good reputation, and is generally regarded as the first choice (Ahlrichs, 2000). These companies differentiate themselves in the market and are

known to perform well in attracting and retaining talented individuals (Kotze & Roodt, 2005; Phillips & Connell, 2003). This is a process of marketing which is associated with employer branding and works as a tool to attract and engage external talent to join the organisation (Glen, 2007).

Many organisations regarded as employers of choice are known to have good reputations, produce good results, and receive regular referrals as the best employers (Armstrong, 2006). Most employees aspire to join such organisations for job satisfaction and higher possibilities for career growth, developmental opportunities and promotions, as well as better salaries and employee benefits, all of which play a role in employees' decisions to stay or leave (Kotze & Roodt, 2005).

## **2.11 TALENT MANAGEMENT STRATEGIES AND BENEFITS**

The previous section alluded to factors relating to why talented people leave organisations followed by the reasons they stay. This section focuses on strategies that employers can adopt to attract and retain talent, where such strategies involve becoming an employer of choice, attraction and retention strategies.

### **2.11.1 Employer of choice**

The aim of any organisation should be to focus on becoming an employer of choice (Armstrong, 2006). In this way organisations are able to easily attract talent and have a strategy for retaining talent. Phillips and Connell (2003) are also in support of this view. The employer of choice should be aligned with the corporate culture and corporate values which form part of the employee value proposition (Lockwood, 2006).

Organisations that dominate the industry have ways to attract talented employees to their organisations as employers of choice, and there is a perception that such organisations have lower turnover rates. The process of becoming an employer of choice involves attracting and acquiring the best and talented individuals for the organisation and ensuring that these employees are looked after by means of providing career growth, developmental opportunities, promotion opportunities and a clear career paths (Armstrong, 2006).

Work-life balance and employee benefits together with competitive pay seem to also contribute positively in the process of attracting and retaining talent and as part of becoming an employer of choice (Armstrong, 2006).

### **2.11.2 Retention strategies**

In most instances organisations are challenged on the factors to consider when it comes to retention strategies. McKeown (2002) is of the view that there are certain important aspects to be considered which impact employee retention. He believes the following to be key concepts for organisations to consider: core competencies, the risk of the free agent, war for talent, and lastly, ageing workforce.

### **2.11.3 Core competencies**

Core competencies should be one of the first concepts for organisations to consider when referring to a retention strategy. Based on the definition by Hamel and Prahalads (1990), McKeown (2002) defines core competencies as “a bundle of skills and technologies that enable an organisation to provide a particular benefit to customers”. Dobson et al. (2004) further elaborate on the focus of the core competencies with a strong emphasis on linking core competencies to competitive advantages of the organisation. A core competencies process is also beneficial in ensuring that organisations use a process for identifying talent of high calibre to retain for the organisation. These types of employees are mostly well taken care of and developed to prepare them for future opportunities within the organisation. In addition, the process enables the organisation to be talent-ready and assists in creating a talent pool that will feed in whenever there are movements in the organisation.

### **2.11.4 The rise of free agent**

The next concept of talent retention strategy is the rise of free agents which many organisations should think about as one the beneficial strategies. McKeown (2002) describes free agents as entrepreneurs or people working independently as consultants in their own entities. Kinnear and Sutherland (2001) define free agents as employees who go out of their way to ensure that they deliver on their promise to the organisation, and who are committed and loyal to the organisation with a long tenure and career plan, managing their own plans as well as their own development.

The concept of free agents benefits both the employee and the organisation in that the organisation looks after the employee and the employee gives back to the organisation in the form of good performance and contributions toward the goals of the organisations required to support the strategy (McKeown, 2002).

#### **2.11.5 Global war for talent**

War for talent is another concept to be taken into account for retention strategies. The war for talent involves acquisition, retention and performance management of employees (McKeown, 2002). War for talent in many instances results from organisations sourcing from the same channels when scouting for talent, with each organisation offering a different value proposition as part of attracting and retaining talent.

The United States White Paper communicates that 10 million more jobs could be available in the country than there is talent. Furthermore, there is a growing evidence of talent dissatisfaction resulting from lay-offs, lack of career progression and salary increases over the past decade resulting from of the global economic meltdown (Matkeri, 2011).

Evidently, organisations are unable to compete without talent in the wake of the current global economic and financial crisis, which involves business closures, bankruptcies, and reduction in the workforce, which are commonplace (Gay, 2010). In 2009 following the financial crisis, United States data indicated that small business bankruptcies were up by 81% in the last 12 months by September 30<sup>th</sup>, compared with the previous year. The findings nationwide were also up by 44%, according to credit analysis from Equifax Inc. (Giles, 2009). The global slowdown in economic activity and current financial crisis is resulting in cascading, massive lay-offs and an inevitable increase in unemployment rates not only in Europe and America, but also in South Africa (Giles, 2009).

The so-called war for talent is therefore a global phenomenon, with the demand for and retention of talent becoming the most critical challenge not unique to South African employers. In South Africa, however, these challenges are intensified by three other factors still relevant today namely, (1) the emigration of skilled people at an alarming rate; (2) the scarcity of specialists and managerial talent due to an oversupply of

unskilled labour and an under-supply of skilled labour; and (3) a national drive to address employment equity (Roodt, 2005), which is fuelling the war for talent among people from designated groups, as will be more apparent from the discussion that follows.

### 2.11.6 Skills shortage and scarcity in South Africa

According to the latest report by Trading Economics.com, South Africa’s unemployment rate came in at 27.7% in the second quarter of 2017, unchanged from the previous period’s 13-year high. The number of unemployed people fell by 37 thousand to 6.18 million. The unemployment rate in South Africa averaged 25.46% from 2000 until 2017, reaching an all-time high of 31.20% in the first quarter of 2003 and a record low of 21.50% in the fourth quarter of 2008. In South Africa the unemployment rate measures the number of people actively seeking employment as a percentage of the South African unemployment rate, as shown in the historical data chart below.



**Figure 2-2 South Africa Unemployment Rate**

Competition to attract and retain talent is currently one of the biggest challenges that organisations deal with and will continue to face in the next 10 years, yet many organisations are not prepared (Slavich, 2011). The importance of talent is unpacked by Hawitt Associates as cited in Slavich (id.), who reported that, “more than 90 percent of organisation leadership teams strongly believe that exceptional talent is essential to competitive advantage”.

The South African high unemployment rate is caused by many factors related to causes in other places. Some of these causes include lack of education, poor living

conditions, mismanagement of resources, and corruption. The increase in the South African unemployment rate has been largely attributed to the lack of skills (South African info reporter, 2009).

According to the South African information reporter (2009), 41% of South Africa's privately held business cite a lack of skilled workforce as the key biggest growth constraint – well above the BRIC average of 36%, according to the consultancy firm Grant Thornton's International Business Report (2013)

According to Roodt (2005), South African employers have two options to succeed in the war for talent: option 1 is to become an employer of choice, thus becoming a talent magnet that is able to attract and retain talent with the required skills; and option 2 is to develop, retain and efficiently use their existing talent pool. For organisations to retain talent, they must explore and manage the factors that inspire such skilled and talent individuals for them to stay or exit (Dibble, 1999). This study focuses on the second option, namely to develop, retain and efficiently use an existing talent pool and, more specifically, on the exploration of factors that influence talent retention.

The challenge of attracting and retaining talent into organisations is not a simple one, as many factors contribute to this dilemma. One of those factors is the skills shortage within the global economy. In the present climate of globalisation, no market operates in isolation. According to Meyskens *et al.* (2009), globalisation, being a characteristic of the new world of work, has increased the number of multi-nationals operating internationally. "Experienced talent continues to grow in value as globalisation accelerates while at the same time, internationally mobile talent becomes more difficult to attract and retain" (Meyskens *et al.*, 2009).

Business all over the globe are feverishly competing for people who have numerous options and high expectations (Ready, Hill & Cooper, 2008). Furthermore, organisations have to understand what talented individuals are looking to achieve in their careers in order to provide what they are looking for (Looney & Looney, 2005). With globalisation comes a growing international flow of talent, associated with transfer of technology and capital. Fierce international competition for talent is one of the driving forces behind global human resource mobility.

### **2.11.7 Competitive pay**

Competitive pay is regarded as one of the best and most popular retention strategies that many organisations use in attracting and retaining talent (Horwitz, Heng & Quazi, 2003). Organisations should focus on dealing with income differentials and salary scales to ensure that there is alignment with the market so as to compete externally and to create consistency (Armstrong, 2006). High-performers should be rewarded exceptionally well compared to average performers to ensure that competitors do not poach or headhunt them. However, paying employees well does not automatically guarantee their loyalty to the organisation, as there are other factors that employees consider in addition (Moorthygari & Kirshna, 2009).

A research study conducted by the Corporate Leadership Council in 2002, focusing on retention drivers and strategies at international employers of choice, found that competitive compensation and benefits were the number one driver of retention across organisations assessed (Corporate Leadership Council, 2004). Furthermore, as the research will later indicate, employees were found to have attributed a higher value towards compensation and benefits than all other job categories, with specific emphasis on base pay. Employees were least likely to trade away competitive compensation and benefits against other offerings when evaluating the appeal of various job opportunities.

In addition, Lochhead and Stephens (2004) emphasise the important role that compensation plays in the attraction and retention of good employees. They place particular emphasis on employees who have a unique skillset and who are regarded as indispensable, as well as those employees in whom the organisation had invested time and effort in terms of development. Hoyt and Gerdloff (1999) point out that compensation may be viewed by employers as an opportunity to create security, independence, acknowledgement, appreciation and improved self-worth for its employees.

However, Gaylard, Sutherland & Viedge (2005) indicate that experiential research provides contrasting evidence regarding the role that financial compensation plays in the retention of employees. Cappelli (2008) relates that remuneration is only a preliminary lever to obtaining employee loyalty and is not a sustainable retention

factor. Higginbotham (1997) is in agreement when suggesting that monetary incentives are not the prime motivator for employees to remain with an organisation, however, as long as the monetary rewards are perceived to be competitive, it will have an impact on retention. Furthermore, Higginbotham (1997) highlights that inflated salaries are not critical, rather salaries that are perceived to be “fair” or “good” have a high association with an employee’s intention to remain with the organisation.

#### **2.11.8 Challenging and meaningful work**

Dockel, Basson & Coetzee (2006) refer to individuals with an interest in technology and a desire for interesting and challenging work as a type of people who enjoy using and applying their knowledge, skills and talents. These people enjoy being stretched and challenged, and seek opportunities for learning which, if provided, will encourage them to remain in an organisation for longer (Dockel *et al.*, 2006). Challenging work is also perceived as part of dealing with difficult tasks, which stretches individuals, creates innovative thinking about completing tasks and projects, and resolving complex issues (Swanepoel *et al.*, 1998).

Meaningful work is considered as one of the contributing factors of retention strategies (Horwitz, 2003). “Employees should be able to enjoy their work and feel stimulated and stretched in their line of work” (Armstrong, 2006, p.397). Talented employees are more inclined toward challenging tasks and projects which add value to their careers; they are also assigned bigger responsibilities which come with challenges in order for them to grow (Oehley, 2007).

#### **2.11.9 Coaching and mentoring**

Clutterbuck (2008) describes coaching as an intervention associated with staff personal development, while mentoring is a wider approach associated with an employee’s career development. Morgan and Davidson (2008) describe a mentor as a person with more knowledge and skills who is a highly experienced senior person with the willingness to assist in the development and career journey of a junior person. Mentorship also plays a role in retaining employees (Zausziewski, 2009). He further stresses the importance of the relationship between a mentor and mentee in having a successful mentorship journey between both parties.

Parker, Hall & Kram (2008) describe mentoring and coaching as well-known practices aligned with career development. Executive mentoring and coaching have also become popular amongst organisations for improving employee skills.

#### **2.11.10 Work-life balance**

Many employees are also parents, and research has shown that many people would prefer flexible working times, which contribute to reducing stress especially for employees who are mothers (Armstrong, 2006). Many researchers believe that it would be ideal for organisations to design policies that allow for work-life balance so that employees can be flexible parents who are able to spend time with family. Some of the benefits involves flexible leave practices, working from home, compressed work weeks, and flexibility (Armstrong, 2006).

According to a 2005 Tower Perrin global workforce study, work-life balance is one of the top five drivers of retention globally, in addition to being one of the top five attraction drivers globally (O'Neal & Gebauer, 2006).

### **2.12 TALENT MANAGEMENT CHALLENGES**

Most organisations and their leadership place strong emphasis on human capital and talent management, but in many cases these organisations do not succeed in carrying it out and consequently experience shortage of talent (Pulse of the profession, 2013).

It becomes increasingly difficult to close the gap when it comes to critical roles, resulting from a lack of talent, which may in future cause decline in service delivery and product quality and result in missed deadlines of important strategic objectives (Pulse of the profession, 2013).

Another shortfall is that organisations create world-class talent management strategies where talent management is largely motivated by the organisation's self-interest, resulting in employees being treated as a means to an end and not as an end in themselves (Downs & Swailes, 2013).

## **2.13 GLOBAL NEED FOR TALENT MANAGEMENT**

The need for talent management globally seems to be a challenge for most organisations (Farndale, Scullion & Sparrow, 2010). This challenge is driven by the following additional challenges:

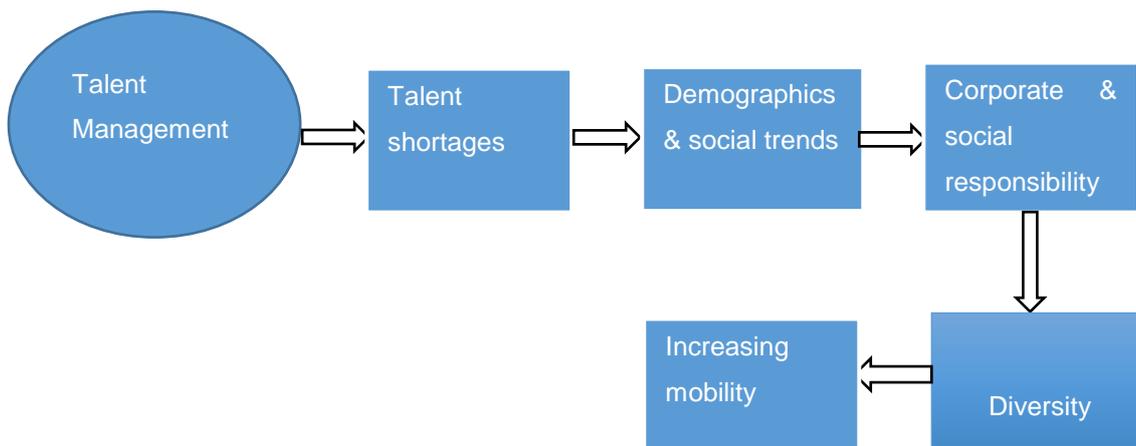
In relation with global competition there are three concerns largely driven by the fact that big organisations utilise the same global talent pool when hiring (Farndale *et al.*, 2010). Regarding the first of three concerns, it is important to remain competitive.

- Organisations require outstanding performers with great skills and experience for their global leaders.
- Employees already in senior positions, highly skilled and educated are rare and in general applicants do not meet the demand by organisations, creating the need to broaden talent searches internationally (Farndale *et al.*, 2010).
- The employee talent pipeline should be considered. A long-term view of the future has been regarded by many organisations when recruiting for talent to meet the actual demand. This places pressure on organisations to come to terms with their future industries as well as target markets, and also with how effectively these organisations brand themselves globally so as to be able to retain highly talented employees (Farndale *et al.*, 2010).

## **2.14 FACTORS THAT INFLUENCE TALENT MANAGEMENT FROM A GLOBAL PERSPECTIVE**

Global talent management is regarded as a concern associated with the emergence of multinational sectors. Some recent research exists on this area, including that of Collings and Scullion (2007), who define global talent management as “the strategic integration of resourcing and development at the international level and involves the proactive identification, development and strategic deployment of high performing and high potential strategic individuals in a global scale”.

Global talent management is viewed as key to multinational organisations. Numerous factors are associated with its complexity, which are detailed in figure 2.3 below. Furthermore, some of these factors are outlined in research conducted by Govaerts *et al.*, (2011) and Farndale *et al.*, (2010). Below follow five of the seven factors in detail:



**Figure 2-3 Factors that influence talent management from a global perspective**

One of the factors on the top of the list to be highly considered is a shortage of talent. The importance of international talent is critical and has lately been recognised by multinational organisations at an ever-increasing rate (Vaiman, Scullion & Collings, 2012). This proves that global competition is becoming more intense and that there is a gap to be closed when it comes to learning and innovation at an international level (Vaiman et al., 2012). Technological innovation is key for organisations competing with international organisations for talent (Govaerts *et al.*, 2011). The continuous development is evident in areas such as globalisation, technological innovation and social advancements, which compel organisations to stay abreast of other organisations and markets (Govaerts *et al.*, 2011). This simply confirms that the success or failure of international business depends highly on effective human resource processes. However, even more pertinent is the need for exceptional talent in leaders (Vaiman *et al.*, 2012). Scarcity of international management with professional talent in global organisations are competing to acquire and retain individuals from the same pool, which is one of the biggest challenges HR departments in multinational organisations (Vaiman *et al.*, 2012). The competitiveness of a multinational organisation is determined greatly by the effectiveness of its global talent management programmes, as is evident in the tendency to focus on hiring talented individuals at a global level rather than a country level when it comes to interorganisational competition to acquire talented employees scattered globally (Vaiman *et al.*, 2012). There has been an increase in mobility and opportunities for

employees due to the volume of immigration and globalisation of professional labour markets, healthcare and information technology, which are examples of these professions (Vaiman *et al.*, 2012). According to research conducted, talent management concerns are evidently increasing in complexity due to small and medium organisations rapidly entering the international market in recent years (Vaiman *et al.*, 2012).

Farndale *et al.* (2010) allude to the fact that investigation and research of global talent management is becoming an increasing and pertinent matter. Competition for talented individuals take place across global borders and no longer at a country-specific level, which is a serious matter and has become a common occurrence amongst employees (Farndale *et al.*, 2010).

Statistically and demographically speaking, people are less inclined to reproduce, and life expectancy is on the rise; therefore demographics and societal trends are another factor that impacts on the environment of talent management and the challenges organisations are faced with in this regard (Vaiman *et al.*, 2012). Rapid changes experienced in the demographic profiles of numerous countries also impact the supply of labour, which changes the game of recruitment and retention strategies for many organisations (Vaiman *et al.*, 2012). There is a decline in knowledgeable and skilled people as some employee's approach retirement age, which is a huge concern in terms of country demographics (Vaiman *et al.*, 2012). This simply means that there is no future talent pipeline especially when it comes to the younger generation, implying that future capacity will be lacking, with large talent gaps (Vaiman *et al.*, 2012). Furthermore, potential individuals of the baby boom generation are closer to their retirement age (Govaerts *et al.*, 2011). This threatens the availability of knowledge and skills required within organisations, which in turn further necessitates talent retention (Govaerts *et al.*, 2011). This also means that organisations will be expected to engage in talent wars to meet their demands for talent in the market as part of demographic issues as the supply of talent decreases (Govaerts *et al.*, 2011). Retention of highly skilled employees is key and thus assists organisations in maintaining their competitive advantage (Govaerts *et al.*, 2011).

The other factor that influences talent management is the diversity of employee groups operating in the global environment (Vaiman *et al.*, 2012). Diversity is a hot topic in

most organisations in terms of getting the balance right, particularly in senior roles, where female representation is not on par with male representation (Vaiman *et al.*, 2012). Other issues impacting decision making and management of employees within organisations are the increased levels of ethnic, cultural and generational diversity of employees (Vaiman *et al.*, 2012).

The last factor is the increasing mobility of people globally as well as across cultural borders (Vaiman *et al.*, 2012). The movement of between countries influences talent management and the decisions the management are required to make in terms of global talent management (Vaiman *et al.*, 2012). Company loyalty has declined, particularly when it comes to highly skilled and educated employees, thereby elevating the number of talent spreading across the globe (Vaiman *et al.*, 2012). Ultimately, uneducated employees have limited opportunities especially for international immigration which has resulted in what we call “division of talent” (Vaiman *et al.*, 2012).

## **2.15 LIMITATIONS OF TALENT MANAGEMENT**

In some instances, organisations make talent management out to be impractical and ineffective, and organisational leaderships complain that talent management is ineffective (Warner, 2016). Although individuals do have what it takes to make a positive impact in organisations, the social systems, especially in big corporates, are generally always more powerful than the individual in determining the organisations’ futures (Warner, 2016). Most organisations aim to source for talented people who can fit in with the culture of the organisation, can bring about change, and who are able to do things differently within short period of time – however this approach does not ignite true talent (Warner, 2016).

It is evident that organisations get their employees to conform to certain existing processes within those organisations, and in doing so these employees unintentionally maintain the status quo (Warner, 2016). In most cases people stand out and become stars when they fit in with the organisational culture, even when it is not a true reflection of what is required, thereby conforming people to operate in fear, which perpetuates the concerns that leaderships are hoping to address (Warner, 2016).

## 2.16 TALENT MANAGEMENT STRATEGY

Talent management strategies can be classified under two perspectives, which are exclusive and inclusive approaches as suggested by Iles *et al.* (2010). The exclusive approach identifies a handful of people regarded as having talent and nurtures them accordingly – this can be regarded as workforce segmentation. The inclusive approach identifies talent organisation-wide and assumes the position of developing a high-performance team. Buckingham and Coffman (2005) argue that the progressive talent management strategies seek strengths in everyone in the organisation invests in development of all, according to their potential. Organisations reach their peak when value is recognised and the unique talents of all employees are exploited in achieving set objectives (Wilson, 2010).

This research will evaluate the framework used by Bersin, Harris, Lamoureaux, Laurano & Mallon (2010) in assessing the talent management strategy, workforce planning, capability and competency management, talent acquisition, total rewards, learning and development, and the talent infrastructure.



**Figure 2-4 Talent Strategy & Business Alignment**

Talent management starts with constructing a talent management strategy that is aligned with the organisational strategy (Bersin *et al.*, 2010). Talent management strategies play a major role in helping organisations focus on achieving their strategic goals. Wilson (2012) suggests that both organisational strategies and talent strategies

create an alignment that manifests the combination of purpose, vision, mission and values at organisational level.

The alignment of talent management strategies together with organisational strategies is of importance to the purpose of workforce planning (Bersin *et al.*, 2010). This also assists organisations in identifying critical roles and analysing organisational skills gaps. In this phase organisational goals are included in the mission of the company, then translated into HR activities that will ensure that the right people with the right skills, at the right time and cost, are in place to carry out given tasks (Warnich, Carrell, Elbert & Hatfield, 2015). It is important for human resources leadership to consider their talent needs for at least 12 to 24 months and to focus on developing identified skills according the succession planning list (Bersin *et al.*, 2010).

The second stage according to the framework is capability and competency management, which assist the organisation with engaging in a solution phase (Bersin *et al.*, 2010). Skills, competencies and experiences required to enable organisations to meet its strategic objectives are identified in this phase. Organisational role profiles must contain said important information for all critical roles which have been defined in the workforce segmentation phase (Bersin *et al.*, 2010).

Talent acquisition is another step in the framework toward fulfilling workforce planning (Bersin *et al.*, 2010). Recruitment and selection follows the strategic human resource planning process (Gands, 2006). In achieving this stage, roles can be filled both internally or externally. Talent acquisition involves recruiting, assessing, developing and rewarding employees.

It is of utmost importance to ensure that a plan is in place when talent is attained pertaining to development, succession planning, career management as well as performance management, which in turn form an integral part of developing and mobilising talent to the required standards (Bersin *et al.*, 2010). High-potential individuals should be well-developed in preparation for leadership roles in the organisation. A systematic method is required to identify and develop high potential individuals and to prepare them for leadership opportunities (Edwards, Scott & Raju, 2003). The objective of performance management is to encourage high performance,

assist individuals to upskill, build a culture of performance, and to create a competitive edge (Bluen, 2013).

Total rewards are placed at the end of this centre section throughout the employee lifecycle, as it is important that employees be rewarded (Bersin *et al.*, 2010).

Learning and development assist when it comes to identified action plans through the talent management strategies, and is also part of the employee lifecycle (Bersin *et al.*, 2010). If employees do not empower or upskill themselves, the organisation will not grow and will therefore not be competitive in the market. It is therefore important to have a strong culture of learning and development and for organisations to have highly skilled employees.

## **2.17 STRATEGIC TALENT MANAGEMENT**

Lepack and Shaw (2008) argue that strategic talent management is meant to stimulate desired role behaviours among the organisation's talent pool and assist in realising the organisation's strategic objectives i.e. financial and organisational performance linkage. Collings and Mellahi (2009) define strategic talent management as "activities and processes that involve the systematic identification of key positions which differentially contribute to the organisation's sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill these roles and the development of differentiated human resource architecture to facilitate filling these positions with competent incumbents" (p. 2).

Collings and Mellahi (2009) provide a theoretical framework which identifies vital talent positions and suggests a top-down approach with the objective of determining potential for roles that contribute to organisational strategic intent. Secondly, the framework suggests that talent pools be developed for organisations to use and fill. Thirdly, the framework proposes creating a differentiated HR architecture that acknowledges differential contributions made by specific individuals to the organisation's performance. Finally, vital individual and organisational outcomes are considered by introducing variables that mediate relationships between input and output. Collings and Mellahi (2009) move on to discuss motivation, organisational commitment and extra-role behaviours that predict the effects of talent management of organisations overall and of performance.

### **2.17.1 Strategic talent management as a strategic tool**

Lewis and Heckman (2006) discuss two models; namely the Resource Based View (RBV) and the Human Capital (HC) Bridge, which succeed in countering the criticism against a strategic talent management strategic approach.

Scot-Jackson (2009) describes RBV as a highly influential theory or strategy which organisations can use to achieve a sustainable competitive advantage through keeping and deploying valuable and unique resources. This model has also been used in human resources management, which indicates the resemblance between the two concepts.

The second model is the HC Bridge framework, which addresses decisions at three independent levels of analysis, namely impact, effectiveness, and efficiency, whilst considering the organisation's tools, practices and resources which affect those decisions. Impact refers to the idea of identifying talent pools of jobs vital to yielding returns for strategic measures and goals. Effectiveness affects the behaviour of those identified in the talent pools and is considered according to the degree to which interventions will affect these behaviours.

## **2.18 THE ROLE OF LEGISLATIVE CHANGES**

### **2.18.1 Employment equity act of 1998**

In the past, white people were given preference for opportunities of management level roles during a time of employment discrimination, while black people were employed at lower level positions or employed in the factory environment (Mkwana, 1996). Employment equity (EE) and affirmative action (AA) policies were introduced to correct inequities of the past and to prevent inequality, which resulted from the notion that black people, women and disabled people had been unfairly discriminated against in the past.

### **2.18.2 Definition and analysis of the concept employment equity**

Employment equity is the process of eliminating unfair discrimination and at the same time promoting advancement of previously disadvantaged people to ensure that there is equality (South Africa, 1997).

Section 6(1) and (2) of the Employment Equity Act (55 of 1998) embraces both formal and substantive equality. This means that equality should be practiced and at the same time the act focuses on dealing with inequalities (Squelch, 1999). Unfair employment practices have a negative impact on affected people. Any recruitment process should be fair and based on merit, considering equal opportunity for all.

Many organisations have an employment equity plan in place which they should adhere to in terms of targets to be met as per the legislation and the Department of Labour to ensure that organisations utilise the opportunity to close and rectify gaps through the recruitment process, ensuring that the right candidates are appointed in senior positions. Many organisations have found it challenging to close the gap and ensure that Africans, Coloureds, and Indian (ACI) people are well represented in senior positions. Designated groups are still underrepresented, which is a concern, and many organisations lose opportunities to rectify this through talent management and recruitment practices (South Africa, 1997).

## **2.19 CONCEPTS RELATING TO EMPLOYMENT EQUITY**

### **2.19.1 Equity and equality**

Equity is referred to in regulations and rules associated with fairness (Barnhart & Barnhart, 1992). According to Seroka (1999) equity comes out of affirmative action, which focuses on the elimination of unfair and discriminatory employment practices, and ensuring that everyone is treated fairly and equally. In addition, this ensures that everyone is considered through a fair approach into the process by making opportunities accessible to all and creating an environment of learning.

### **2.19.2 Equal opportunities**

According to Seroka (1999) equal opportunity applies to ensuring that everyone is treated fairly and equally for people to realise their full potential. On the other hand, Adam (1993) refers to equal opportunity as a special support given to previously disadvantaged groups to enable them to get them to operate at higher levels and senior positions.

## **2.20 AFFIRMATIVE ACTION IN SOUTH AFRICA**

According to Madi (1993) Affirmative Action has been associated with modern-day South Africa, having started after the 1922 white miners' strike and subsequent 'civilised labour policy' instituted by the government of the period to appease the rebelling white miners who were, interestingly inspired by the communist ideals.

This 'civilised labour policy' was soon after formalised through the passing of the 1925 Wages Act, which set up a hierarchy of salaries ostensibly in favour of white miners, and the Mines and Workers Act of 1926 which inter alia reserved certain jobs for whites.

From the early 1950s to the 1970s, just about all the apartheid laws that the Nationalist government passed were inspired by a strong sense of affirmative action in favour of whites in general and Afrikaners in particular. Furthermore, to implement the Employment Equity Act, affirmative action is legally driven with a view to achieve equal of opportunities by focusing on designated groups. The act requires employers to develop affirmative action plans to assure equal employment opportunities in their employment practices.

Affirmative action is a commitment that many organisations should abide by to ensure that there is no discrimination. This is also established through employment goals that target designated groups that ensures that these groups are represented in all segments of the workforce. Organisations develop and implement programs that enable individuals to compete with others on an equal footing as far as possible. These programmes have a direct link with recruitment, learning and development, coaching and mentoring, designed to create opportunities for qualified individuals.

According to Mitchell (1993), a labour researcher, the term Affirmative Action (AA) provokes any number of reactions, varying from outright rejection, to acceptance and support by advocates who stress the necessity of such policies in a society like South Africa's, which has historically developed profoundly unequal access to resources and opportunities by various population groups. Furthermore, Mitchell argues that AA raises an intense debate that raises question such as, how unequal is South Africa's industrial society in terms of access to opportunities for blacks, women and people

with disabilities? And, to what extent can AA programmes redistribute resources more fairly while at the same time allowing the industry to maintain a competitive edge?

Mitchell (1993) even contends that the non-participation of blacks is a direct result of apartheid policies that have both disenfranchised and disempowered the majority of people in South Africa. The Group Areas Act, Job Reservation Act and Bantu Education Act all acted as forms of AA for whites.

Such legislation had its roots in the past government of the 1920s which followed a "Civilised Policy" that aimed, through legislation, to raise the living standards of whites at the expense of blacks. He believes that a powerful case can be made that this position be reversed in the form of AA Policies aimed at primarily the designated group, who for various reasons, have been denied equal access to South African industry.

The past injustices, coupled with the critical shortage of skilled manpower make AA a necessity for this country. According to Wingrove (1993), most whites consider themselves "victims of reverse discrimination through AA processes". She further contends that "morale among white staff is low and there is a culture of insecurity". Wingrove further argues that South Africa has been overcome by political and socio-economic events and one can no longer debate issues such as fairness of affirmative action in the workplace. The country is faced with a situation of demographic realities; white population growth is on the decline while black population growth is on the increase. There is a critical shortage of skills.

According to Kemp (1993) not all South Africans agreed with the process of affirmative action – Madoda Mbatha, a lecture at the University of Natal, criticised AA as a racist practice resulting from the fact that the focus is on blacks as a separate species. Furthermore, he argued that a flaw in black advancement was that it looked competence when it comes to race and skin colour and that there was no correlation between skin colour and race. He believed that the main factor holding back blacks was discriminatory practices on the part of the employers, most of whom were white. Mbatha felt that AA and preferential treatment should be discarded. His argument was based on the fact that there were many whites, who for different reasons, agreed because preferential treatment of one group leads to discrimination against another group.

## **2.21 RETENTION OF AFFIRMED SKILLS**

Retention of affirmed skills is a challenge that most organisations face. There remains a skills shortage among designated group members as a result of a discriminatory history and our country's legacy.

Most organisations are targeting qualified designated group members as they are in demand and many organisations want to comply and ensure that they follow the correct processes and the policies. Most organisations are even creating images for themselves as “employers of choice” to attract talent especially from qualified designated group members.

Many organisations focus on staff retention and strategies to retain highly qualified designated group members. Most highly skilled employees that are identified as talent do not stay longer. Some organisation go to the extent of developing a broad-based competency model to facilitate this process. Others focus on employee value propositions. For this to work, attraction and retention of key individuals, people climates and morale, and Employment Equity targets, need to be achieved. Alternatively, organisations can put their focus on “good” applicants as the “best” are always in constant demand. This avoids upper percentile and targets the upper median range in terms of experience, qualifications, etc.

The best candidates do not stay longer, which has become an issue for many organisations and this is for them to move up quickly to bed down relevant experience and skills enhancement, with the result that they are often being appointed beyond their competency level.

## **2.22 DIVERSITY AND INCLUSION**

Diversity practices within an organisation act as a sign of its commitment to support employees from all backgrounds. A successful diversity program should communicate its goals in a way that frames diversity as a challenge and an opportunity rather than as a threat or hurdle to overcome (Howard-Grenville & Hoffman, 2003; Jayne & Dipboye, 2004). Perceptions of a fair diversity climate directly impact minority group job performance (McKay et al., 2008), as well as outcomes such as organisational commitments and turnover intentions regardless of race (Buttner *et al.*, 2010).

Research on employee well-being began with a focus on the prevention and repair of negative states including burnout and stress. However, recent years have seen a significant shift in this focus, influenced by the positive psychology movement (Seligman & Csikszentmihalyi, 2000), with a new emphasis on mental “wellness” and engagement (Bakker et al., 2008).

Diversity should be undertaken as varied perspectives and approaches that members of different groups bring to the work environment. They bring various important, competitive, relevant knowledge and perspectives about how to design processes, reach goals, tasks, creativity, effective communication, ideas and leadership (Robin, 1996). Valuing diversity is a strength and a positive advantage for organisations operating in multicultural environments.

Diversity offers a formidable challenge to leaders in learning to manage different ethnic groups. Managers must develop the ability to communicate across cultures. This will require an understanding of the issues surrounding diversity and tolerance of diverse viewpoints. They will have to create plans and goals that will incorporate the needs of the multicultural workplace and in such a way that all members feel a sense of ownership (Manning, 1996).

## **2.23 SUSTAINABLE COMPETITIVE ADVANTAGE**

The idea of sustainable competitive advantage surfaced in 1984, when Day (1984) suggested types of strategies that may assist in attaining and sustaining competitive advantages. However, the concept was used in its first unambiguous form by Porter (1985) who defined it as “above-average performance in the long run” (p.12). According to Porter (1985), a competitive advantage is the ability to earn returns on investment consistently above the average for the industry. On the other hand, Barney (1991) noted that competitive advantage can be achieved if the organisation implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors.

Competitive advantage can be defined as an “organisation’s ability to develop unique strategies that result in superior returns” (Mpoyi, Festervand & Sokoya 2006). Therefore, sustainable competitive advantage is considered as the prolonged benefit from implementing some unique value-creating strategy that is not simultaneously

being implemented by any current or potential competitors due to their inability to duplicate the benefits of this strategy, or to the experienced difficulty and cost associated with imitation (Hoffman, 2000; Van Zyl, 2005). According to Meso and Smith (2000), sustained competitive advantages result from strategic assets, which Barney (1991) regards as those which are internally controlled and permit the organisation to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependant not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate.

## **2.24 THE ROLE OF TECHNOLOGY IN ATTRACTING TALENT**

Social recruiting has become a powerful tool that many organisations use to attract and recruit talent. Many are unaware the importance of their digital footprints which may impact their future career opportunities (Colfer, 2011). In addition, the more people use social recruitment platforms, the easier it becomes for recruiters to engage with them for available opportunities (Sewell, Martin, Barnett & Jenter, 2011). Many organisations use social recruitment because it is imperative for positive professional online management. Furthermore, the increase of social recruitment has become popular with the growth in social media adoption.

## **2.25 THE BENEFITS OF SOCIAL RECRUITMENT**

Social recruitment platforms hold several benefits for both employers and candidates when compared to the traditional recruitment process. The use of social media processes for attracting talent is called social recruitment. According to Jacobs (2009), social recruiting is the utilisation of a web-based technology that connects employers and recruiters with talented candidates, and these platforms make it easier for recruiters to have a variety of candidates with the required skills and experience to select from.

Social media platforms such as Pnet, Career junction, LinkedIn and Facebook are all popular tools and platforms that many employers and recruiters use to find and recruit talented candidates with the required skills (Sheehan, 2010).

Social recruitment has become a useful platform for employers as 83% are actively involved in using social recruitment (Jobvite, 2010). A global study conducted by Kelly (2012) found that 41% of employees and potential talent rely heavily on social media when seeking employment opportunities while 32% of Generation Y use social media more than the traditional method. In addition, another study by Jobvite (2012) found that 83% of employees use Facebook, while on the other hand 46% prefer using Twitter and 41% use LinkedIn. This means that 16% of the staff compliment have been employed through social media (Jobvite, 2011).

There are certain benefits in using social recruitment. Employers promote their own brands and their value proposition by using social media and potential candidates, who also market themselves through these platforms for possible opportunities (Jobvite, 2010). Another benefit is that both hiring employers and employment seeking candidates can engage with each other (Jacobs, 2009). One of the most crucial benefits for employers or recruiters using social recruiting that they gain access to top talents with the necessary and required skills, a process that assists many organisations in saving both time and costs (Madia, 2011).

## **2.26 DEFINITION OF SUCCESSION PLANNING**

Succession planning is a process whereby an organisation ensures that required skillsets are recruited, trained and developed to fill key positions (Darvish & Temelie, 2014). Succession planning is also a long-term plan for well-coordinated replacement of employees in key roles (Grobler et al., 2011). This process is also believed to be a logical process of identifying critical roles in organisations, identifying suitable successors, and assessing their readiness in order to have a plan in place for their development into these roles when the time comes (Stadler, 2011).

Some organisations use succession planning to close the gap left by employees who will soon retire, and for unforeseen circumstances of loss of skilled employees (Sambrook, 2005).

## 2.27 FACTORS THAT IMPACT SUCCESSION PLANNING

Currently, succession planning is a looming problem for many organisations as the baby boomer generation begins to retire and as a result, more organisations will experience the challenge of growing sustainable businesses (Mirel, 2006).

In reference to the non-financial side of planning for succession lies a major challenge, as investors and shareholders are forced to decide whether they want to sell their businesses or let them die. Sometimes the very characteristics of such businesses can be their undoing in making such decisions (Newton, 1999). Below are other issues in succession planning:

**Succession planning methods** – succession planning can be done in two ways namely utilising internal resources or acquiring external resources. There is no right or wrong choice to make when deciding which route to take when implementing a succession plan. It will depend mainly on the availability of talent within the organisation.

**Failing to prepare is preparing to fail** – the future performance of any organisation relies on the thoroughness and vigour of today's succession planning (Seymour, 2008). Seymour (2008) also argues that other organisations will look to succession plans when having an interest in acquiring or merging with an existing company. The reality of the situation is that investors look at the quality of the next generation of leadership and its preparedness to propel the business to new heights. Having a competent and consistent leadership team and workforce in place will give investors peace of mind and will afford the selling of the organisation more negotiating power.

**Diminishing skills pool (skills gap)** – the American Society for Training and Development defines the skills gap as “the point at which an organisation can no longer grow or remain competitive because it cannot fill critical roles with employees who have the right skills, knowledge and capabilities (Galagan, 2010). It is evident that organisations will always experience a skills gap for as long as they do not stay ahead of shifting conditions in their environments and changing expectations from constituents, shareholders or customers. An unprepared workforce can hamper the performance and growth of an organisation (Galagan, 2010). Succession planning can

greatly reduce the skills gap within businesses as management will be able to identify potential and recruit or develop employees.

**Analysis and planning** – generating a good succession plan requires a lot of input and expertise. A good succession plan oversees the whole spectrum of the organisation, not just in the boardroom, which also includes the job floor. The life cycle of a succession plan depends on the variables in the organisation. As an example, it takes critical employees around eight years to reach their maximum potential. Thus, the target will take five years to attain, depending on the training, induction and garnering experience that will be required for the specific role (Hewitt, 2009). However, when succession planning is done properly and with foresight it ensures continuity of leadership and provides a solid foundation for the board, employees and managers (Richtemeyer, 2011).

## **2.28 SUSTAINABLE SUCCESSION PLANNING PROCESS AS AN ELEMENT OF TALENT MANAGEMENT STRATEGY**

According to Gay and Sims (2006), talent management involves efforts made by organisations to identify, develop, and promote employees, while Lockwood (2006) suggests that it is identified upward mobility by leaders to increase retention of the key talents. As such, succession planning is a key element of the talent management strategy.

Organisations are gradually facing talent shortages and as such find it hard to retain existing talent, who according to Rothwell (2005), will have to adopt policies and procedures for earlier identification and retention of high-potential talent, relatively known as succession planning. “War on talent” as coined by McKinsey (2007) has led to the organisation developing competitive succession plans with the intention of retention, which aggravated talent shortage and compelled organisations to ponder ways of effectively retaining their own talent (Krauss, 2007). Lockwood (2006) in addition states that succession planning within the talent management strategy is driven by a need to gain a competitive edge and as an approach should address the imminent global shortage of skills by cultivating from within.

Krauss (2007) states that attracting and retaining the appropriate potential talent is a challenge for organisations. Loftus (2007) suggests that attracting and retaining

individuals as part of a succession plan in the talent management strategy requires critical organizational capabilities such as: aligning the workforce plan with the organizational strategy; attracting, developing and retaining high-calibre talent; minimizing loss of skills through voluntary exit such as resignation; and changing the process of the organization to be more flexible. Rothwell (2005) further suggests that each role must have its talent pool, which emphasises the fact that each leadership level or position actually needs its own succession plan process (Sobol, Harkins & Conley, 2007).

## **2.29 BEST PRACTICES OF SUSTAINABLE SUCCESSION PLANNING PROCESS**

As organisations evolve, a continuous need arises to elevate individuals into new senior roles for the sake of business continuity, and as such a succession planning plays a crucial role in enabling executive leaderships to identify the right candidates for roles (Bersin, 2006). Hay Group (2006) states that there is a global leadership crisis which economists have termed “economic tsunami”, where organisations around the globe are finding it hard to develop the required number and quality of leaders they need to be sustainable and competitive. To ensure that the gap is closed best sustainable succession planning practices needs to be put in place.

Bersin (2006) adds that succession planning processes need to be aligned with the business plan and meet requirements for key positions over three to five years. Bersin (2006) further states that this must be applied across the organisation and should not be limited to senior managers and executives as best practice of its framework. In addition, different authors have researched and recommended best practices of sustainable succession planning process (Bersin, 2006).

## **2.30 CONCLUSION**

It is evident that there is a skills shortage faced by global industry and this issue is increased by mobility of skilled employees (Vaiman *et al.*, 2012). In most cases, highly skilled leaders from a global perspective are known to manage teams and lead complex projects that enable transfer of skills between local and global employees. A proper plan should be in place in terms of succession planning to ensure leadership continuity. Attracting highly skilled individuals is one thing, however retaining them and ensuring that there is a plan in place when it comes to their career plans is another

thing. Organisations need to get this process right. Talent management mostly focuses on few selected individuals and not the rest of the workforce, and some employees who are not considered as talent are usually overlooked. In most cases organisations based their decisions on potential, which does not necessarily assess whether the individual is indeed able to perform or deliver in a new role.

Chapter two explored the literature relevant to talent management and succession planning from the view of the organisation, and has also created an expectation of how the employee from the banking industry of South Africa may perceive it. The next chapter will discuss the research method.

### **3 CHAPTER THREE: RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION TO RESEARCH METHODOLOGY AND DESIGN**

This chapter focuses on the research method and the selected approach. The sampling technique and research instruments are also part of this chapter. Ethical consideration have been made to assure privacy and confidentiality of the information provided by the respondents. According to Saunders and Lewis (2012) there are two different methods to research, namely deductive and inductive. A deductive method tests a theoretical proposition through collecting data.

In addition, Saunders and Lewis (2012) relate that a research study can either be exploratory, descriptive or explanatory. The information below provides a brief explanation of exploratory, descriptive and explanatory research methods:

- Exploratory research is aimed at discovering general information about a specific topic that might be new phenomena not fully understood by the researcher;
- A descriptive study involves the collection of measurable, quantifiable data that can elaborate on a topic; and
- An explanatory research aims to understand a specific event through identifying relationships between one or more variables.

#### **3.2 RESEARCH DESIGN**

According to Kumar (2014), a research design is a guideline process of the research study, reflecting procedures that lead to valid and reliable responses to the research problem. Bryman and Bell (2011) describe a research design as a tool that guides the data collection and processing for a research study. There are two main research methods which the researcher can choose to use in a research design, namely a qualitative or quantitative approach, and may also use a combination of both (Neill, 2007).

For the purpose of this research, a quantitative research method was used. Creswell (2014) suggests that a quantitative research approach is appropriate for testing theory

objectives to understand relationships between variables. Data for this research was collected through an online survey questionnaire which was distributed to targeted permanent employees within the top four banks, namely Absa, FNB, Nedbank and Standard bank. The survey was conducted mainly for the purposes of understanding existing perceptions of talent management and succession planning as well as their benefits, traits and outcomes within the financial services industry, hence the four big banks.

The research questionnaire was administered amongst 300 talented employees who were purposely selected in terms of their ability to contribute to the organisational strategy within the four banks. A deductive research design is formed upon a theory base and hypothesis, which is a proposition to identify relationships between observed phenomena (Kumar, 2014; Saunders et al., 2009; Saunders & Lewis, 2012; Jonker & Pennink, 2010). Hypotheses are developed into an approach which are subjected tests to validate the proposition in discovering relationships between one or multiple concepts.

The common themes around talent management that were mentioned in the literature review were definition of talent management (Warren, 2006; Amstrong, 2006; Kameswari, n.d.); talent management strategies, talent retention, talent development and succession planning. These themes were overlaid into a survey questionnaire and proxy themes were created from the questionnaire as detailed in the table below.

*Table 3-1 Literature themes and survey themes*

<b>Literature themes</b>	<b>Survey themes</b>
Definition	Talent definition
Talent management strategies	Trait
Talent retention	Benefits
Talent development and succession planning	Talent definition

### **3.3 POPULATION**

According to Creswell (2014), identifying a population for a study is one of the most important factors in collecting information and finding answers to research questions. South African banks have been known to be major role players in the economy through creating employment opportunities which in return allow employees to grow and develop.

The population for this research comprised total sample of 300 talented permanent employees within the four big banks who have either stayed with one bank or might have moved internally. Selection of these employees was based on their potential, knowledge and skills in contributing to the organisational strategy, which are linked to the definition of talent management and succession planning (Cheese *et al.*, 2007).

### **3.4 SAMPLING METHOD AND SAMPLE SIZE**

Bryman (2012) alludes to the importance of a large number selection for quantitative research relating to the statistics of sample size. Quantitative research requires a large number sample to produce good insights to the study. In addition, the various probability measures of the research data will allow for reflection on the findings from the statistics. According to Saunders and Lewis (2012), the degree of certainty to which a sample represents a population will determine the size of the sample and population.

Purposive sampling and convenience sampling were used to identify a sample of 300 participants (Creswell, 2002; Creswell, 2013). The sample size was sufficient in covering the statistical testing process of the data from the four banks. A total of 300 survey questionnaires were distributed through a webmail application to all four banks. 200 questionnaires were distributed within FNB, 60 questionnaires within Nedbank, 20 questionnaires within Standard bank and the remaining 20 questionnaires within Absa.

### **3.5 ASSUMPTIONS**

The assumptions that were made were as follows:

- The sample obtained was generally representative.

- The rank order of the Likert scale allows for clear distinction between positive and negative.
- There were minimal buyers in the data collection and analysis

### **3.6 RESEARCH INSTRUMENT**

The researcher developed a 5-point Likert scale questionnaire for the purpose of this study. The rating scale was ranged 1-5, with 1 being “strongly disagree” and 5 being “strongly agree”. The reason the Likert scale was utilised was because it was easy to differentiate the opinions amongst respondents in a hierarchical manner (Kumar, 2014). The average time taken to answer the Likert scale questionnaire was minimal.

There were 60 questions, and a participant would take 8 to 10 minutes to complete the survey as illustrated in the pre-testing phase. The first section was about the respondent’s demographic profile. The second section consisted of statements around the respondent’s opinion of the definition of talent management, and the benefits and the outcomes of talent management within their organisation. The researcher did not adapt questions from any existing surveys, which is a fairly different approach that has not been fully explored within a South African context. In the South African context demographics play a major role, and was therefore considered a relevant inclusion in the survey.

**Table 3-2 Questionnaire structure**

Literature theme	Survey theme	Question	Item
Defintion	Defintion	Forecasting future talent needs of the organization	v1
		Sourcing and selection of talent	v2
		High performance of selected few individuals	v3
		Broad based identifying, developing and retaining talent	v4
		Coaching and mentoring key talent in preparation for succession	v5
		Closing the skills gap within the organization	v6
Talent development	Outcomes of talent management	In my organisation talent management processes deals effectively	v20
		I believe talent management in my organisation is providing tangible	v26
		I have declined external job opportunities due to the existence of	v27
		I believe my organisation proactively encourages poor performers to	v42
		I believe that talent management is directly linked to us having a	v50
		I believe my organisations equips us with the skills of the future in	v52
		Succession planning	v53
		Reward and recognition	v54
		Retention	v55
		Employee satisfaction	v56
		Competitive advantage	v57
		I believe talent management in my organisation is creating new job	v60
		I believe talent management is contributing to strong financial	v61
		I believe my organisation has effective succession management	v28
Talent development/Succession planning	Succession planning	Most of our leadership in the organisation have extensive working	v29
		In my organisation talent management is directly linked to succession	v30
		My organisation believes in succession planning.	v31
		I am familiar with the succession planning processes within the	v32
		My annual contractual goals are directly linked to succession planning	v33
		I believe my organisation rewards managers who actively adhere to	v34
		I believe succession planning within my organisation provides	v35
		I believe talent management is the key driver of succession planning	v58
		Talent management in my organisation gives me the ability to do	v7
		I believe talent management in my organisation is only for selected	v8
Talent management strategies	Talent management traits	Talent management in my organisation is aligned to the future needs	v9
		Talent management in my organisation directly addresses skills	v10
		Talent management is actively applied in sourcing and recruiting in	v11
		There are identified coaches and mentors in my organization	v13
		Talent management is actively applied across all levels of	v14
		My organisation regularly engages me with talent management	v15
		Talent management plays a major role when it comes to my career	v16
		I believe talent management in my organisation comprehensively addresses employee fears and concerns	v17
		I believe that talent management is a consultative process within my	v18
		There is regular engagement between HR and staff with regards to	v19
		I understand how my work impacts on the organisation's business	v36
		I believe my organisation is full of top talent and high performers	v49
		I believe that employees in our organisation have highly sought-after	v51
		Talent retention	Talent management benefits
Job satisfaction	v21		
Reward and recognition	v22		
Employee well-being (Work-life balance)	v23		
Opportunities for promotion (Career growth)	v24		
Acquisition for new skills for the future	v25		
High performance is actively rewarded in my organization	v37		
I believe top talent is continually recognized within my organisation	v38		
I believe that our remuneration policy is directly linked to talent	v39		
The remuneration policy in my organisation motivates top talent to	v40		
I believe my organisation actively retains top talent	v41		
I believe the talent management plays an active role in my decision to continue working for the company	v43		
I believe my organisation allows me to have a good work-life balance	v44		
I believe my organisation equips me with the tools to perform my	v45		
I believe job satisfaction is important for me to remain in the	v46		
There are resources available to mentor and coach me within the organisation for me to perform to the best of my abilities	v47		
The talent development processes in the organisation are actively used to ensure that I consistently perform at the top level	v48		
I believe that talent management actively addresses critical skills	v59		

### **3.7 PRE-TESTING**

A pilot study of the questionnaire was conducted before the questionnaires were distributed to test interpretation and accuracy relating to time allocation as well as participant responses (Saunders *et al.*, 2009). Three participants were selected for this pilot of which two had little knowledge of talent management and succession planning, and the third being familiar with the research and the study from on their background working in HR. The selection of these three respondents was paramount to the research for ensuring the quality of the survey questionnaire. The respondent working in HR had a holistic view of the goal and research objectives, and was able to provide feedback from this perspective.

The feedback from pre-testing was taken into account and the questionnaire was updated accordingly to include a cover letter (Annexure A) which outlined the purpose together with the main objectives of the study. In addition, the researcher used the opportunity to ensure that the questions in the survey were not vague or ambiguous, and that they were consistent with the selected themes of the study.

### **3.8 SURVEY QUESTIONNAIRE – ACCURACY, RELIABILITY AND VALIDITY**

#### **3.8.1 DATA COLLECTION METHOD**

The questionnaire (Annexure B) was administered as an online survey via Survey Monkey™. This was the most suitable and convenient method for collecting the data, as this platform allowed for flexibility where respondents could take their time in completing the survey, where multiple participants were able to respond (Saunders *et al.*, 2009). The use of a survey is more suitable and convenient for collecting data with a sample that is representative of a specific group (Jonker & Pennink, 2010).

The participants were able to access the survey through an automated electronic link that the researcher created and distributed via email to. The respondents were able to self-administer the survey questionnaire and a total of 101 respondents completed the survey.

The researcher provided clarity to the participants in terms of the purpose of the study. Furthermore, participants were informed that the responses and information they shared would be treated as confidential and private and would be used for statistical

analysis. The Survey Monkey™ platform allowed for responses to be collated into an Excel spreadsheet for ease of data collation for research analysis purposes.

Participants were given two weeks to complete the survey and were asked to respond on the different themes relating to the definitions of talent management and succession planning as well as their benefits.

### **3.9 REASON FOR CHOOSING THE METHODOLOGY**

Quantitative method was applied in order to be able to get more insights into research questions. Initially key themes were determined from various literature reviews, following which discussions and interviews were carried out with senior leaders both in business and HR within the financial services to solicit their opinions on talent management. An online survey was best suited to the purpose of this study because it ensured that the researcher received the required data. Surveys are useful especially when in need of responses to similar questions from a group of people. Surveys can take on two forms of which one is structured, face-to-face, and second one being an online survey, of which the latter was selected for use in the research for the sake of convenience saving time (O'reilly-De Bruin, 2001).

The researcher was not present when participants completed the survey and enough time was allocated to allow participants to answer the survey questions accordingly. The researcher was able to track and monitor the completion rate of the surveys online whenever respondents completed the survey.

### **3.10 DATA PREPARATION**

The Survey Monkey™ platform allowed for responses to be collated into an Excel spreadsheet format and uploaded the data into Software R™ for ease of collation of data for research analysis purposes.

### **3.11 DATA VALIDITY AND RELIABILITY**

A reliability test refers the extent to which a test can be repeated and yield the same results each time. If a test can be repeated using the same instrumentation to retrieve the same results for the same parameters, it is considered reliable (Black, 2002).

The survey has been tested and found to be reliable and consistent - each question had at least a 6.7 Cronbach Alpha score with respect to reliability, with succession planning attaining reliability score of 0.798 (Bryman & Bell, 2011).

### **3.12 DATA PROFILING**

For the purpose of accuracy and completeness of the data, the researcher collated all questions into specific themes that were highlighted in the literature review as illustrated in table 3.2 .Descriptive statistics were calculated in order to determine the cases (items) where transformation was required. The mean scores of each theme was calculated where data profiling and descriptive statistics were first drawn up t and extracted for the purpose of interpreting the data for frequency distributions, variables and the need for transformation where required. In cases where data was missing the observation was removed from the analysis.

### **3.13 DATA ANALYSIS AND INTERPRETATION**

Somekh and Lewin (2005) refer to data analysis as the most difficult task when selecting a suitable statistical technique to cover a research question and also be part of the data the researcher has collected. Saunders *et al.*, (2009) suggest that data collected through a research survey can be used to infer relationships between variables and to generate statistical models to explain those relationships. Survey reliability was calculated using Cronbach's alpha.

#### **3.13.1 Statistical test procedure**

There were three specific statistical methods used, namely confirmatory factor analysis, structural equation modeling, and path analysis. A testing process was conducted to determine whether sufficient evidence was available in support of the hypothesized associations, which are detailed below:

Firstly, specific themes were identified by the researcher from the literature review as suggested in Chapter 2, where a confirmatory factor analysis based on said was also incorporated to understand the extent to which the data represented hypothesised associations (Suhr, 2006). This technique allows the study to use theory and research

as a basis for testing associations between variables and specifying a model that best describes the relationships (Suhr, 2006).

Secondly, the use of a structural equation model was suitable for understanding the relationship between the identified variables. Structural equation models are able to illustrate unique interrelationships through representing and predicting a single relationship between theoretical concepts (Hair *et al.*, 2010).

Lastly, a basic path analysis test was conducted to measure the dependent variables that influence the independent variables.

The following limitations should be noted relating to the confirmatory factor analysis technique which was used for this research study:

- Considering that the survey was based on a Likert-scale of 1-5, the data categories were classified according to a hierarchy and therefore it was not possible to capture the extent of the differences between the observed data categories. This indication is pronounced when the mean scores for the latent variables (themes) were calculated.
- In the categorization, some of the questions (factor loadings) overlapped across different themes.

### **3.13.2 Interpretation of results**

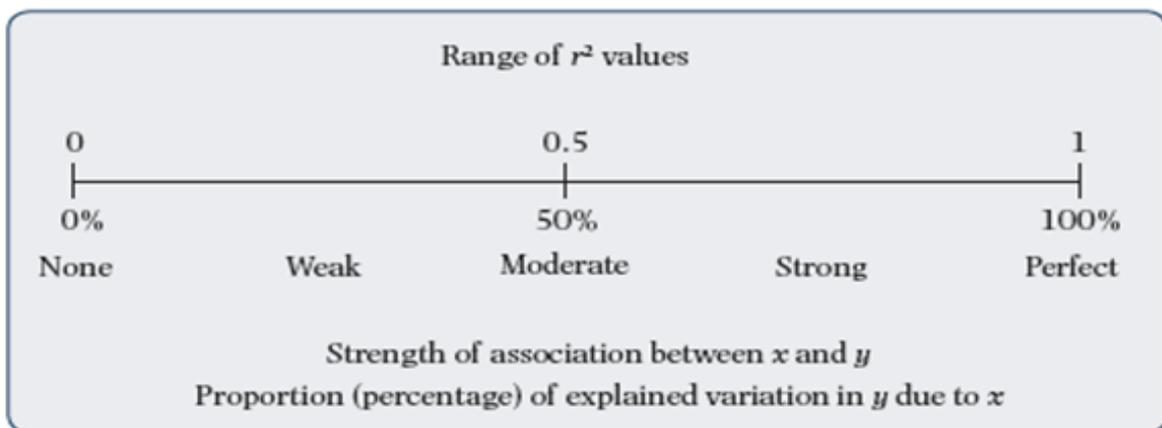
The following statistics were observed as suggested by Hair *et al.* (2010) for interpretation from the statistical tests.

Firstly, the Goodness of Fit Index provided an understanding amongst the structural equation model and the data. The index is 0 and 1 which is an indication of how well a structure equation model has been placed to fit to the data.

Secondly, the effect of the parameter estimates were measured and t-values in the outcomes were observed. The authors suggest that the t-value statistic is measured against the norm of 1.96 at a 95% confidence level where the null is rejected if the t-value is less than 1.96.

Lastly, the researcher used the r-squared value as an indicator for understanding the strength of the relationships between the variables and the extent to which the independent variables explained the dependent variables.

The association between variables is considered strong when the r-squared value tends towards 1 (Wegner, 2010). The interpretation of the r-squared, which is also known as the coefficient of determination, that was used is illustrated in Figure 7. This means that the higher the r-squared, the better the variance is explained in the model. It was observed that the r-squared measure is a relative value and it is used for selecting different statistical models.



**Figure 3-1: Interpretation of r-squared value**

(Source: Adapted from Wegner, 2010, p.310)

### 3.14 RESEARCH LIMITATIONS

The sample size was limited to 300 permanent employees within the four big banks, which included employees who were regarded as talented employees working in the HR department. The limitation of the sample was in getting more participants from other regions or provinces outside of Gauteng to also participate. The large sample was from the Gauteng province because the headquarters of these four banks are all located in the Gauteng province.

The questionnaire mainly covered the definitions of talent management and succession planning as well as the benefits. This means that some of the important aspects of talent management and succession planning might not have been covered

in the questionnaire which could have contributed to talent management and succession planning.

### **3.15 ETHICS AND CONFIDENTIALITY**

All the participants were provided with a letter clarifying the objectives of the research regarding sensitive and confidential information. Furthermore all participants were informed that their responses would be treated confidentially and privately and that their identities would remain anonymous. In addition, the researcher explained that completion of the survey was voluntarily and that no one would be forced to complete the survey if they did not want to participate.

Participants were informed that their responses would not be misinterpreted in the survey questionnaire, and that information from participants would remain private, confidential and anonymous.

### **3.16 CONCLUSION**

In this chapter the research methodologies around the research method utilized in the study, which followed a quantitative approach. The research method was discussed along with the population size, sampling method and the data collection instruments used. The limitations and ethics were also considered. The participants were selected from a population of 300 talented permanent employees across the four banks in South Africa. Chapter four will be a presentation of results from the research survey.

## **4 CHAPTER FOUR: RESULTS AND ANALYSIS**

### **4.1 INTRODUCTION**

The previous chapter explored and discussed the research methodology used for the study. The presentation of the results and findings from the data collected along with the analysis in accordance with the methodology that was followed in chapter 3, will be discussed in this chapter. The findings presented are a summary of the statistical analyses which related to the questions and the hypotheses that were set out in chapter 3 of the research study. The results are classified under two categories of which the first provides a summary of descriptive statistics of the sample distribution and the second a presentation of the results with respect to inferential statistics in the order of the research questions.

The purpose of this analysis was to test the following objectives:

#### **Objective 1**

The first objective was to ascertain the true meaning of talent management in the financial services industry context within South Africa. This will be tested by the following hypothesis:

Hypothesis 1:

There is no significant difference in the meaning of talent management across the financial services industry.

#### **Objective 2**

The second objective was to ascertain the common traits associated with talent management within the context of financial services in South Africa. In essence this objective was to probe and understand the characteristics associated with talent management. This would enable us to clearly derive a better understanding of link between the benefits derived from talent management and the intended outcomes of talent management. This objective was tested with hypothesis as stated below.

Hypothesis 2:

Respondents are neutral with regards to the traits of talent management across the financial services industry that is respondents generally choose a score of 3 across all definitions.

### **Objective 3**

The objective was to ascertain the key benefits of talent management within the financial service industry. The following key questions will be answered:

- Does it lead to greater employee retention?
- Does it lead to greater employee satisfaction?
- Does it lead to greater competitive advantage?

These benefits will be ascertained using the below stated hypothesis.

Hypothesis 3:

Respondents are neutral with regards to the benefits of talent management across the financial services industry that is respondents generally choose a score of 3 across all definitions.

### **Objective 4**

The objective was to ascertain the key outcomes of effective talent management. Outcomes may or may not have unintended consequences hence it is important to fully understand. This would be ascertained by using the following hypothesis:

Hypothesis 4:

Respondents are neutral with regards to the outcomes of talent management across the financial services industry that is respondents generally choose a score of 3 across all definitions.

### **Objective 5**

The objective was to ascertain the key drivers of succession planning. Furthermore, one wanted to ascertain as to whether Does effective talent management lead to a seamless succession planning process?

Hypothesis 5:

There are no key drivers to succession planning.

## **4.2 DESCRIPTIVE STATISTICS**

This section covers the descriptive statistics for the sample provided and data relating to variables in the study by means of measuring instruments utilised are structured in a way of a graph and descriptive measures.

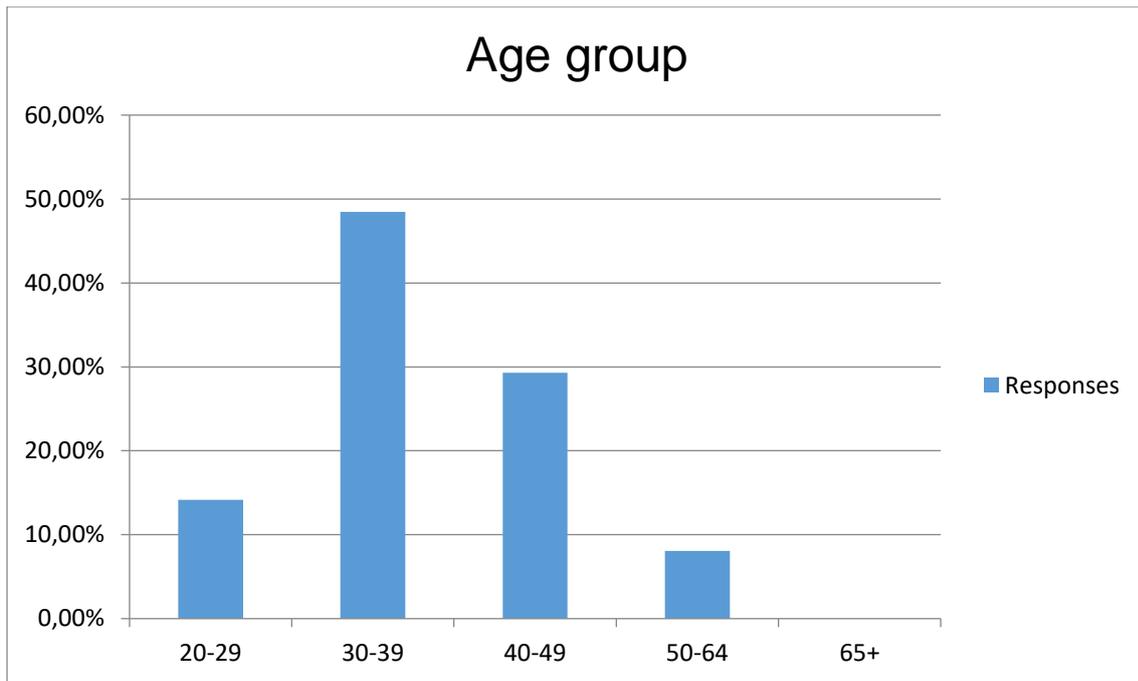
## **4.3 PROFILE OF THE RESPONDENTS**

There were 101 employees in total who responded to the survey that was administered via Survey Monkey™. Related demographic information was collected, including race, gender, age, position level, qualification and the length of service by the current employer.

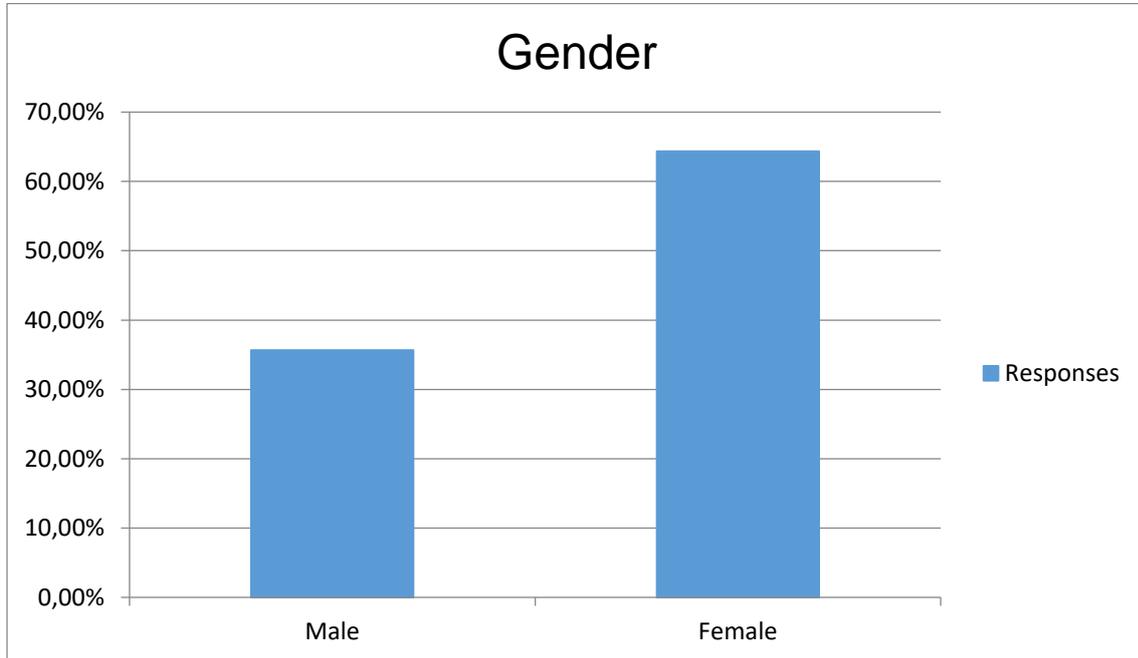
This section also focuses on the details of the respondents according to the questionnaire answers. The information in this particular section will be covered as per the responses.

### **4.3.1 Age and gender distribution**

Of the respondents, 35% were male and 64% were female. The majority (48%) of respondents were between the ages of 30-39. The graphs on figure 4.1 and 4.2 reflects percentage age and gender distribution of respondents.



**Figure 4-1 Percentage of age distribution of respondents**

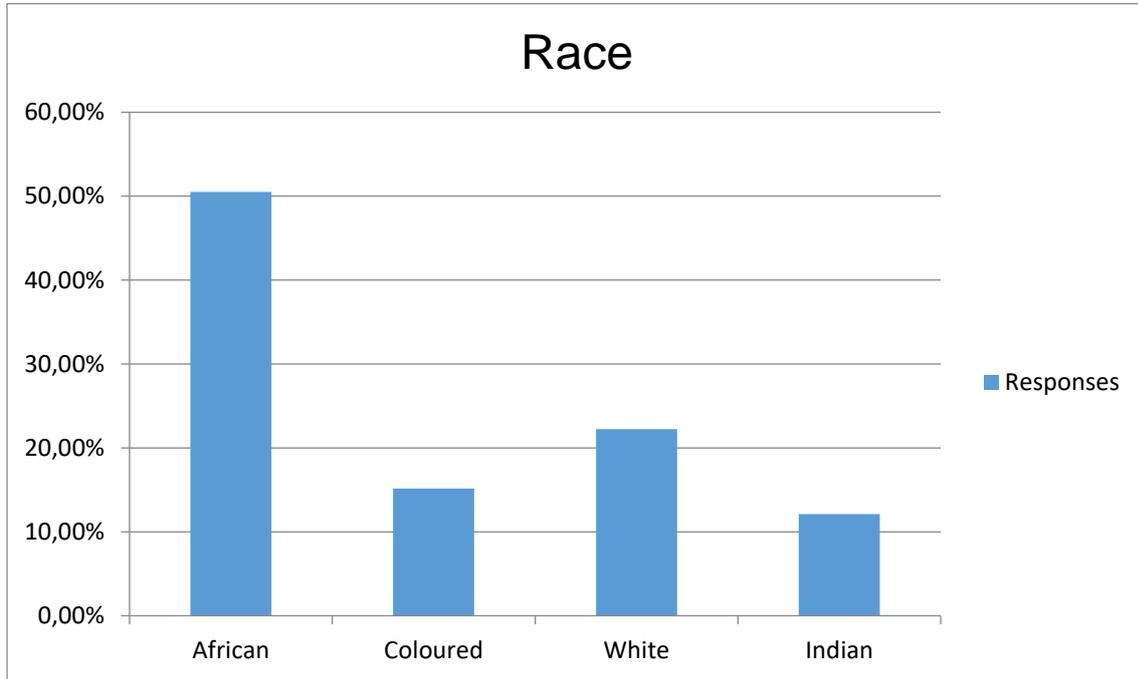


**Figure 4-2: Percentage of gender distribution**

The majority of respondents were female. The results indicate that there was a majority proportion (60%) of female respondents that participated in the research survey compared males at 30%.

#### 4.4 ETHNICITY DISTRIBUTION

50% of respondents were black followed by 22% white. Coloured are at 14% while Indians are at 11%. The representation of distribution is reflected on figure 4.3 below:

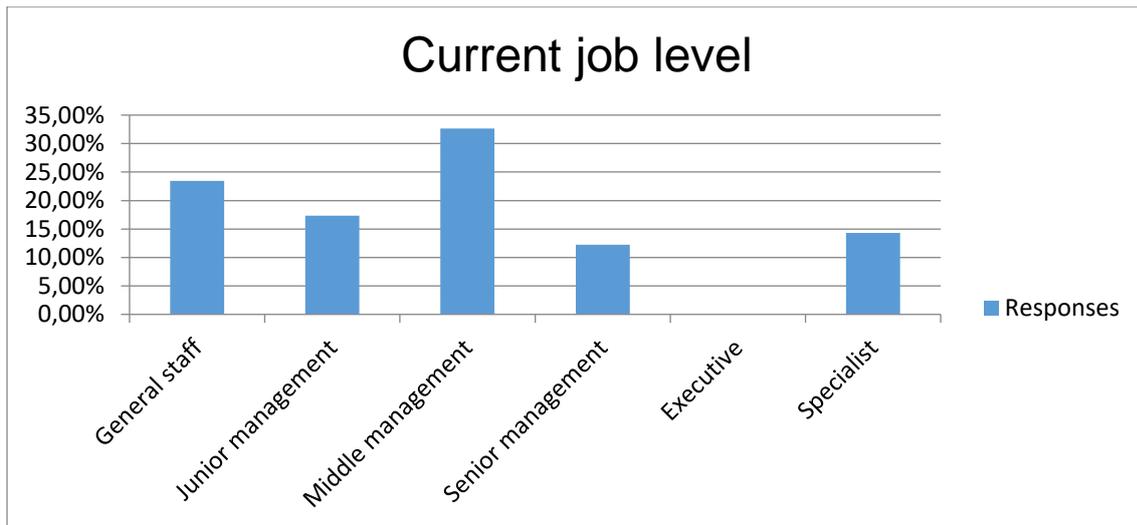


*Figure 4-3 Percentage of ethnicity distribution of respondents*

##### 4.4.1 Current job level

Figure 4.4 below reflects the level of seniority or position level of all respondents which fall under either junior, middle, senior or top management.

14.29% of respondents were in specialist roles and considered as part of management. Majority of respondents were on middle management level followed by general staff and junior management staff.

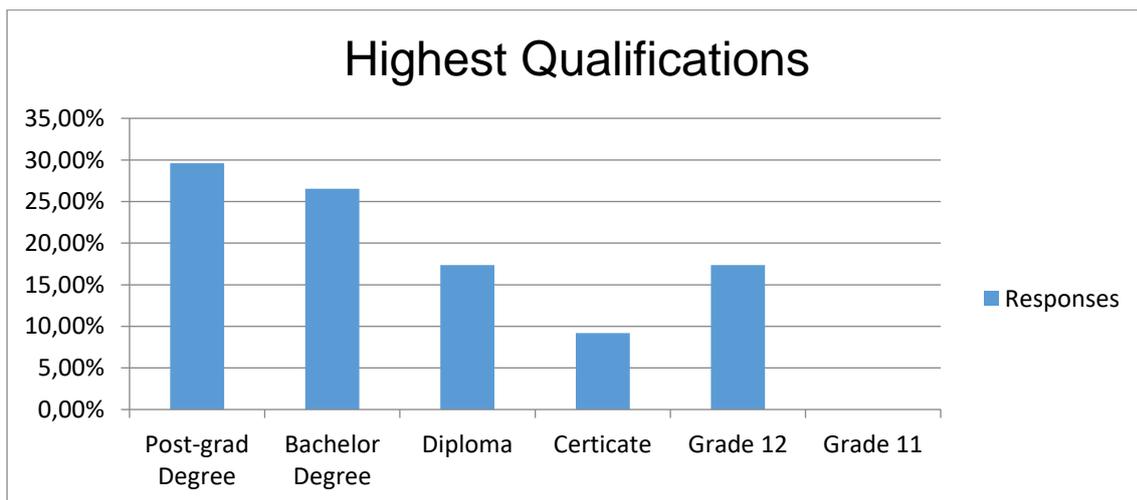


**Figure 4-4: Percentage of position level of respondents within their organisation**

#### 4.4.2 Level of education

The response rate in this category of highest qualification is divided into six categories namely: Grade 11, Grade 12, Certificate, Diploma, Bachelor's degree and Post-grad degree. 17.35% of respondents are in possession of a matric certificate at the same time sitting on leadership roles. 50% of respondents are in possession of a post-graduate degrees followed by Bachelor's degrees.

Figure 4.5 below reflects the qualification levels of respondents.

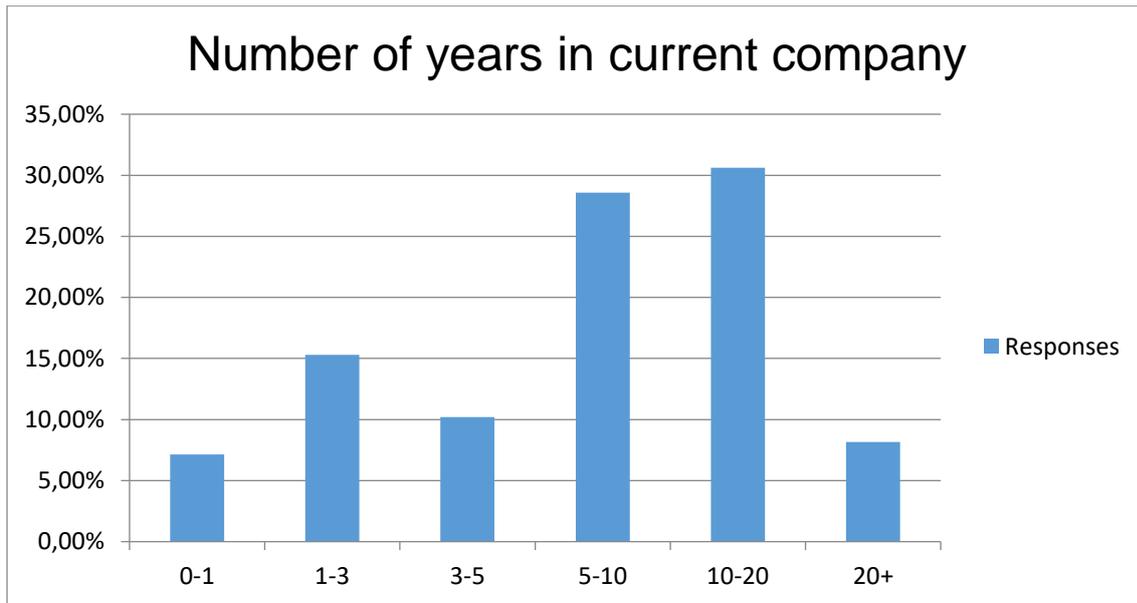


**Figure 4-5: Percentage of level of education**

### 4.4.3 Length of service with current employer

60% of respondents had at least more than 5 years working for the current company, while 70% of respondents had at least more than 10 years working for the current company.

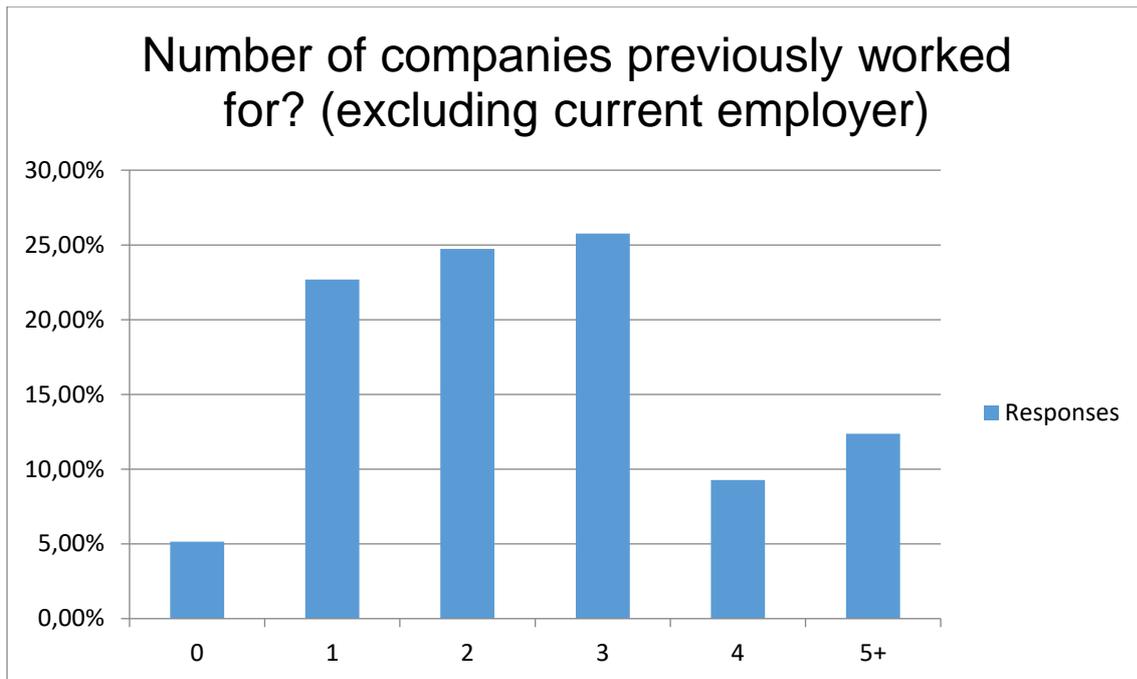
Figure 4.6 below reflects length of service from the respondents



*Figure 4-6: Percentage of length of service of respondents with their current employer*

### 4.4.4 Number of companies previously worked for

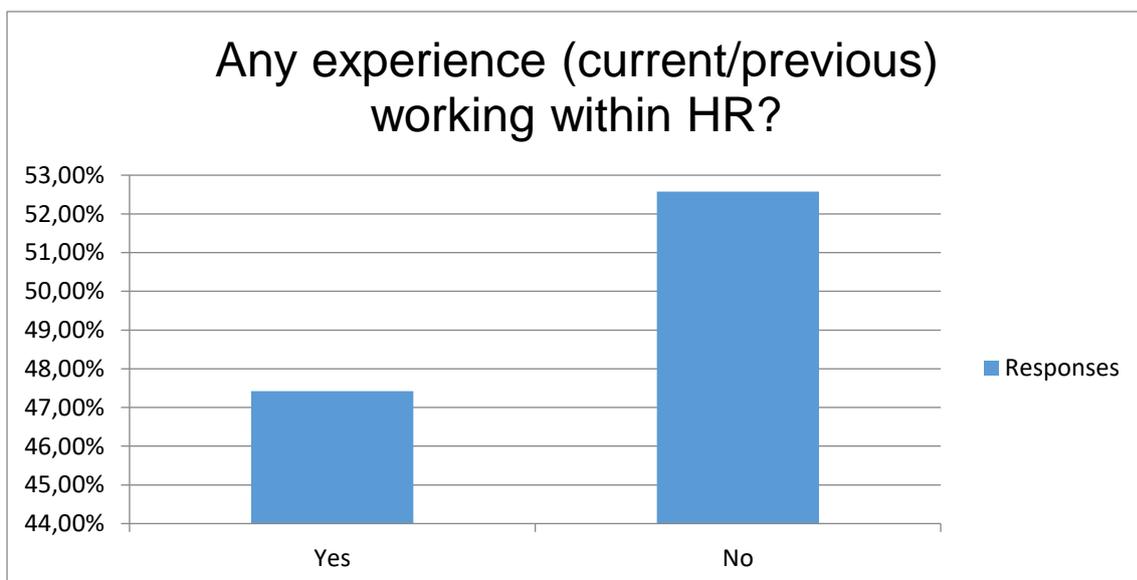
95% of respondents worked for at least 3 companies previously worked for before joining the current company, with 70% having worked more than 2 companies and 60% having worked for 1 company. Figure 4.7 below reflects the information around number of companies worked for.



**Figure 4-7: Percentage of number of companies previously worked for by respondents**

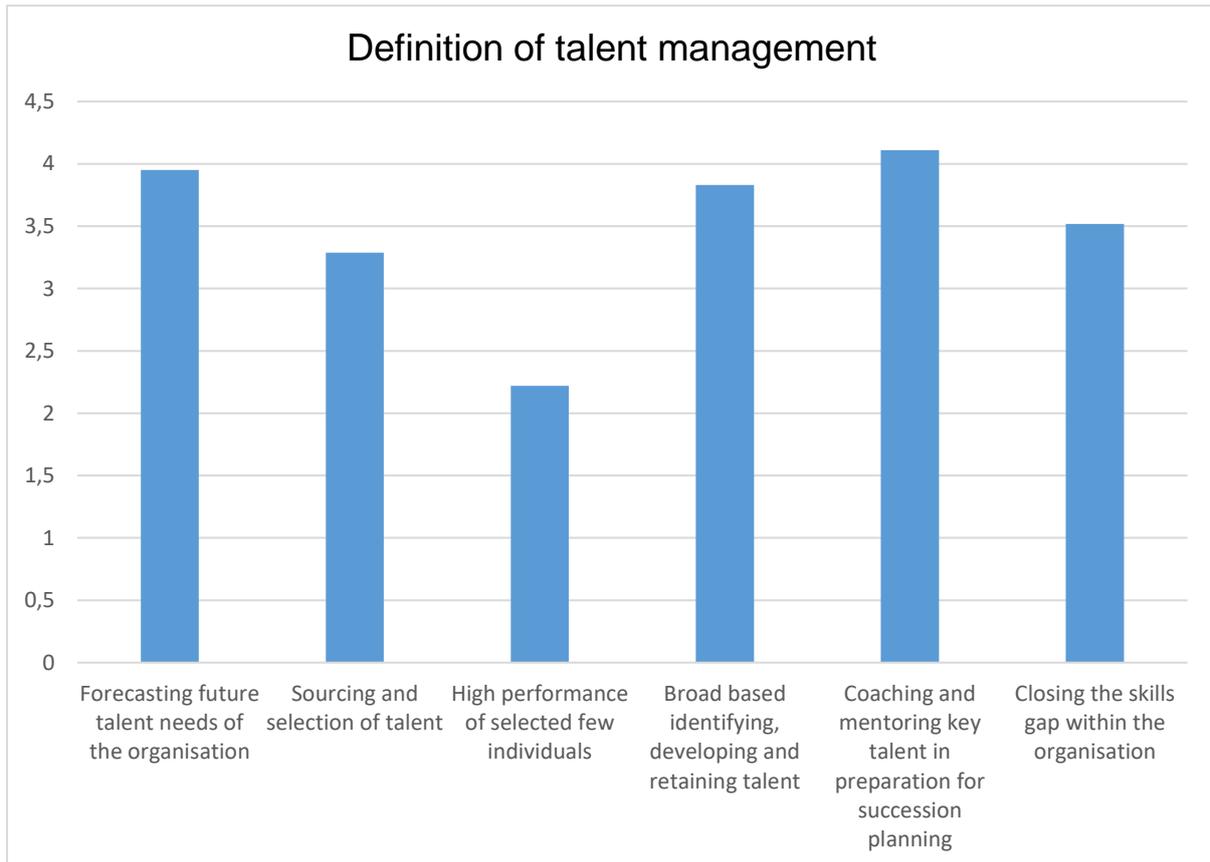
#### 4.4.5 Any experience (current / previous) working for HR

47% of respondents have seemed to work for HR and with 53% working for various department in their organisation. Figure 4.8 below provides the percentages.



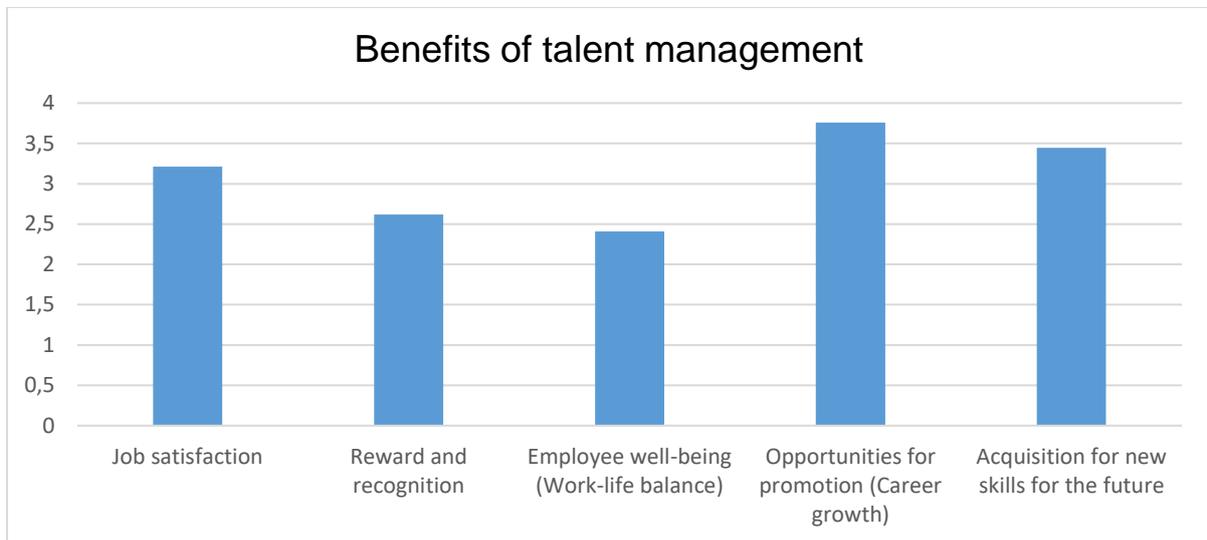
**Figure 4-8: Percentage of current or previous experience of respondents**

Coaching and mentoring is considered as the highest factor followed by broad based identifying, developing and retaining talent and with high performance of selected few individuals as considered to be the lowest factor. The graph below depicts understanding of talent management.



**Figure 4-9: Definition of talent management**

Opportunities for promotion or career growth is the highest factor followed by skills of the future with employee well-being being lowest. The graph below depicts what the benefits of talent management might be to the respondents.



**Figure 4-10: Benefits of talent management**

Succession planning is the highest factor followed by competitive advantage with reward and recognition being the lowest factor. The graph below depicts outcomes of talent management.



**Figure 4-11: Outcomes of talent management**

## 4.5 SURVEY RELIABILITY

In this section we analysed the response data received from the survey questionnaires. We then tested for survey response reliability and internal consistency using the Cronbach's alpha (Bryman & Bell, 2011). If the survey is not reliable it means the conclusions and recommendations would be incorrect. Overall, Cronbach's alpha for the entire survey was 0.75 and for individual questions it was greater than 0.7 which means that the survey was reliable. Anything that is less than 0.5 is deemed not reliable according to the industry standards. The table below shows the reliability at item level. Anything that is less than 0.5 is deemed not reliable according to the industry standards. The table below show the reliability for each question.

*Table 4-1: Reliability for each question*

Variable	Alpha
Gender	0.748
Race	0.744
Age group	0.747
Highest Qualifications	0.745
Years of experience	0.746
Province	0.744
Number of years in current company	0.747
Number of companies previously worked for? (excluding current employer)	0.75
Current job level	0.747
Any experience (current/previous) working within HR?	0.748
Number of times you have been promoted in current company	0.742
Number of different roles you have performed in the current company	0.743
Forecasting future talent needs of the organisation	0.773
Sourcing and selection of talent	0.768
High performance of selected few individuals	0.747
Broad based identifying, developing and retaining talent	0.756
Coaching and mentoring key talent in preparation for succession planning	0.751
Closing the skills gap within the organisation	0.751
Talent management in my organisation gives me the ability to do well.	0.741

I believe talent management in my organisation is only for selected individuals	0.76
Talent management in my organisation is aligned to the future needs of my organisation	0.738
Talent management in my organisation directly addresses skills shortages	0.736
Talent management is actively applied in sourcing and recruiting in my organisation	0.739
I believe that existing staff members are given first priority to senior roles before external candidates	0.736
There are identified coaches and mentors in my organisation	0.738
Talent management is actively applied across all levels of management within my organisation	0.736
My organisation regularly engages me with talent management processes	0.738
Talent management plays a major role when it comes to my career plan within my organisation	0.735
I believe talent management in my organisation comprehensively addresses employee fears and concerns	0.736
I believe that talent management is a consultative process within my organisation	0.736
There is regular engagement between HR and staff with regards to talent management	0.738
In my organisation talent management processes deals effectively with poor performers	0.738
Job satisfaction	0.751
Reward and recognition	0.756
Employee well-being (Work-life balance)	0.756
Opportunities for promotion (Career growth)	0.746
Acquisition for new skills for the future	0.744
I believe talent management in my organisation is providing tangible benefits	0.737
I have declined external job opportunities due to the existence of opportunities within my organisation	0.738

I believe my organisation has effective succession management processes across all job levels	0.736
Most of our leadership in the organisation have extensive working experience within the organisation	0.744
In my organisation talent management is directly linked to succession planning.	0.737
My organisation believes in succession planning.	0.735
I am familiar with the succession planning processes within the organisation	0.735
My annual contractual goals are directly linked to succession planning	0.736
I believe my organisation rewards managers who actively adhere to succession planning processes.	0.736
I believe succession planning within my organisation provides competitive advantage	0.735
I understand how my work impacts on the organisation's business goals.	0.749
High performance is actively rewarded in my organisation	0.739
I believe top talent is continually recognized within my organisation	0.738
I believe that our remuneration policy is directly linked to talent management processes	0.739
The remuneration policy in my organisation motivates top talent to achieve greater	0.738
I believe my organisation actively retains top talent	0.739
I believe my organisation proactively encourages poor performers to exit the organisation	0.743
I believe the talent management plays an active role in my decision to continue working for the company	0.737
I believe my organisation allows me to have a good work-life balance	0.741
I believe my organisation equips me with the tools to perform my duties	0.742
I believe job satisfaction is important for me to remain in the organisation	0.744
There are resources available to mentor and coach me within the organisation for me to perform to the best of my abilities	0.738
The talent development processes in the organisation are actively used to ensure that I consistently perform at the top level	0.735
I believe my organisation is full of top talent and high performers	0.741

I believe that talent management is directly linked to us having a competitive advantage in the market	0.742
I believe that employees in our organisation have highly sought-after skills	0.744
I believe my organisations equips us with the skills of the future in order to remain relevant	0.737
Succession planning	0.798
Reward and recognition 2	0.755
Retention	0.764
Employee satisfaction	0.779
Competitive advantage	0.758
I believe talent management is the key driver of succession planning	0.744
I believe that talent management actively addresses critical skills shortages within the organisation	0.741
I believe talent management in my organisation is creating new job opportunities for me	0.734
I believe talent management is contributing to strong financial performance within my organisation	0.738

#### 4.6 PEARSON CORRELATION ANALYSIS

**Table 4-2: Number of years in the current employer**

	1	2	3	4	5	6	7
1 Age group	1						
2 Years of experience	0.8	1					
3 Number of years in current company	0.6	0.63	1				
4 Number of companies previously worked for? (excluding current employer)	0.07	0.16	-0.22	1			
5 Any experience (current/previous) working within HR?	-0.08	-0.1	0.12	-0.3	1		
6 Number of times you have been promoted in current company	0.15	0.25	0.45	-0.06	0.13	1	
7 Number of different roles you have performed in the current company	0.28	0.39	0.61	-0.1	0.09	0.72	1

For Pearson correlation tests, the general rule of thumb is that if the correlation between 2 variables is above +/- 0.7 then the variables are highly correlated, if +/- 0.4 --- +/- 0.7 then correlated, if +/-0.2 -- +/- 0.4 then weakly correlated and if 0 -- +/- 0.2 then no correlation. If the value is positive (+) then it is called positive correlation and if it is negative then it is called negative (-) correlation. As an example, variable 1 (age group) is positively correlated to variable 2 (years of experience).

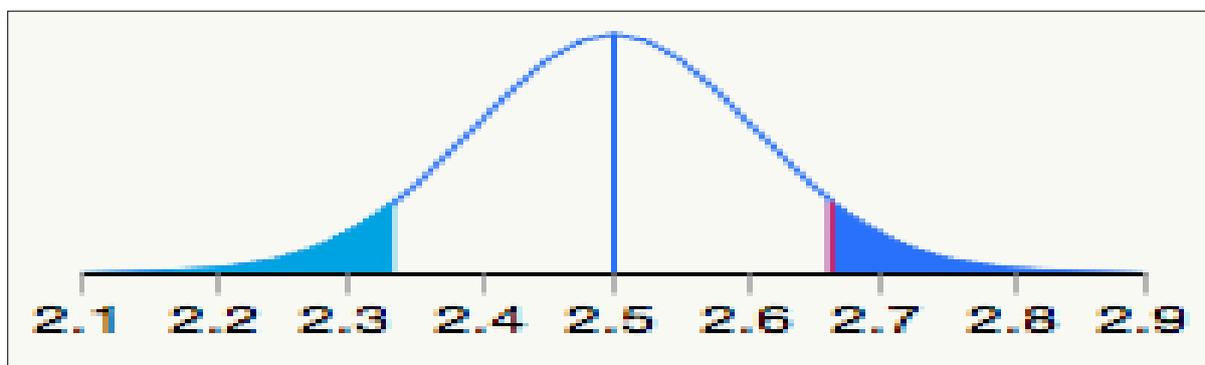
Age was highly correlated with years of experience at 0.8. The second correlation was number of years' experience and number of years in the present company. The research also found that there is correlation between number of times promoted and number of roles performed in different positions.

Furthermore, the research found that there was a weak correlation between HR experience and the number of companies worked for. The number of years in the current companies reflects the opportunities for employees to move up within the company as part of growth.

#### 4.7 VARIABLE DISTRIBUTION

Mean value is 2.66

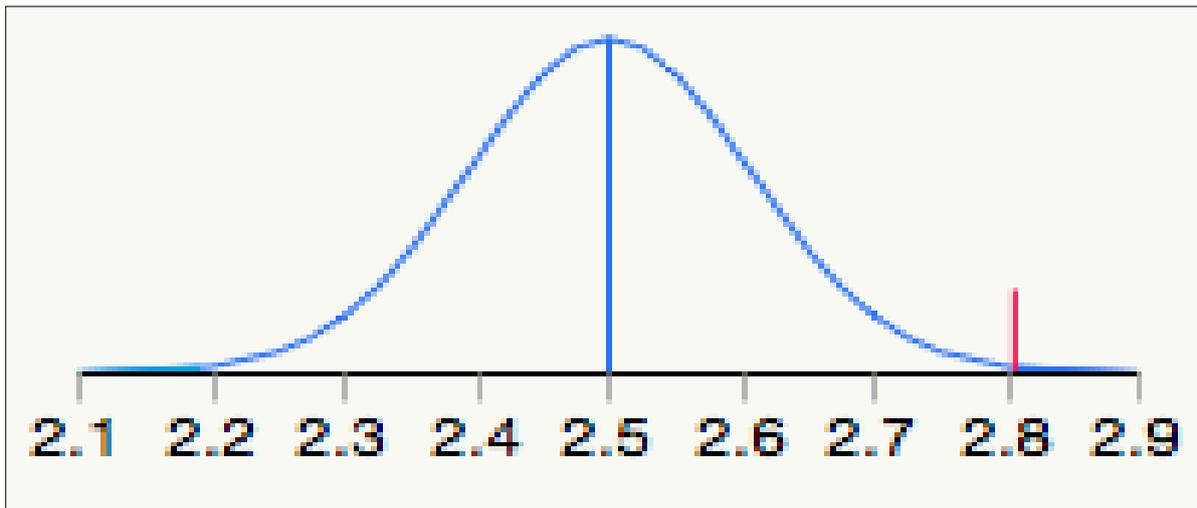
The figure below depicts the general distribution of survey responses around managing poor performers. In terms of managing poor performance, 2.66 was generally low which means people were slightly not confident that their organisation were managing poor performance.



*Figure 4-12: Managing poor performance*

Mean value is 2.8

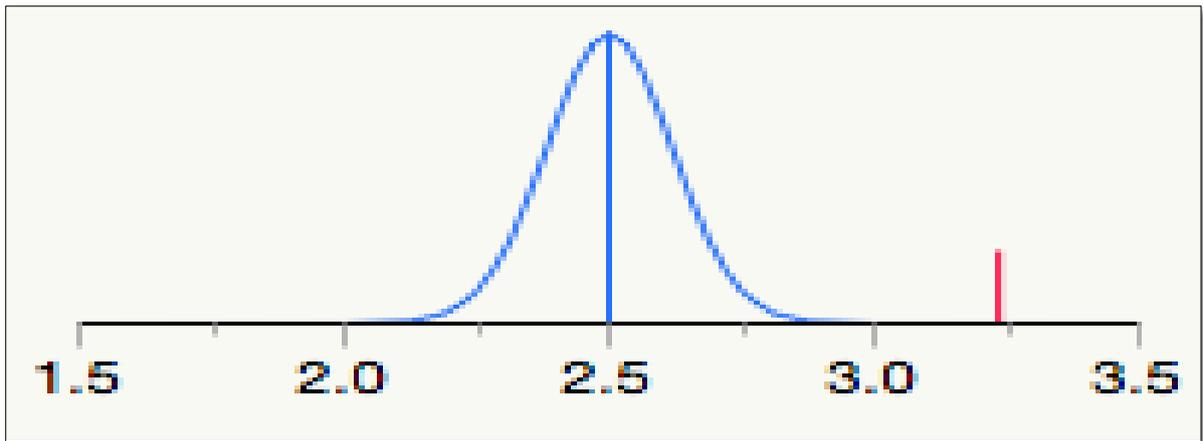
The figure below depicts the general distribution of survey responses around retention. On a scale 1 to 5, with 1 indicating people being negative towards retention as an outcome of talent management and 5 being highly positive, a score of 2.8 was found to be slightly negative, tending towards neutral in terms of perceptions around retention being an outcome of talent management.



*Figure 4-13: Retention*

Mean value is 3.23

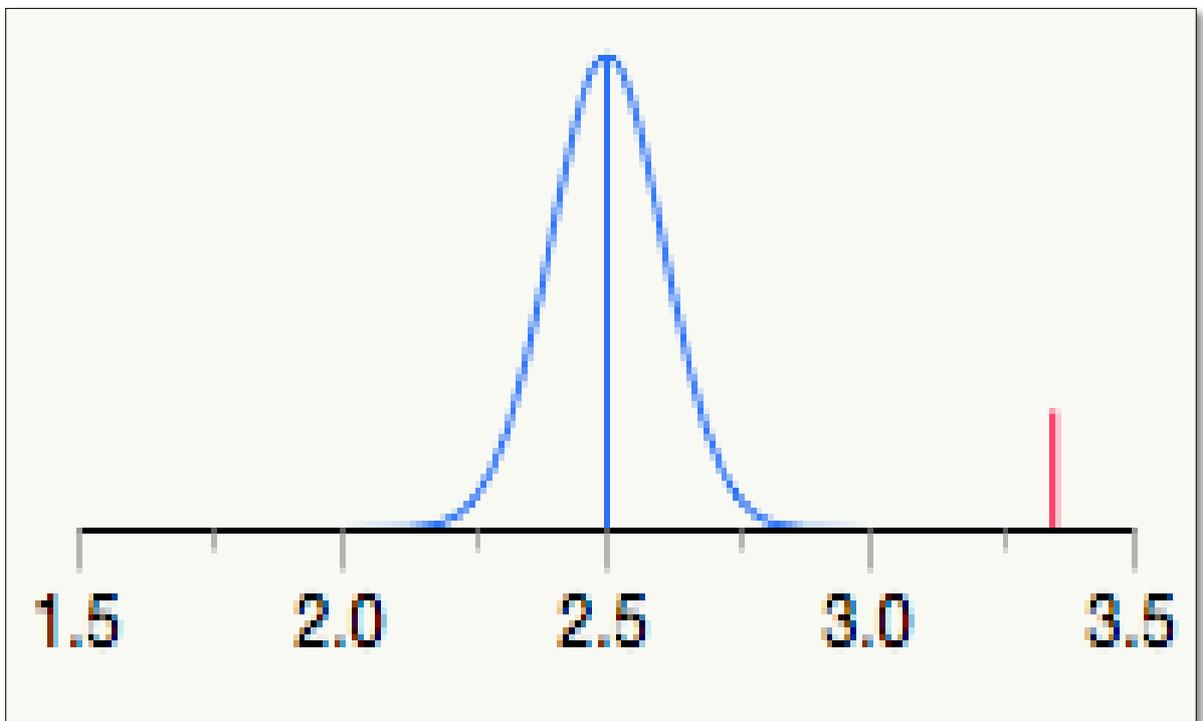
The figure below depicts the distribution survey responses around recognition. In terms of recognition, 3.23 is high and this proves that people were confident in terms of recognition. People were highly satisfied and well recognised and rewarded for their efforts within the organisation.



*Figure 4-14: Recognition*

Mean value is 3.35

The figure below depicts the distribution of the survey response around skills. In terms of skills, 3.35 is high which means people were confident in terms of organisations providing them with skills. People are confident that there are highly developed and provided with the necessary skills to equip them in their roles.



*Figure 4-15: Skills*

## 4.8 HYPOTHESIS TESTING

Understanding the definition of talent management in the context of financial services industry

### 4.8.1 Hypothesis 1

Respondents are neutral with regards to the definition of talent management across the financial services industry i.e. respondent generally chose a ranking of 3 across all definitions.

Assumptions:

1. Assume that if respondent are neutral, they would choose a ranking of 3
2. Assume that a ranking above 3 represents a positive score and a score of below 3 is a negative score.

Using the Student-t test and the Signed-Rank test at 5% significance level, the results are shown in the table below. Sourcing and selection of talent, high performance of a select few individuals and identifying, developing and retaining talent, are rejected as definitions of talent management within the financial services industry context In South Africa.

From the table below, coaching and mentoring of talent is the definition most associated with talent management followed by closing the skills gap within the corporate organisation. For the hypothesis being discarded the general population does not identify with that definition.

*Table 4-3: Different definitions of talent management*

Definition	Hypothesised Mean	Mean	P value	Result
Sourcing and Selection of Talent	3	1.97	0.00001	reject null hypothesis
High performance of select few	3	1.44	0.00001	reject null hypothesis

Identify, develop and retain talent	3	2.5	0.0429	reject null hypothesis
Coaching and mentoring	3	3.06	0.9036	fail to reject null hypothesis
Closing the skills gap	3	3.05	0.7863	fail to reject null hypothesis

#### 4.8.2 Hypothesis 2

Respondents are neutral with regards to the traits of talent management across the financial services industry i.e. respondent generally chose a score of 3 across all definitions.

Assumptions:

1. Assume that if respondent are neutral, they would choose a ranking of 3
2. Assume that a ranking above 3 represents a positive score and a score of below 3 is a negative score.

Using the Student-t test and the Signed-Rank test at 5% significance level, the results are shown in the table below for the items that were rejected at 5% significance level.

**Table 4-4: Items rejected for significant level**

Trait item	Hypothesised Mean	Mean	P value	Result
v7 (ability to do well)	3	3.59	0.00001	reject null hypothesis
v9 (Future needs of organisation)	3	3.63	0.00001	reject null hypothesis
v11 (Sourcing and recruiting)	3	3.42	0.00001	reject null hypothesis
v16 (Career planning)	3	3.36	0.0012	reject null hypothesis

v36 (Aligning to business goals)	3	2.08	0.001	reject null hypothesis
v49 (top talent)	3	3.62	0.00001	reject null hypothesis
v51 (Highly sought after skills)	3	3.74	0.00001	reject null hypothesis

### 4.8.3 Hypothesis 3

Respondents are neutral with regards to the benefits of talent management across the financial services industry i.e. respondent generally chose a ranking of 3 across all definitions.

Assumptions:

1. Assume that if respondent are neutral, they would choose a ranking of 3
2. Assume that a ranking above 3 represents a positive score and a score of below 3 is a negative score.

Using the Student-t test and the Signed-Rank test at 5% significance level, the results are shown in the table below for the items that were rejected at 5% significance level. Job satisfaction, reward and recognition, and employee well-being are rejected as key benefits of talent management within the financial services industry context in South Africa.

**Table 4-5: Benefits of talent management**

Benefits	Hypothesised Mean	Mean	P value	Result
Job satisfaction	3	2	0.00001	reject null hypothesis
Reward and recognition	3	1.81	0.00001	reject null hypothesis
Employee well being	3	1.62	0.00001	reject null hypothesis

Career growth	3	2.83	0.3084	fail to reject null hypothesis
Acquiring new skills	3	2.97	0.8698	fail to reject null hypothesis

From the table above, competitive advantage is the outcome most associated with Talent management within the corporate organization.

#### 4.8.4 Hypothesis 4

Respondents are neutral with regards to the outcomes of talent management across the financial services industry i.e. respondent generally chose a score of 3 across all definitions.

Assumptions:

1. Assume that if respondent are neutral, they would choose a ranking of 3
2. Assume that a ranking above 3 represents a positive score and a score of below 3 is a negative score.

Using the Student-t test and the Signed-Rank test at 5% significance level. Succession planning, reward and recognition retention, and job satisfaction, are rejected as key outcomes of talent management within the financial services industry context In South Africa.

**Table 4-6: Outcomes of talent management**

Outcome	Hypothesised Mean	Mean	P value	Result
Succession planning	2.5	1.95	0.005	reject null hypothesis
Reward and recognition	2.5	1.67	0.00001	reject null hypothesis
Retention	2.5	1.8	0.0001	reject null hypothesis
Job satisfaction	2.5	1.88	0.0005	reject null hypothesis

Competitive advantage	2.5	2.5	0.8385	fail to reject null hypothesis
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From the table above; competitive advantage is the outcome most associated with talent management within the corporate organization.

## 4.9 SUCCESSION PLANNING: CAUSALITY MODELLING

### 4.9.1 Structural equation modelling

Structural equation modelling is a form of a statistical analysis that seek to find causality effects within variables at question, i.e. how each variable or factor influence the other.

Below tables shows variables that we used in our model where there were two exogenous i.e. external influencers (current job level and succession)

*Table 4-7: Variables used in the model*

<b>Endogenous</b>	<b>Manifest</b>	<b>Outc; Poor_perf; Recognition; Retention ;Skills</b>
	Latent	
<b>Exogenous</b>	Manifest	Current job level; Succession
	Latent	
<b>Number of Endogenous Variables</b>		<b>= 5</b>
<b>Number of Exogenous Variables</b>		<b>= 2</b>

The below shows the summary statistics of the endogenous variables in our model

*Table 4-8: Summary statistics of the endogenous variables*

<b>Simple Statistics</b>		
<b>Variable</b>	Mean	Std Dev
<b>Current job level</b>	2.86735	1.63491

<b>Succession</b>	2.68367	1.05123
<b>Poor_perf</b>	2.66327	1.04481
<b>Retention</b>	2.80612	1.05183
<b>Recognition</b>	3.23469	1.17360
<b>Skills</b>	3.34694	1.05618
<b>Outc</b>	1.95510	1.21045

#### 4.10 Hypothesis 5

Generally the null hypothesis is:

There is no significant driver of succession planning within the talent management framework. The tests were carried out at 5% and 10% significance levels. The results are shown below.

The table below illustrates the summary of the model fit. The Adjusted Goodness of Fit Index is 0.8464. If the model is a perfect fit this value should be greater than 0.9. The RMSEA Estimate was expected to be below 0.05 for a good fit but it is 0.0944. However, using the chi square at 5% level significance the model fit is marginally accepted. Also the Bentler Comparative Fit Index and Bollen Non-normed Index Delta2 are greater than 0.9, suggesting a good fit. The hypothesis is not rejected at 5% loss which concludes that the model fit is sufficient. This means there exists some relationship between exogenous (external influencers) and endogenous (internal influencers) variables.

**Table 4-9: Summary of the model fit**

<b>Fit Summary</b>		
<b>Modeling Info</b>	N Observations	98
	N Variables	7
	N Moments	28
	N Parameters	22
	N Active Constraints	0

	Baseline Model Function Value	1.6134
	Baseline Model Chi-Square	156.4969
	Baseline Model Chi-Square DF	21
	Pr > Baseline Model Chi-Square	<.0001
<b>Absolute Index</b>	Fit Function	0.1153
	Chi-Square	11.1837
	Chi-Square DF	6
	Pr > Chi-Square	0.0829
	Z-Test of Wilson & Hilferty	1.3911
	Hoelter Critical N	110
	Root Mean Square Residual (RMSR)	0.0568
	Standardized RMSR (SRMSR)	0.0458
	Goodness of Fit Index (GFI)	0.9671
<b>Parsimony Index</b>	Adjusted GFI (AGFI)	0.8464
	Parsimonious GFI	0.2763
	RMSEA Estimate	0.0944
	RMSEA Lower 90% Confidence Limit	0.0000
	RMSEA Upper 90% Confidence Limit	0.1793
	Probability of Close Fit	0.1717
	ECVI Estimate	0.6097
	ECVI Lower 90% Confidence Limit	0.5618
	ECVI Upper 90% Confidence Limit	0.7558
	Akaike Information Criterion	55.1837
	Bozdogan CAIC	134.0530
	Schwarz Bayesian Criterion	112.0530
	McDonald Centrality	0.9739
<b>Incremental Index</b>	Bentler Comparative Fit Index	0.9617
	Bentler-Bonett NFI	0.9285
	Bentler-Bonett Non-normed Index	0.8661
	Bollen Normed Index Rho1	0.7499
	Bollen Non-normed Index Delta2	0.9656
	James et al. Parsimonious NFI	0.2653

Path Analysis:

The table below shows the path of exogenous variables to the endogenous variables. The symbol → means influence to the variable it is pointing. Parameter estimates for each path is indicated, which one might consider as Beta in a multivariate regression model or as an indication of size of influence. The t-value assist in understanding which path is significant and if the computed t-value falls within the interval of [-1.96; 1.96], the path is not significant. That table below illustrates that the paths highlighted in red are significant. That is, succession influences retention and skills; current job level influences skills; and skills influences poor performance, retention and recognition. Other paths proved not to be significant at a 95% confidence level.

**Table 4-10: The path of exogenous variables to the endogenous variables**

Standardized Results for PATH List						
Path			Parameter	Estimate	Standard Error	t Value
Succession	---	Outcomes	_Parm01	0.0003179	0.11659	0.00273
Succession	---	Poor_perform	_Parm02	0.11183	0.09398	1.18998
<b>Succession</b>	<b>---</b>	<b>Retention</b>	<b>_Parm03</b>	<b>0.35171</b>	<b>0.08434</b>	<b>4.17025</b>
Succession	---	Recognition	_Parm04	0.20016	0.10608	1.88683
<b>Succession</b>	<b>---</b>	<b>New Skills</b>	<b>_Parm05</b>	<b>0.48621</b>	<b>0.07704</b>	<b>6.31083</b>
Current job level	---	Outcomes	_Parm06	0.05744	0.10420	0.55123
Current job level	---	Poor_perform	_Parm07	4.88888E-6	0.08438	0.0000579
Current job level	---	Retention	_Parm08	0.07219	0.07816	0.92361
Current job level	---	Recognition	_Parm09	0.00373	0.09632	0.03873
<b>Current job level</b>	<b>---</b>	<b>New Skills</b>	<b>_Parm10</b>	<b>0.20554</b>	<b>0.08607</b>	<b>2.38797</b>
New Skills	---	Outcomes	_Parm11	0.04270	0.11793	0.36211
<b>New Skills</b>	<b>---</b>	<b>Poor_perfo</b>	<b>_Parm12</b>	<b>0.53071</b>	<b>0.08512</b>	<b>6.23470</b>
<b>New Skills</b>	<b>---</b>	<b>Retention</b>	<b>_Parm13</b>	<b>0.41209</b>	<b>0.08371</b>	<b>4.92299</b>
<b>New Skills</b>	<b>---</b>	<b>Recognition</b>	<b>_Parm14</b>	<b>0.25452</b>	<b>0.10639</b>	<b>2.39226</b>



**Figure 4-16: Association between succession planning and retention**

The tables below illustrate variance parameter estimates for exogenous variables and for error terms for endogenous variable which are all significant at 95% confidence levels. The covariance between the exogenous variable is -0.71368 which is not significant at 95% confidence level.

**Table 4-11: Variance parameter estimates for exogenous variables**

<b>Variance Parameters</b>					
<b>Variance Type</b>	Variable	Parameter	Estimate	Standard Error	t Value
<b>Exogenous</b>	Current job level	_Add1	2.67294	0.38381	6.96419
	Succession	_Add2	1.10509	0.15868	6.96419
<b>Error</b>	Poor_perf	_Add3	0.70944	0.10187	6.96419
	Retention	_Add4	0.61759	0.08868	6.96419
	Recognition	_Add5	1.16648	0.16750	6.96419
	Skills	_Add6	0.82088	0.11787	6.96419
	Outc	_Add7	1.45644	0.20913	6.96419

<b>Covariance Among Exogenous Variables</b>					
<b>Var1</b>	Var2	Parameter	Estimate	Standard Error	t Value
<b>Succession</b>	Current job level	_Add8	-0.12487	0.17497	-0.71368

## 4.11 DESCRIPTIVE MODEL

### 4.11.1 Benefits of succession planning

This model was built to assist in identifying factors that are associated with increased benefits of succession planning.

In this section a generalized linear model using the theme succession planning and the other themes created, have been fitted. The whole model below tests the following hypothesis:

There is no predictor of greater succession planning from the themes created, versus the alternate hypothesis that at least one of the themes is associated with succession planning.

At 1% level of significance rejected the null hypothesis was rejected and indicated that at least one theme is a predictor of annual turnover (p-value < 0.01)

### 4.11.2 Target definition

The following transformation was carried out on the variable “annual turnover”:

$$Target = \begin{cases} 1 & \text{if mean score of succession plan} > 3 \\ 0 & \text{if mean score of succession plan} \leq 3 \end{cases}$$

### 4.11.3 Sampling

For the purpose of the modelling exercise, the full model data set was used for training the model and a simple random selection of 20% of the data was used to validate the model

### 4.11.4 Methodological approach

Logistic regression was chosen because the model has a dichotomous dependent variable. The logit model predicts the log of the odds of a categorical event or outcome. When the log of the odds from the resulting model is converted back to a probability the possible range of values is restricted to be between 0 and 1.

For k explanatory variables and  $i = 1, \dots, n$  individuals, the model is

Equation 1

$$\text{og} \left[ \frac{p_i}{1 - p_i} \right] = \alpha + \beta_1 x_{i1} + \beta_2 x_{i2} + \dots + \beta_k x_{ik}$$

Where  $p_i$  is the probability that the dependent variable is 1.

By the very nature of the linear summation, the logit model assumes that the predictors are linear in log-odds space with the outcome. Unfortunately, few relationships are exactly linear. To mitigate the impact of the linearity assumption and for other beneficial reasons, some predictors have been transformed.

## 4.12 ANALYSIS AND FIT STATISTICS

### 4.12.1 Generalised linear model fit

Response: succession binary

Distribution: Binomial

Link: Logit

Estimation Method: Maximum Likelihood

At 1% level of significance the null hypothesis was rejected, indicating that at least one theme is a predictor of annual turnover (p-value < 0.01)

Whole Model Test

**Table 4-12: Model test**

Model	-LogLikelihood	L-R ChiSquare	DF	Prob>ChiSq
<b>Difference</b>	21.3102894	42.6206	10	<.0001*
<b>Full</b>	46.5364789			
<b>Reduced</b>	67.8467684			

<b>Goodness Of Fit Statistic</b>	<b>ChiSquare</b>	<b>DF</b>	<b>Prob&gt;ChiSq</b>
<b>Pearson</b>	98.3595	87	0.1904
<b>Deviance</b>	93.0730	87	0.3084

The table below shows the most important features selected in the model. At 5% level of significant 2 themes were significant while at 1% level of significant only 1 theme was selected.

That is, greater retention of existing top talent and employee wellness are the most important themes in predictive succession planning.

**Table 4-13: Important features selected in the model**

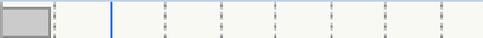
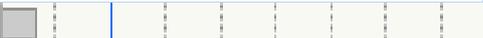
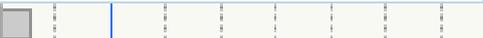
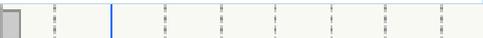
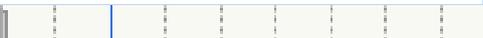
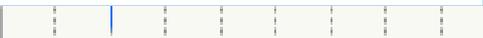
<b>Source</b>	<b>LogWorth</b>		<b>P Value</b>
<b>Retention</b>	3.683		0.00021
<b>Wellness</b>	1.504		0.03134
<b>Race</b>	0.952		0.11172
<b>Benefits</b>	0.910		0.12312
<b>Recognition</b>	0.902		0.12523
<b>Traits</b>	0.678		0.20985
<b>Age group</b>	0.544		0.28592
<b>Experience with HR</b>	0.382		0.41464
<b>Job_Satisfaction</b>	0.123		0.75318
<b>Number of promotions</b>	0.025		0.94489

Table 4.14 below summarises the effect test. From an 85% significance level it is clear that wellness and retention are significant outcomes of a positive succession planning. Retention is the single biggest factor associated with succession planning. This means that effective succession planning is associated with individuals refusing job offers elsewhere and remaining loyal to their current organisation. It is also clear that these individuals have a very good general employee well-being.

**Table 4.14: Effect test**

<b>Source</b>	<b>DF</b>	<b>L-R ChiSquare</b>	<b>Prob&gt;ChiSq</b>
<b>Traits</b>	1	1.5724675	0.2098
<b>Benefits</b>	1	2.3772154	0.1231
<b>Experience with HR</b>	1	0.6654553	0.4146
<b>Number of promotions</b>	1	0.0047784	0.9449
<b>Job_Satisfaction</b>	1	0.0988803	0.7532
<b>Retention</b>	1	13.761012	0.0002*
<b>Recognition</b>	1	2.3506502	0.1252
<b>Wellness</b>	1	4.6340141	0.0313*
<b>Race</b>	1	2.5297377	0.1117
<b>Age group</b>	1	1.1387133	0.2859

#### **4.13 CONCLUSION**

In this chapter, a detailed analysis of the research findings was outlined. Furthermore, the data collected with the analysis of this data was then presented. The demographic percentage of the sample size was provided, reflecting that the majority of the respondents were female and of African ethnicity between age group category of 30-39 years old.

The majority of the respondents were middle managers followed by general staff and junior management staff. A total of 60% of respondents had at least more than 5 years working for the current company while 70% of respondents had at least more than 10 years working for the current company.

Succession planning leads to greater retention and acquiring new skills, current job level influences the new exposure to new skills. Encouragement of acquiring new and highly qualified skills influences poor performers to leave the organisation, greater retention of top talent and greater rewards and recognition. At 1% level of significance the null hypothesis was rejected, concluding that at least one theme is a predictor of annual turnover (p-value< 0.01).

The next chapter provides the main findings to the study as well as conclusions and recommendations to the study. Limitations and areas of further research are also discussed in the next chapter.

## **5 CHAPTER FIVE: DISCUSSION AND CONCLUSIONS**

### **5.1 INTRODUCTION**

This chapter provides in-depth discussion on the research findings obtained from the results as well as a link back to the literature review. The findings are then integrated to provide a recommendation and a meaningful conclusion.

The structure of this chapter commences with a demographic section of the respondents. The next section then focuses on the discussion and interpretation of the results collected, linking it back to the literature review completed in chapter 2. Recommendations will be part of this chapter as well as areas of further research, which will be helpful for the understanding of talent management and succession planning, traits, benefits and outcomes. This could also provide direction for future research. Lastly, this chapter will end with conclusion to the study.

### **5.2 DISCUSSION OF RESULTS**

#### **5.2.1 Demographic information**

Female participation was higher compared to males, which was a given factor as a large portion of females are employed by the financial services industry, especially the banking sector. In terms of race, majority of respondents were Africans which proved to be a great sample that supports the Employment Equity legislation for most organisations in South Africa.

In terms of age category, the split was in favour of participants between the age group of 30-39 years with at least more than 5 years' working for the current company, where the majority was on middle management.

Table 5.1 illustrates in detail demographic information of the survey respondents

**Table 5-1: Demographic information of respondents**

Demographics	Choices	N	%
Race	African	50	50%
	Coloured	15	15%
	Indian	12	12%
	White	22	22%
			<b><u>99%</u></b>
Gender	Male	36	35%
	Female	65	64%
			<b><u>99%</u></b>
Age	20-29	14	14%
	30-39	48	48%
	40-49	29	29%
	50-64	8	8%
	65+	0	0
			<b><u>99%</u></b>
Years of experience	0-1	0	0%
	1-3	3	3%
	3-5	7	7%
	5-10	29	29%
	10-20	38	38%
	20+	21	21%
			<b><u>98%</u></b>
Current job level	General staff	23	23%
	Junior management	17	17%
	Middle management	32	32%

	Senior management	12	12%
	Experience	0	0%
	Specialist	14	14%
			<b>98%</b>

In addition, a total of 60% of respondents had at least more than 5 years' working experience for the current company while 70% of respondents had at least more than 10 years' working for the current company.

### 5.2.2 Discussion of the hypothesis test

Table 5.2 below illustrates in detail the discussion of hypothesis test.

**Table 5-2 Hypothesis Test**

Hypotheses	Themes	Results	Conclusion
Hypothesis (1): Respondents are neutral with regards to the definition of talent management across the financial services industry i.e. respondent generally chose a ranking of 3 across all definitions.	• Sourcing and Selection of Talent	• P-Value: <0001	• reject null hypothesis
	• High performance of select few	• P-Value: <0001	• reject null hypothesis
	• Identify, develop and retain talent	• P-Value <0429	• reject null hypothesis
	• Coaching and mentoring	• P-Value <0.9036	• fail to reject null hypothesis
	• Closing the skills gap	• P-Value <0.7863	• fail to reject null hypothesis

Hypotheses	Themes	Results	Conclusion
<p>Hypothesis (2): Respondents are neutral with regards to the traits of talent management across the financial services industry i.e. respondent generally chose a score of 3 across all definitions.</p>	<ul style="list-style-type: none"> <li>• Ability to do well</li> <li>• Future needs of organisation</li> <li>• Sourcing and recruiting</li> <li>• Career planning</li> <li>• Aligning to business goals</li> <li>• Top talent</li> <li>• Highly sought after skills</li> </ul>	<ul style="list-style-type: none"> <li>• P- Value: &lt;0001</li> <li>• P- Value: &lt;0001</li> <li>• P- Value: &lt;0001</li> <li>• P- Value: &lt;0012</li> <li>• P- Value: &lt;001</li> <li>• P- Value: &lt;0001</li> <li>• P- Value: &lt;0001</li> </ul>	<ul style="list-style-type: none"> <li>• reject null hypothesis</li> </ul>
<p>Hypothesis (3): Respondents are neutral with regards to the benefits of talent management across the financial services industry i.e. respondent generally</p>	<ul style="list-style-type: none"> <li>• Job satisfaction</li> <li>• Reward and recognition</li> <li>• Employee well being</li> <li>• Career growth</li> </ul>	<ul style="list-style-type: none"> <li>• P- Value: &lt;0001</li> <li>• P- Value: &lt;0001</li> </ul>	<ul style="list-style-type: none"> <li>• reject null hypothesis</li> <li>• reject null hypothesis</li> <li>• reject null hypothesis</li> </ul>

Hypotheses	Themes	Results	Conclusion
chose a ranking of 3 across all definitions.	<ul style="list-style-type: none"> <li>Acquiring new skills</li> </ul>	<ul style="list-style-type: none"> <li>P-Value: &lt;0001</li> <li>P-Value &lt;0.3084</li> <li>P-Value &lt; 0.8698</li> </ul>	<ul style="list-style-type: none"> <li>fail to reject null hypothesis</li> <li>fail to reject null hypothesis</li> </ul>
Hypothesis (4): Respondents are neutral with regards to the outcomes of talent management across the financial services industry i.e. respondent generally chose a score of 3 across all definitions.	<ul style="list-style-type: none"> <li>Succession planning</li> <li>Reward and recognition</li> <li>Retention</li> <li>Job satisfaction</li> <li>Competitive advantage</li> </ul>	<ul style="list-style-type: none"> <li>P-Value: &lt; 0.005</li> <li>P-Value: &lt;0001</li> <li>P-Value: &lt;0001</li> <li>P-Value: &lt;0.0005</li> <li>P-Value: 0.8385</li> </ul>	<ul style="list-style-type: none"> <li>reject null hypothesis</li> <li>reject null hypothesis</li> <li>reject null hypothesis</li> <li>fail to reject null hypothesis</li> </ul>
Hypothesis (5): Generally the null hypothesis is: There is no significant driver of succession planning within the			

Hypotheses	Themes	Results	Conclusion
Talent Management framework			

### 5.2.3 Hypothesis 1

Clutterbuck (2008) describes coaching as an intervention associated with employee personal development, where mentoring is a wider approach associated with employee career development. It is clear from the analysis that people perceive talent management as closing the skills gap and that talent management starts all the way from sourcing and selection of candidates.

### 5.2.4 Hypothesis 2

In hypothesis two, the factors that came out strong were sourcing and recruiting as a definition, however they saw it as a trait. People are really identifying talent management as providing them with the skills and the ability to do well, aligning with the business goals as well as the future needs of the organisation. People are willing to work extra hours as long as these conditions are met.

### 5.2.5 Hypothesis 3

Career growth is coming out as consistent here. People are more interested in growing and getting promotions. Reward and recognition only work up until a certain point. Talent management focuses on equipping and providing individuals with better skills. Reward and recognition emerge as outcomes of talent management. Top talent would be retained if provided with career growth and new skills opportunities for example: job shadowing, secondments to other areas where they might be interested in and further advancements,

### 5.2.6 Hypothesis 4

According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. On the other hand Barney (1991) noted that competitive advantage can be achieved if the organisation

implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors.

Competitive advantage comes out strong and therefore people have great confidence that talent management is aligned with business and strong performance by the organisation, which further leads to job satisfaction and employee retention. In talent management, reward and recognition are not key outcomes of these processes.

### **5.2.7 Hypothesis 5**

Strong succession planning leads to employee retention and the acquisition of new skills for the future, which in return leads to greater retention and recognising and working out poor performers.

## **5.3 CONCLUSION**

This study was concerned with (i) gaining a deeper understanding into the factors that could be leveraged in talent management strategy and succession planning as part of retention of employees as well as (ii) the meaning of talent management in the financial services industry context within South Africa, and finally (iii) the common traits associated with talent management with the context of financial services in South Africa and the key drivers of succession planning and retention.

## **5.4 LIMITATIONS OF THE STUDY**

The lack of adequate research material around talent management within the South African context was one of the limitations of the study. A number of responses which limited our detailed analysis as some of the methods work robustly on large data sets. In this case we only had 101 responses. We did not have qualitative feedback.

## **5.5 RECOMMENDATIONS**

Skills are coming up strong, people might be under-skilled for their roles. Reward and recognition do not appear to be strong motivators for retention amongst top talent. Organisations must think of innovative ways of incentivising top talent.

Clear succession planning enables job retention hence organisation might need to invest a lot in succession planning. Employee Wellness is critical as a talent management strategy and it is important that employees have work life balance. Managers also need to identify coaches and mentors for their employees and subordinates as this came out very strong as definition of talent management.

## **5.6 AREAS OF FURTHER STUDIES**

Extending the research to the broader South African corporate world. A more detailed inclusion of demographics such as age, race, gender and qualifications and assessing their impact and influence of talent management.

The influence of the direct-line managers in the perspective of talent management. Assessing the influences and relevance of career conversations in the corporate world. Further qualitative exploration of some of the themes in order to ascertain what is driving perceptions around those themes.

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## APPENDICES

### APPENDIX A: QUESTIONNAIRE COVER LETTER

Dear participant

My name is Mpho Nkoane. I am a second year MBA student at the North West University (NWU) Potchefstroom Business School (PBS) - School of Business and Governance. As an MBA student one of my subjects is Research and I have to do a Mini-dissertation and the topic I chose is Talent Management Strategy and Succession Planning within Financial Services Industry.

The purpose of this survey is to test effectiveness of talent management and succession planning within your organisation.

The questionnaire should take you approximately 10 – 15 minutes to complete. I humbly request your permission or consent to use the information provided on the survey.

Your participation in this survey is voluntary and all information collected will be kept strictly confidential and anonymous.

Please click on the following URL to open the online survey:

<https://www.surveymonkey.com/r/JNSPS7N>

Please do not hesitate to contact me should you have any questions with regards to the survey: [nkoane.mpho@yahoo.com](mailto:nkoane.mpho@yahoo.com)

Kind regards

Mpho Nkoane

## APPENDIX B – RESEARCH QUESTIONNAIRE

### SECTION A: Demographics

#### 1. Gender

1.1	Male	1
1.3	Female	2

#### 2. Ethnicity

2.1	African	1
2.2	Coloured	2
2.3	Indians	3
2.4	White	4

#### 3. Age

3.1	Age	
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#### 4. Highest qualification

4.1	Post-grad Degree	
4.2	Bachelor's degree	
4.3	Diploma	
4.4	Certificate	
4.5	Grade 12	
4.6	Grade 11	

5.1	Years of experience	01-	1-3	3-5	5-10	10-20	20+
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5.2	Number of years in current company	01-	1-3	3-5	5-10	10-20	20+
5.3	Number of companies previously employed at (excluding current company)	0	1	2	3	4	5+
5.4	Current job level	General staff	Junior manager	Middle Manager	Senior Manager	Senior Manager	executive
5.5	Do you currently or previously have worked for HR?	Yes	No				
5.6	Number of times you have been promoted in current company	Never	Once	Sometimes	Regularly		
5.7	Number of different roles you have performed in the current company	One	Two	Three	More than three		

## SECTION B: Definition of talent management

6.1 Please rank the following factors in terms of what you perceive talent management is (with 5 being the strongest factor, and 1 being the weakest)

Statement	1	2	3	4	5
Forecasting future talent needs of the organisation					
Sourcing and selection of talent					
High performance of the selected few individuals					
Broad based Identifying, developing and retaining talent					
Coaching and mentoring key talent in preparation for succession planning					
Closing the skills gap within the organisation					

6.2

1 = Strongly disagree	2= Disagree	3 = Neutral	4 = Agree	5 = Strongly agree
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	Statement	Degree				
1.	Talent management in my organisation gives me the ability to do well.	1	2	3	4	5
2.	Talent management in my organisation is aligned to the future needs of my organisation	1	2	3	4	5
3.	Talent management in my organisation directly addresses skills shortages	1	2	3	4	5
4.	Talent management is actively applied in sourcing and recruiting in my organisation	1	2	3	4	5
5.	I believe that existing staff members are given first priority to senior roles before external candidates					
	Statement	Degree				
1.	There are identified coaches and mentors in my organisation	1	2	3	4	5
2.	Talent management is actively applied across all levels of management within my organisation	1	2	3	4	5
3.	My organisation regularly engages me with talent management processes	1	2	3	4	5
4.	Talent management plays a major role when it comes to my career plan within my organisation	1	2	3	4	5

5.	I believe talent management in my organisation comprehensively addresses employee fears and concerns	1	2	3	4	5
6.	I believe that talent management is a consultative process within my organisation	1	2	3	4	5
7.	There is regular engagement between HR and staff with regards to talent management	1	2	3	4	5
8.	In my organisation talent management processes deals effectively with poor performers	1	2	3	4	5

## SECTION C: BENEFITS OF TALENT MANAGEMENT

**6.3** What do you consider is the biggest benefit to talent management within your organisation (with 5 being highest factor and 1 being the lowest factor)

Statement	1	2	3	4	5
Job satisfaction					
Reward and recognition					
Employee well-being (Work-life balance)					
Opportunities for promotion (Career growth)					
Acquisition for new skills for the future					

6.4

1 = Strongly disagree	2= Disagree	3 = Neutral	4 = Agree	5 = Strongly agree
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	Statement	Degree				
1.	I believe talent management in my organisation is providing tangible benefits	1	2	3	4	5
2.	I have declined external job opportunities due to the existence of opportunities within my organisation	1	2	3	4	5
3.	Most of our leadership in the organisation have extensive working experience within the organisation	1	2	3	4	5
4.	In my organisation talent management is directly linked to succession planning.	1	2	3	4	5
5.	My organisation believes in succession planning.	1	2	3	4	5
	Statement	Degree				
1.	I am familiar with the succession planning processes within the organisation	1	2	3	4	5
2.	My annual contractual goals are directly linked to succession planning	1	2	3	4	5
3.	I believe my organisation rewards managers who actively adhere to succession planning processes.	1	2	3	4	5
4.	I believe succession planning within my organisation provides competitive advantage	1	2	3	4	5
5.	I believe succession planning within my organisation provides competitive advantage	1	2	3	4	5
6.	I understand how my work impacts on the organisation's business goals.	1	2	3	4	5

7.	High performance is actively rewarded in my organisation	1	2	3	4	5
8.	I believe top talent is continually recognized within my organisation	1	2	3	4	5
9.	I believe that our remuneration policy is directly linked to talent management processes	1	2	3	4	5
10.	I believe my organisation actively retains top talent	1	2	3	4	5
11.	I believe my organisation proactively encourages poor performers to exit the organisation	1	2	3	4	5
12.	I believe the talent management plays an active role in my decision to continue working for the company	1	2	3	4	5
13.	I believe my organisation allows me to have a good work-life balance	1	2	3	4	5
14.	I believe my organisation equips me with the tools to perform my duties	1	2	3	4	5
15.	I believe job satisfaction is important for me to remain in the organisation	1	2	3	4	5
16.	There are resources available to mentor and coach me within the organisation for me to perform to the best of my abilities	1	2	3	4	5
17.	The talent development processes in the organisation are actively used to ensure that I consistently perform at the top level	1	2	3	4	5
18.	I believe my organisation is full of top talent and high performers	1	2	3	4	5
19.	I believe that talent management is directly linked to us having a competitive advantage in the market	1	2	3	4	5

20.	I believe that employees in our organisation have highly sought-after skills	1	2	3	4	5
21.	I believe my organisations equips us with the skills of the future in order to remain relevant	1	2	3	4	5
22.	I believe talent management is the key driver of succession planning	1	2	3	4	5
22.	I believe that talent management actively addresses critical skills shortages within the organisation	1	2	3	4	5
22.	I believe talent management in my organisation is creating new job opportunities for me	1	2	3	4	5
22.	I believe talent management is contributing to strong financial performance within my organisation	1	2	3	4	5

## SECTION D: OUTCOMES OF TALENT MANAGEMENT

**6.5** In terms of the following factors, rank in terms of their proximity to the outcomes of talent management (5 being highest factor and 1 being the lowest)

Statement	1	2	3	4	5
Succession planning					
Reward and recognition					
Retention					
Employee satisfaction					
Competitive advantage					