



The impact of inclusion in the talent pool on the psychological contract of high potential employees

Noko Seopa
97146766

A research project submitted to the Gordon Institute of Business Science,
University of Pretoria, in partial fulfilment of the requirements for the degree of
Master of Business Administration.

10 November 2010

ABSTRACT

This research stems from the need by organisations to retain their key talent in the context of the change in the psychological contract manifesting in the emergence of boundaryless careers. Employees have ceased to be loyal to one organisation and this has marginalised employers as they still need to retain their key talent as a source of competitive advantage. Most organisations have segmented their workforce to develop talent pools of high potential employees to meet the organisation's current and future critical skills needs. Hence, this study investigates the impact of inclusion in the talent pool on the psychological contract.

Various instruments in the literature study were used to measure the psychological contract of employees in the talent pools in comparison to those not in talent pools. These include the transactional and relational psychological contract instrument by Millward and Hopkins (1998), organisational citizenship behaviour by Coyle-Shapiro (2002), trust by Robinson and Rousseau (1994) and turnover intention by Blomme *et al.* (2010). The study presents findings from 195 employees from three different organisations, about 50% of whom were in talent pools.

The study shows that both groups of employees in and outside talent pools consider their psychological contract with their employers as less transactional. Although being part of the talent pool has a positive impact on the relational psychological contract and organisational commitment, it does not necessarily translate into trust and the intention to stay with organisations. Employees in talent pools are not different to those not in talent pools with regard to trust and the turnover intention. The report offers insights aimed at managers to understand the psychological contracts of their employees within the talent pools to avoid unnecessary violations and to explore new value propositions that are aligned to those contracts.

KEYWORDS

Boundaryless Careers: refers to a sequence of job opportunities that go beyond the boundaries of a single employment setting. This happens when employees, mostly representing critical talent, cease to be loyal to one organisation and focus on developing their competencies for mobility across different organisations.

Talent Pool: refers to a pool of high potential and high performing incumbents that the organisation develops to fill current and future pivotal positions.

Psychological Contract: refers to a set of expectations held by the individual employee that specifies what the individual and the organisation expect to give and receive from one another in the course of the employment relationship.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Date: 10 November 2010

Noko Webster Seopa

ACKNOWLEDGEMENTS

Completing this work involved a lot of effort, dedication and time. I would like to express my gratitude to all those colleagues and advisors who assisted me during the course of the research and preparation of this dissertation.

My foremost gratitude goes to the Almighty God; without whom I would not have been able to carry out this task. He has been a pillar of my strength throughout this study.

My heart-felt gratitude is also directed to my supervisor, Professor Albert Wocke, for the generous and constructive guidance during the course of this study.

I would like to thank my fellow MBA colleagues for helpful criticism and suggestions. I would also like to acknowledge my colleagues at my place of work. Without their valuable cooperation, it would have been impossible to complete this task.

Finally, I wish to express my sincere appreciation to my family and friends for their unfaltering support and encouragement.

TABLE OF CONTENTS

ABSTRACT.....	i
KEYWORDS.....	ii
DECLARATION.....	iii
ACKNOWLEDGEMENTS.....	iv
LIST OF FIGURES.....	ix
LIST OF TABLES.....	x
1. CHAPTER 1: INTRODUCTION TO THE RESEACH PROBLEM.....	1
1.1 Introduction.....	1
1.2. Problem Statement.....	4
1.3 Objectives of the Study.....	7
1.4 Relevance of the Study.....	7
2. CHAPTER 2: THEORY AND LITERATURE REVIEW.....	9
2.1 Introduction.....	9
2.2 Talent Pools.....	9
2.2.1 Defining a Talent Pool.....	10
2.2.2 Focus on Pivotal and Linchpin Positions.....	10
2.2.3 Focus on High Quality Development.....	12
2.2.4 Differentiated HR Architecture.....	14
2.2.5 Transparency.....	15
2.2.6 Talent Pool Management Processes followed by Participating Companies.....	16
2.2.7 Outcomes of Managing Talent Pools.....	18
2.3 The Psychological Contract.....	19
2.3.1 Defining Psychological Contract.....	19

2.3.2	The Content of the Psychological Contract.....	20
2.3.3	The Evaluation of the Psychological Contract.....	23
2.3.3.1	The Fulfillment of the Psychological Contract.....	24
2.3.3.2	The Violation of the Psychological Contract.....	27
2.3.4	The Evolution of the Psychological Contract.....	31
2.4	Diversity.....	32
2.5	Conclusion.....	34
3.	CHAPTER 3: RESEARCH QUESTIONS.....	36
3.1	Hypothesis 1.....	36
3.2	Hypothesis 2.....	36
3.3	Hypothesis 3.....	36
3.4	Hypothesis 4.....	36
3.5	Hypothesis 5.....	37
3.6	Hypothesis 6.....	37
3.7	Hypothesis 7.....	37
4.	CHAPTER 4: RESEARCH METHODOLOGY.....	38
4.1	Introduction.....	38
4.2	Type of the Study.....	38
4.3	Scope of the Study.....	39
4.4	Target Population.....	40
4.5	Sampling.....	40
4.5.1	Classification of Employees: Talent Pools vs. Not Talent Pools.....	43
4.6	Unit of Analysis.....	44
4.7	Method of Data Collection.....	44
4.8	Questionnaire Design.....	45

4.8.1	Psychological Contract.....	48
4.8.2	Organisational Commitment.....	59
4.8.3	Trust.....	59
4.8.4	Organisational Citizenship Behaviour.....	50
4.8.5	Turnover Intention.....	50
4.9	Data Gathering Process.....	50
4.10	Data Analysis.....	50
4.11	Limitations of the Study.....	52
5.	CHAPTER 5: RESULTS.....	55
5.1	Introduction.....	55
5.2	Response Rate.....	55
5.3	Demographic Information.....	55
5.3.1	Representivity of Employees in and outside Talent Pools.....	59
5.4	Consistency and Reliability of the Scales used in the Study.....	60
5.5	Research Propositions and Hypotheses.....	61
5.6	Conclusion.....	69
6.	CHAPTER 6: DISCUSSION OF RESULTS.....	71
6.1	Introduction.....	71
6.2	Hypothesis 1.....	72
6.3	Hypothesis 2.....	74
6.4	Hypothesis 3.....	76
6.5	Hypothesis 4.....	78
6.6	Hypothesis 5.....	80
6.7	Hypothesis 6.....	82
6.8	Hypothesis 7.....	84

6.9	Conclusion.....	86
7.	CHAPTER 7: CONCLUSION.....	87
7.1	Introduction.....	87
7.2	Executive Summary of the Findings of the Study.....	88
7.3	Recommendations for Management.....	90
7.4	Limitations of the Study.....	95
7.5	Recommendations for Future Research.....	96
7.6	Conclusion.....	98
8.	References.....	99
9.	Appendix 1: Operationalisation of the Constructs for Questionnaire Development	113
10.	Appendix 2: Questionnaire.....	115

LIST OF FIGURES

Figure 2.1	Talent identification and Development Model.....	10
Figure 4.1	Steps followed by Participating Companies in the Automotive..... and Asset Finance Industries to Identify and Manage Talent Pools	16
Figure 4.2	Talent Review Matrix used by a Participating Company..... in the Mining Industry	17
Figure 4.3	Level of Readiness for New Assignments of Employees.....	17
Figure 5.1:	Representation by Occupational Level: Talent Pool..... vs. Not Talent Pool	56
Figure 5.2:	Representation by Gender: Talent Pool vs. Not Talent Pool... ..	57
Figure 5.3:	Representation by Race: Talent Pool vs. Not Talent Pool.....	57
Figure 5.4:	Representation by Years of Service.....	58

LIST OF TABLES

Table 2.1	Distinction between Transactional and Relational Contracts.....	23
Table 4.1	Employees in Talent Pools as a proportion of total number of..... employees	41
Table 4.2	Summary of a sample of employees in and outside talent Pools.....	43
Table 4.3	Measurements of the Major Constructs in the Questionnaire.....	48
Table 5.1	Representation of employees in talent pools and outside talent..... pools	59
Table 5.2	Reliability and Consistency Analysis of the Constructs.....	60
Table 5.3	ANOVA Results on Transactional Psychological Contract.....	62
Table 5.4	ANOVA Results on the Relational Psychological Contract.....	63
Table 5.5	ANOVA Results on Organisational Commitment.....	64
Table 5.6	ANOVA Results on Affective Trust.....	65
Table 5.7	ANOVA Results on Organisational Citizenship Behavior.....	66
Table 5.8	ANOVA Results on Intention to Leave.....	67
Table 5.9	Chi- Square and Fisher’s Exact Test on Opportunities..... for Growth and Development	69
Table 5.10	Summary of the Findings of the Study.....	70

CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

Within the resource based view of the firm, there is increasing recognition of the potential of human capital to make substantial and lasting impact on sustainable competitive advantage (Boxall and Purcel, 2008). In his research, Echols (2007) found that 85% of the value creation was driven by intangible assets - such as people - and not just tangible assets on the balance sheet. Many organisations agreed on the need to have the right talent for a competitive advantage. In another study, Michael *et al.* (2001) found that the war for talent was a strategic business challenge and a critical driver of corporate performance.

Despite the critical importance of talent, many organisations face a major challenge due to the changes in the structure of business over time. The changes are attributed to forces such as international competition, deregulation, advancement in information technology and globalization of the markets. These changes have led to a new competitive reality in which organisations downsize regularly by cutting out the “fat” and getting “lean and mean”. Most organisations experienced a shift from traditional bureaucratic structures to the ones that are more fluid and responsive in order to maximize shareholder value (Van Buren, 2003).

Although these changes proved to be crucial for the survival of organisations, they have had major implications on the employment relationship. Most organisations found themselves in a position where they were no longer able to guarantee job security and provide more opportunities for development and upward growth associated with a functional structure (Atkinson, 2002). This created a shift in the psychological contract between employers and

employees. It altered the assumptions and expectations that both employers and employees had about their responsibilities to one another (Lester *et al.* 2006).

Sturges *et al.* (2005) pointed out that the psychological contract largely experienced a shift from a relational to a transactional character. A transactional psychological contract is based on an economic exchange while a relational psychological contract is based on a social exchange between employers and employees. Transactional psychological contracts centre on short term monetary agreements with little close involvement of the parties. Employees are more concerned with compensation and personal benefit than with being good organisational citizens (Atkinson, 2002). In contrast, the exchange in the relational contract is dynamic, socio-emotional, and typically includes aspects such as employee loyalty in return for job security. Employees in this contract come to identify themselves with the organisation and make an effort to internalise the organisation's values (Lester *et al.* 2006).

Among the key features associated with the change in the psychological contract was the emergence of boundaryless careers (Collings and Mellahi, 2009). In their contribution, Arthur, Khapova and Wilderom (2005) indicated that organisations faced a decreasing ability to provide internal careers. This was due to the flattening of organisational hierarchies, increased redundancies, the emergence of organisational forms such as network organisations; and all these factors culminated in the development of a boundaryless career. Boundaryless careers could be described as the opposite of organisational careers. Organisational careers are those that unfold in a single organisational setting. In the organisational career perspective, the assumption is that careers are boundaried within the same employing organisation, and that employees are provided with a career system of positions through which they progress. This is

a traditional perspective that assumed that organisations have career effects (Becker and Haunschild, 2003).

In contrast to the organisation-career perspective, the psychological contract that is associated with the boundaryless perspective assumes that careers have organisational effects (Hay, 2002). The organisation ceases to be the prime structure shaping careers. The boundaries of organisations become more permeable, more fluid, more dynamic, and less distinct for employees. Garrow and Hirsh (2008) defined boundaryless careers as sequences of job opportunities that go beyond the boundaries of a single employment setting.

In this environment, employees with talent became increasingly mobile across different firms and they significantly reduce their associations with particular jobs and work settings (Sturges *et al.* 2005). Most employees with talent cease to be driven by loyalty to one organisation, but concern themselves with managing their individual careers and chasing a better deal (Zhao, Wayne, Glibkowski and Bravo, 2007). They have concentrated on building their portfolio of expertise that has made them even more agile. The empowerment legislation in South Africa has made the situation worse among black employees with talent as they are able to move easily across organisations because they are sought after (Wocke and Sutherland, 2008). This phenomenon has had a great impact on the ability of organisations to hold onto highly valuable employees. Employers have found themselves marginalised as they face the demise of key skills and competencies that they have always had access to in the internal labour market or pool.

1.2 Problem Statement

Even though the psychological contract is seen to have changed over time as employers are no longer perceived as able to guarantee internal job security and provide sufficient opportunities for internal development and growth and the resultant emergence of the boundaryless careers, there is an increasing trend that depicts that talent remains essential as a source of competitive advantage for organisations (Boudreau and Ramstad, 2005). Notwithstanding the impact of boundaryless careers and the phenomenon towards inter-organisational mobility, it is in the organisation's best interest to retain its key talent as opposed to losing them to turnover (Somaya and Williamson, 2008). There is an enormous cost in both financial and non-financial terms when these key resources leave the organisation. Not only does the organisation lose their valuable skills, but the organisation could lose these skills to the competition who employs the individual with these skills. In addition, there are costs of employing and training new personnel for the position, as well as the reality that the employment and training process takes up a significant amount of time (Sutherland and Jordaan, 2004).

Therefore, it is important for organisations to recognise the strategic importance of human capital because of the enormous value that better talent creates. The recognition requires organisations to embark on talent management to mitigate or address the impact of the boundaryless dispensation to be able to attract and retain top talent (Sharma and Bhatnagar, 2009).

The approach followed by many organisations involves the segmentation of talent in order to deploy human capital strategically. Key positions which differentially contribute to the

organisation's sustainable competitive advantage are identified and a talent pool of high potential and high performing incumbents to fill these roles is developed. Employees in talent pools become the prime focus for development of both technical and leadership competencies. Differentiated human resource architecture is put in place to facilitate filling key positions with these competent incumbents to ensure their continued commitment to the organisation. By doing this, it is hoped that the retention challenges of key talent associated with the boundaryless career dispensation would be managed more effectively (Collings and Mellahi, 2009).

It is against this background that the study aims to investigate the impact of the inclusion of high potential employees into the talent pools on their psychological contract. In essence, the study will determine the significance of a talent pool strategy in positively influencing the psychological contract of key talent in the current context characterised by boundaryless careers. To effectively carry out this study, the researcher will draw a comparison against employees not included in the talent pools. This comparison is important to determine whether the psychological contract of employees in the talent pools is different from employees who are not in the talent pools.

Three organisations from a variety of industries (namely the automotive, asset finance and mining industries) have been chosen to investigate the problem because these organisations have implemented talent pools following advanced processes as an integral part of their talent management systems. Focussing in diverse businesses from different industries will also assist in improving the generalisability of the findings. Through a talent pool strategy, these organisations aimed to curb the brain drain of key talent brought by the boundaryless

dispensation. The organisations also wanted to ensure a continued supply of critical skills ahead of the recruitment curve.

The two contrasting perspectives on the impact of talent identification and development presented by Collings and Mellahi (2009) on the one hand, and Kinnear and Sutherland (2000) on the other hand, provided further impetus to this study. Collings and Mellahi (2009) pointed out that proactive identification and development of talent could improve organisational commitment and loyalty, leading to extra role behavior and organisational citizenship behavior. Such actions could elicit the desired role behaviours among the organisation's talent, thereby assisting the organisation to realise its strategic objectives while retaining its top talent (Lepak and Shaw, 2008).

In contrast, Kinnear and Sutherland (2000) argued that due to the shift in the balance of power from organisations to employees, even with talent management systems in place, knowledge workers will continue to be mobile. They are individual orientated, motivated by the desire to experiment and learn new things which their current organisations may not be able to consistently provide. Even organisations that excel in providing such development opportunities may not be able to retain their top talent but rather they may be viewed as stepping stones or building grounds towards greater career opportunities in other organisations.

Thus, the uncertainty created by these two divergent perspectives makes it even more necessary to conduct a study to determine the real impact of a talent pool strategy on the psychological contract.

1.3 The Objectives of the study

In an attempt to achieve its objectives, the study will specifically address the following areas in three organisations in the automotive, asset finance and mining industries:

- Evaluate the types of psychological contract held by employees in talent pools and those not in talent pools by using the transactional and relational dimensions.
- Investigate the relationship between the inclusion in talent pools and organisational commitment and trust.
- Consider the effect of the psychological contract violations on work behavior focusing specifically on organisational citizenship behavior and the possibility of turnover among employees in talent pools and those not in talent pools.
- Investigate the psychological contract of black and white employees in talent pools.

By addressing these objectives, the study will be of benefit to South African organisations as they need to develop a better understanding of the dynamics of the psychological contract of high potential employees in talent pools in order to craft better employee value propositions that would contribute towards the retention of these employees.

1.4 The Relevance of the study

Although volumes of research have already been completed on the psychological contract, this study is important to contribute to an existing body of knowledge. The subject of the psychological contract has been measured in different ways dictated mainly by the research questions being investigated. In most cases, the focus was on employees' perception of fulfillment or breach on the part of the employer and the implications for employee attitude and

behavior (McInnis *et al.* 2008). Although this study will cover this aspect, it will venture further to measure the perceptions of employees on their own obligations towards their employers.

To illustrate the breadth with which the psychological contract was investigated, a number of studies stood out in the literature. Thomas, Kevin and Ravlin (2003) concentrated on the impact of cultural variations on the psychological contract, Wocke and Sutherland (2008) focused on the impact of employment equity regulations on the psychological contract in South Africa, Grimmer and Oddy (2007) measured the impact of violation of the psychological contract on employee commitment and De Vos *et al.* (2005) explored the role of the psychological contract in retention management. Isaksson *et al.* (2010) measured the role of the formal employment contract in the range and fulfillment of the psychological contract, Bal *et al.* (2010) surveyed workers of a retirement age to determine the role of future time perspective in the psychological contract, and Morrison and Chalon (2010) focused on the impact of organisational tenure on psychological contracts.

Even with this level of comprehensiveness, there was no specific evidence found in the literature showing that the impact of the inclusion in the talent pool on the psychological contract was measured. Atkinson (2002) and Sturges *et al.* (2005) conducted studies that were similar to the current study by focusing on career management, the changing psychological contract and organisational commitment. However, they measured the application and impact of career management as a general concept that applied to all employees without specific focus on segmentation or differentiation between high potential employees in talent pools and those not in talent pools. Therefore, this study will contribute towards filling this gap by specifically comparing the psychological contract of employees in the talent pools versus those not in the talent pools.

CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1 Introduction

As the study measures the impact of inclusion in the talent pool on the psychological contract, the review of related literature focused mainly in two fundamental areas. In one area, the concept of the talent pool was defined, and the different components behind the success of a talent pool strategy were unpacked including the possible outcomes of such a strategy. In the other area, focus was placed on the theory behind the definition, the contents and the evaluation of the psychological contract as well as how the concept has evolved over time.

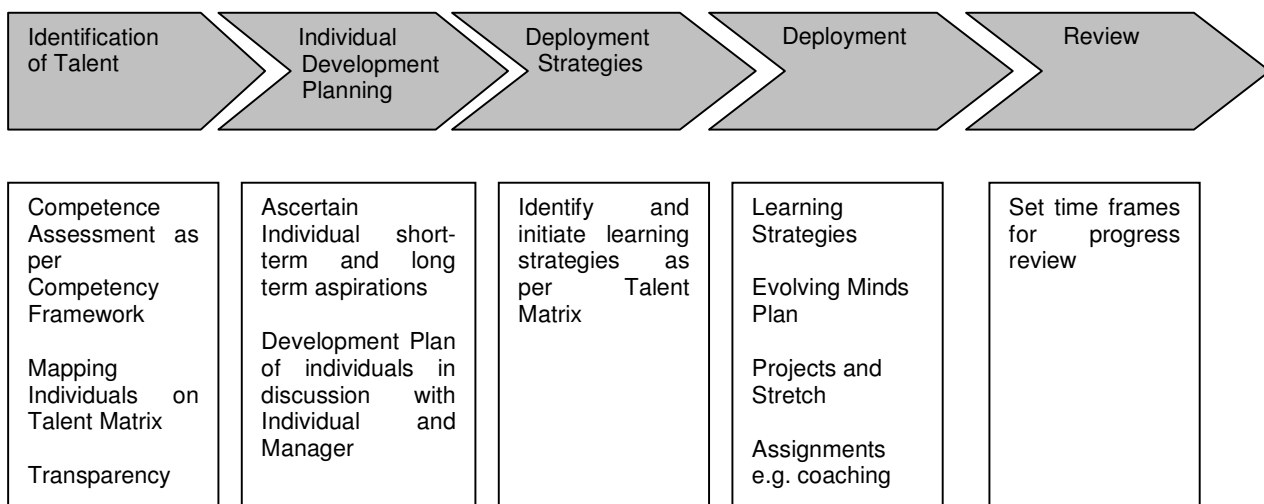
2.2 Talent Pools

To manage talent effectively, organisations should apply the tools of segmentation, the widely accepted methods for improving decisions in customer and financial markets. Just as marketing systematically segments customers to target investments strategically, Human Resources (HR) needs to segment talent to deploy human capital strategically (Boudreau and Ramstad, 2005). The segmentation of talent allows the company to focus its resources where it matters the most from a talent perspective. Organisations must develop a talent mindset that allows for differentiation between star performers in terms of potential and performance. They must identify the segments of employees based on the future needs of the organisation. A winning employee value proposition must be created through a talent pool by investing in A players, developing B players and acting decisively on C Players (Michael *et al.* 2001).

2.2.1 Defining a Talent Pool

Collings and Mellahi (2009) define a talent pool as a pool of high potential and high performing incumbents that the organisation can draw upon to fill pivotal positions. The creation of a talent pool involves a proactive identification of incumbents with high potential to fill key positions which may become available. Sharma and Bhatnagar (2009) developed the following framework to be used in the identification and development of talent for the talent pool.

Figure 2.1 - Talent Identification and Development Model (Sharma and Bhatnagar, 2009).



2.2.2 Focus on Pivotal and Linchpin Positions

The inclusion of individuals into the talent pool should focus on jobs that are essential to the future health of the organisation. They are typically difficult to fill, rarely individual contributor positions, and usually reside in established areas of the business (Conger and Fulmer, 2003). The evaluation of jobs as key to the organisation's sustainable competitive advantage should be based on the potential outputs and the potential to contribute to the organisation's strategic intent (Boudreau and Ramstad, 2007).

Once pivotal positions are identified, the main aim is to develop a talent pool to fill these positions. This involves a shift from vacancy led recruitment towards recruitment ahead of the curve (Sparrow, 2007). It is important for talent to be developed within a broader context of the organisation, not with a particular succession role in mind. This prevents developing employees to fit narrow, specialized roles in favour of broader competencies which would fit a range of roles (Collings and Mellahi, 2009).

The starting point in the identification of incumbents for the talent pool is the development of a competency framework. The competency framework should provide formal criteria developed with the organisational end goals in mind for use to evaluate high potential talent (Altman, 2008). The competency model should be expanded to include the external focus to ensure it addresses the needs and expectations of customers and investors. The model should allow alignment to the reputation that the company seeks to achieve in the market (Ulrich and Smallwood, 2007). The organisation should identify business needs in terms of knowledge, skills and capabilities that will be required in the future but are not currently in-house and recruit on that basis. The approach followed in managing talent pools to ensure alignment to the business goals should be systematic (Smilansky, 2006; Ashton and Morton, 2005).

The potential and the requirements for performance at the next level should be defined. The different assessment methods or a combination thereof could be used; including performance reviews, psychometrics, peer reviews, and 360 degree assessments (Altman, 2008; Makela, Bjorkman and Ehrnrooth, 2009). In doing this it is important to understand that performance does not necessarily equate to potential, hence those judging talent for the talent pools should

be educated on what success at the next level entails so that they can evaluate performance accurately (Hughes and Rog, 2008).

As employees appointed to the talent pool are high achievers, care should be exercised not to appoint or allocate them to roles with limited scope for the application of their skills and development of their talent. If they get appointed or allocated to menial roles, they could easily become disillusioned. They need to be appointed to jobs that are more complex to motivate them and ensure that they are satisfied and productive (Collings and Mellahi, 2009).

The contribution from Cappelli (2008a) in this regard was based on the insights from supply chain management. He argued that the development of employees to meet the organisation's competency needs is remarkably similar to how products move through a supply chain. One of the primary failures of many talent development systems is that they have created a mismatch between supply and demand. This has resulted in either an oversupply of management talent resulting in employee turnover or layoffs and restructuring; or an undersupply where key positions cannot be filled.

2.2.3 Focus on High Quality Development

The top firms for cultivating leaders are twice as likely to use variety of development techniques for the best and brightest. It is not just about creating and filling once off educational events because participants often return to the office from such events energised and enthusiastic only to be stifled by the reality of corporate life (Fulmer, Stumpf and Bleak, 2009; Conger and Fulmer, 2003).

It is far more effective to pair classroom training with real life exposure to a variety of jobs and bosses; using techniques such as action learning, job enrichment and enlargement, rotational assignments, cross functional shadowing, special projects, committee assignments, deployment, redeployment, task force participation, presentation delivery, reports preparation, mentoring and coaching, simulations and workshops. This is imperative for employees in the talent pool to avoid perceptions of under-utilisation (Fulmer *et al.* 2009).

Organisations developing high potential employees should not just focus on strengthening their abilities as individual leaders but should also focus on building a leadership brand. This happens when people in the talent pool are developed to become exceptional leaders with a distinct set of competencies that are uniquely geared to fulfil customers and investors' expectations. A company with a leadership brand inspires confidence that employees in the talent pool are prepared to consistently deliver on what the firm promises to its customers and investors. Development initiatives should be unique in addressing what the firm stand for in the eyes of customers and investors. Employees in the talent pool should be developed to master the leadership code, including the ability to develop and execute strategy, the ability to groom future leaders as well as displaying the ability to be personally proficient in the tasks at hand (Ulrich and Smallwood, 2007).

The talent pool employees should be pushed out of their comfort zones to prime them for more complex challenges. Managing unfamiliar territory forces candidates of the talent pool to learn new skills and to not always rely on their core strengths (Conger and Fisher, 2007).

As part of development, senior and line management commitment is critical for the success of the incumbents in the talent pools. Their willingness to give practical support and model appropriate behaviour includes not hanging onto talented employees to the detriment of other parts of the organisation, not showing favouritism or solely selecting people in their own image and dedicating time to develop talent is imperative (Garrow and Hirsh, 2008; Reilly, 2008). Line managers who achieved success the hard way should not resent fast tracks and easy access to professional development opportunities for incumbents in the talent pools (Kristick, 2009). Hay (2010) pointed out that employees with talent are most likely to leave when managers fail to take an interest in their career development.

The evaluation mechanisms are also important in the development of high potential employees in talent pools as they allow companies to measure the effectiveness by knowing whether their employees are moving in the right pace into the right positions (Lewis and Heckman, 2006). The ultimate objective is to ensure a solid slate of candidates for pivotal positions. It is important to know who is where and which jobs they are being groomed for to avoid stretching the talent pool too thin. At the same time, it is important to ensure that high potential employees in the talent pool have enough options that they do not grow restless. Frequent checks throughout the year would assist in identifying any potential problems before they are exacerbated. Companies should use talent pool metrics such as the overall quantity of talent and the number of potential successors per pivotal position. Succession planning metrics could also assist the company to identify broader gaps (McCauley and Wakefield, 2006).

2.2.4 Differentiated HR Architecture

Lepak and Snell (2002) recognised the importance of a differentiated HR architecture that acknowledges the differential contributions that specific worker groups can make to

organisational performance. It is based on the assumption that specific HR systems are unlikely to be appropriate in all situations but rather depend on the uniqueness of the human capital. Differentiation should be made between different categories of employees based on the uniqueness and value of the worker skill and their contribution to the organisation. Unique and valued performers should be supported through a differentiated HR architecture. For valuable and unique workers with potential to contribute to the firm's strategic objectives, the emphasis should be on internal development and long-term employee commitment (Boudreau and Ramstad, 2007). Furthermore, Lepak *et al.* (2007) found that organisations deployed high investment HR systems more for core employees than for support employees in the service organisations they studied.

2.2.5 Transparency

Succession planning systems have traditionally been kept secret in an attempt to avoid demotivating those who are not in the fast track. The concern was that an employee who discovers that he or she is relatively low on the roster may stop trying to excel. The secrecy also allowed companies to make last minutes changes when the “heat is on” without the need to deal with dashed expectations. But as the psychological contract is now based on performance rather than loyalty and seniority, people will contribute more if they know where they stand (Conger and Fulmer, 2005).

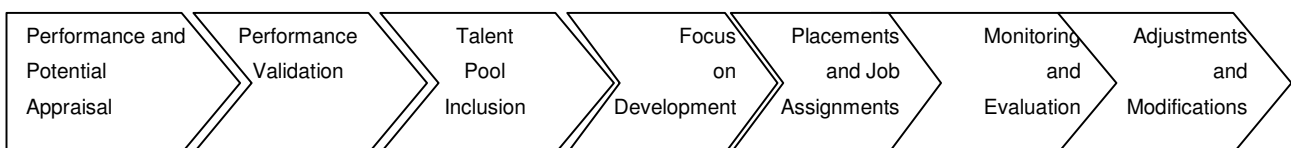
Making people aware of their inclusion in the talent pool is not just about being honest. Employees with talent are often the best source of information about themselves and their skills and experiences. If they know what they need to do to achieve particular development objectives, they can proactively take steps to ensure that they are successful in their endeavours (Barnet and Davis, 2008). Some companies have done well to make their

employees with talent responsible for updating information on their development plans that include their career history, educational background, skills and strengths, and possible career scenarios. Withholding information could come across as authoritarian to employees with high potential and this could impact negatively on the organisation’s talent management efforts (D’Annunzio, 2008).

2.2.6 Talent Pool Management Processes followed by Participating Companies

All the three companies included in the study follow advanced processes to identify and develop employees in their talent pools. Similar to the model developed by Sharma and Bhatnagar (2009) on talent identification and development, the model used by the two companies in the automotive and asset finance industries is summarised in figure 2.2.

Figure 2.2 - Steps Followed by Participating Companies in the Automotive and Asset Finance Industries to Identify and Manage Talent Pools (adopted from Participating Companies).

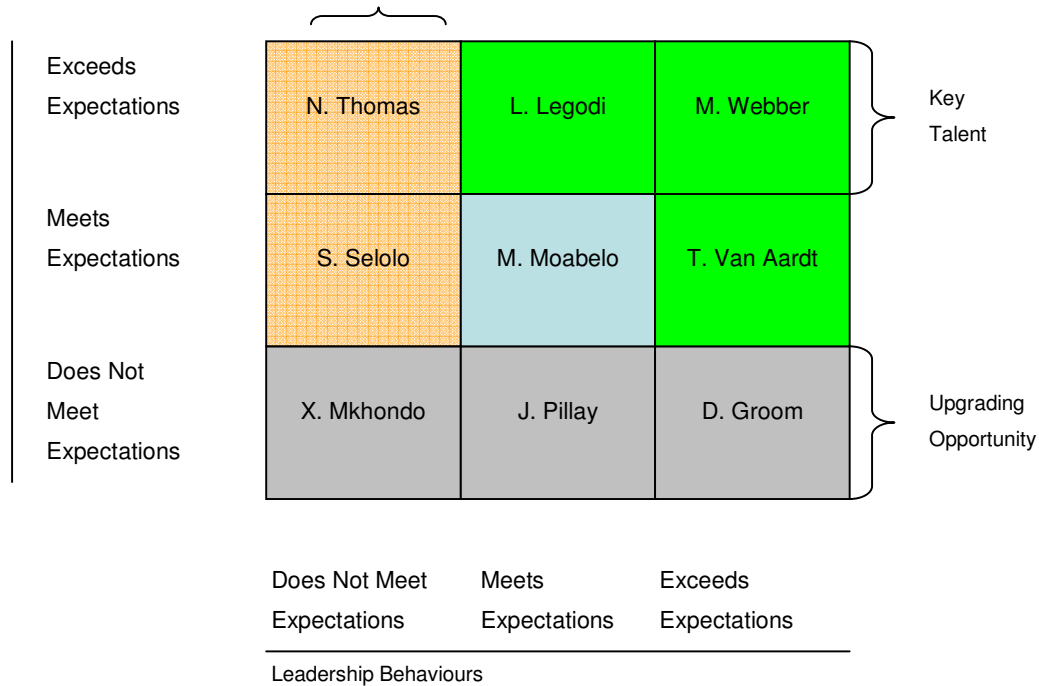


All the three participating companies use matrices to review talent. The matrices track and measure important variables such as performance results and leadership behaviour. Figure 2.3 is a matrix used by a participating company in the mining industry.

Figure 2.3 - Talent Review Matrix used by a Participating Company in the Mining Industry (adopted from Bossidy, Charan and Burck (2002); names used are fictitious).

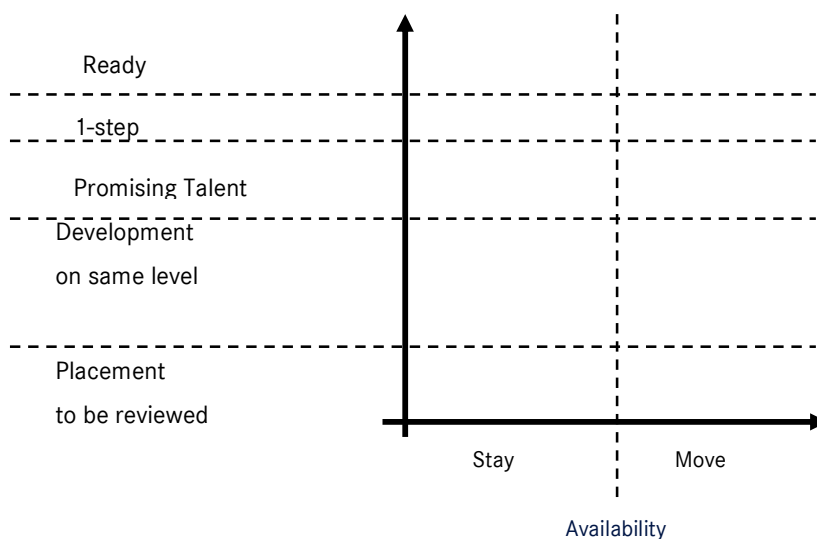
Performance
Results

Leadership Issues



The two companies in the automotive and asset finance industries plot talent based on the level of readiness and availability to move. Figure 2.4 is a tool used for this purpose.

Figure 2.4 - Level of Readiness for New Assignments of Employees (adopted from Participating Companies in the Automotive and Asset Finance industries).



All the three companies forming part of the study follow best practices in the management of talent pools. In particular, the work done by Cappelli (2008b), Lewis and Heckman (2006) and Fulmer *et al.* (2009) feature strongly in the principles applied by the participating companies. Among these, they use central Information Technology (IT) talent management systems to capture relevant information on all employees in the talent pools to ensure effective management and access by all relevant stakeholders. They use a combination of classroom training with a real life exposure to a variety of jobs and bosses using techniques such as job rotation, special assignments and action learning. They identify linchpin positions to ensure that employees in talent pools are developed for jobs that are essential to the long term health of organisations. They involve line leaders in identifying and developing succession candidates. They measure progress to determine whether the right people are moving at the right pace into the right jobs. The contents and processes are refined and adjusted continuously based on the feedback from line managers and participants.

2.2.7 Outcomes of Managing Talent Pools

Investing in a strategic talent pool could impact positively on critical individuals and organisational level outcomes. There are important employee related outcomes for managing talent pools that could mitigate the negative impact of the boundaryless dispensation (Collings and Mellahi, 2009).

The inclusion of employees in the talent pool is premised on the idea that organisational interests are best served by attending to employees' interests, namely their skill requirements, motivations and the quality of their job. By identifying high potential and high performance employees, deploying them in pivotal positions and supporting them through differentiated HR

architecture, positive attitudes could be cultivated, organisational commitment and loyalty, extra role behavior and organisational citizenship behavior could be attained, which in turn would lead to better organisational performance (Boselie *et al.* 2005; Boxall and Purcell, 2008; Collings and Mellahi, 2009; Lepak and Shaw, 2008).

2.3 The psychological contract

2.3.1 Defining a Psychological Contract

The psychological contract plays an important role in helping define and understand the contemporary employment relationship (Zhao *et al.* 2007). The contract consists of the employees' individual beliefs regarding the terms and conditions of the exchange agreement between themselves and their organisations (Dabos and Rousseau, 2004). In expanding this, Grimmer and Oddy (2007) indicated that the concept refers to employees' subjective interpretations and evaluations of their deal with the organisation. Knights and Kennedy (2005) contributed in this regard by defining a psychological contract as promises expressed or implied that deal with the exchange agreements between employers and employees. The psychological contract refers to a set of expectations held by the individual employee that specify what the individual and the organisation expect to give and receive from one another in the course of the employment relationship.

It is important for organisations to understand employees' expectations in order to create deals that are mutually understood by both the organisation and its employees (Vos, Meganck and Buyens, 2005). Although most of the studies focused on the employer's psychological contract obligations, the psychological contract itself consists of the employees' perceptions regarding mutual obligations of both. Both employees and organisations are assumed to have obligations

towards each other and these obligations are interdependent (Coyle-Shapiro and Kessler, 2002).

The mechanisms behind the psychological contract are accounted for using the social exchange theory and in particular the concept of reciprocity. It appears that the norm regarding reciprocity is that people engage in social exchanges and anticipate that their efforts will be reciprocated by the other party (Bal *et al.* 2008). Individuals who perceive that they are valued and respected are likely to reciprocate with emotional engagement. In the workplace, this norm unfolds in various ways as employers often make future commitments to their employees to motivate them to put effort in their jobs and remain with the organisation.

The nature of the psychological contract changes over time and there are several contract makers such as the immediate manager, co-workers and HR departments (Rousseau, 2004). The contract is also influenced by external factors such as globalisation and legislation, and internal factors such as the way the company responds to employees (Wocke and Sutherland, 2008).

2.3.2 The Content of the Psychological Contract

The content of the psychological contracts refers to the concrete terms being part of the perceived exchange relationship (Isaksson, De Cuyper, Oettel and De Witte, 2010). Although it is difficult to provide an exhaustive list of content items, Grimmer and Oddy (2007) contributed to the solution by grouping content items into a transactional and relational dichotomy.

Transactional psychological contracts focus on short term financial relationships involving specific exchanges such as pay and performance, characterised by clearly specified roles and

responsibilities (Atkinson, 2002). They are assumed to be tangible, stable and publicly available through labour law and job descriptions (Isaksson *et al.* 2010). The economic exchange associated with the contract maintains that the transactions between the parties are independent events, neither long standing nor ongoing (Sturges *et al.* 2005). Knights and Kennedy (2005) argue that issues such as trust, attachment and commitment to specific exchange patterns are left out of a transactional contract because the contract is defined in terms of a monetary exchange for specific times and tasks performed. An individual's identity in the transactional contract is derived from their unique skills and competencies in which the exchange relationship itself is based (Millward and Hopkins, 1998). The organisation is simply the place where individuals seek immediate rewards out of the employment situation such as pay and credentials (Rousseau, 2004).

As the relationship is largely based on an economic exchange with less emphasis on the long term relationship and attachment to the organisation, employees in the talent pools are expected to be less transactional compared to employees not in talent pools. The inclusion in the talent pool is a signal on the side of the employer that it intends to develop and build a future relationship in which such employees would be able to fill positions that are considered key to the continued existence of the organisation. Hence, the first hypothesis states the following:

Hypothesis 1: Employees in the talent pools will be less transactional in their orientation to the organisation than employees not in talent pools.

In contrast to the transactional contracts, the relational psychological contracts are not time bound, but they are characterised by ongoing or long term extensive training, career

development, and involve the exchange of both monetary and non-monetary benefits (Atkinson, 2002). The exchange in the relational contract is dynamic, socio-emotional, and typically includes aspects such as loyalty and job security that aims to establish and maintain a long term employment relationship (Lester *et al.* 2006). Thompson and Bunderson (2003) highlight that this type of contract is seen as more valuable for companies dependent on employees for their future sustainability as they are encouraged to contribute their commitment and loyalty to the organisation in exchange for their professional career development. Under the relational contract, the employer carries the locus of responsibility. Employees come to identify with the organisation through promotion from within, mentoring and socialisation (Rousseau, 2004).

As the focus is on building a long term relationship characterised by intensive training, career development and association with company values and goals in return for loyalty, employees in the talent pools are expected to be more relational than employees not in talent pools. Employees in the talent pools are the prime focus for development focusing on both the technical and leadership competencies to ensure the future sustainability of the organisation. Hence, the second hypothesis states the following:

Hypothesis 2: Employees in talent pools will be more relational in their orientation to the organisation than employees not in talent pools.

Table 2.1 provides a distinction between the transactional and relational contracts as provided by Van de Ven (2007). The distinction serves as further justification for the postulation of the first and second hypotheses.

Table 2.1: Distinction between transactional and relational contracts (Van de Ven, 2007)

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

Robinson and Morrison (2004) observed that it is important to understand that employees' transactional entitlements are exchanged for transactional obligations while relational entitlements are exchanged for relational obligations. Balanced psychological contracts are open ended arrangements with both parties contributing to each other's success.

2.3.3 The Evaluation of the Psychological Contract

The evaluation of the psychological contract refers to either a discrepancy or a match between the psychological contract content terms and their fulfillment. The lack of fulfillment or breach refers to the perception that obligations or entitlements have not been met (De Vos, *et al.* 2005) Employees evaluate inducements they receive from their organisations in view of previously made promises and this evaluation leads to a feeling of psychological contract fulfillment or breach (Guest and Clinton, 2005). Employees then reciprocate through their actions, depending on the outcome of the psychological contract evaluation (Coyle-Shapiro, 2002).

2.3.3.1 The Fulfillment of the Psychological Contract

Fulfillment of the transactional psychological contract refers to the judgment by employees regarding the extent to which the employer has performed its obligations in terms of transactional items such as money and goods (e.g. salary and fringe benefits). The fulfillment of the relational psychological contract refers to the assessments regarding how well the organisation has lived up to its obligations regarding nurturing relationships (socio-emotional concern), open communication and inputs into important decisions, responsibility and power, lifelong learning, as well as development and advancement opportunities (Bal *et al.* 2008).

As already argued, employees tend to be motivated to reciprocate what they consider to be obligations fulfilled by their employer as well as promised future inducements. Their obligations regarding their contributions in return for their entitlements are represented by efforts put in the job or otherwise directed towards helping the employer. Transactional employee obligations towards the employer involve performing in-role behaviors which entail working to the standards set for one's job, which might include being efficient and cooperating with colleagues (Workmann and Bommer, 2004). In role behaviour largely represents an obligation on the employees' side to perform what is required in terms of their formal job description (Zhao *et al.* 2007).

Relational obligations towards the employer involve more organisational commitment and trust, which are in turn critical to the achievement of organisational outcomes (Bal *et al.* 2008).

Blomme, Rheede and Tromp (2010) defined organisational commitment as a psychological state that characterises the employee's relationship with his or her organisation and has

implications for the decision to continue or discontinue membership in the organisation. It can best be described as a strong identification with and involvement in the organisation and is reflected in the employee's acceptance of organisational goals, willingness to work hard for the organisation and the desire to stay with the organisation (Knights and Kennedy, 2005).

Meyer, Stanley, Herscovitch and Topolnytsky (2002) distinguished between three categories of commitment, namely: affective, continuance and normative commitment. Affective commitment is described as the employees' emotional attachment to and identification with and involvement in the organisation (Ten Brink, 2004). Continuance commitment is defined as the employees' awareness of costs related to leaving the organisation (Booth and Hamer, 2006). Lastly, normative commitment refers to a feeling of obligation to remain with the organisation (Meyer *et al.* 2002).

It is affective commitment in particular that strongly predicts attitudes and intentions (Blomme *et al.* 2010). Cooper-Hakim and Viswesvaran (2005) argued that commitment develops slowly and consistently over time as a result of the employer/employee relationship. It is strongly influenced by employees' work experiences (Coyle-Shapiro and Kessler, 2000).

Experiences such as the provision of lifelong learning and development and advancement opportunities could secure important employee related outcomes such as a high level of organisational commitment, which in turn would lead to better organisational performance (Boxall and Purcell, 2008). Sturges *et al.* (2005) argued that conversely one might expect to find a positive relationship between absence of career management help and undesirable behaviours such as absenteeism and voluntary turnover. As employees in the talent pools are the main beneficiaries of career management support, they are expected to show more

commitment to the organisation than employees not in talent pools. Hence, the third hypothesis states the following:

Hypothesis 3: Being part of the talent pool will lead to more commitment in the organisation than not being in the talent pool.

Trust is another important behavioural outcome that could be achieved by organisations that fulfil their obligations towards their employees. Aryee, Bhudwar and Chen (2002) defined trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. There are a number of bases for the treatment of trust, the most prominent of which are cognitive and affective (Atkinson and Butcher, 2003). Cognitive trust is rational and calculative, focusing on an individual's gains, usually material and emerging from an economic exchange relationship. Affective trust consists of relational bonds between parties, respect and concern for one's welfare. It is emotional in nature and not dependent on rationality, emanating from the social exchange relationship (Tyler, 2003).

Atkinson (2007) argues that cognitive trust is more aligned to transactional psychological contracts as obligations such as pay are underpinned by a rational, calculative form of trust that has intuitive resonance. However, affective trust is more aligned to relational psychological contracts as obligations such as support, transparency, career management help, and mentoring, coaching, on-going development and advancement opportunities will be predicted upon a more emotional form of trust in which mutual respect and concern for the other's welfare are fundamental (Pate and Martin, 2002). As employers are more likely to prioritise employees in the talent pools to achieve these relational obligations, in return, employees in

talent pools are expected to develop more affective trust towards their employers compared to employees not in talent pools. Hence, the fourth hypothesis states the following:

Hypothesis 4: Being part of the talent pool will lead to more affective trust in the organisation than not being in the talent pool.

To gain a competitive advantage, organisations are increasingly dependent on extra role behaviour, proactive forms of high performance, commitment and trust from their employees with talent (Coyle-Shapiro and Kessler, 2002). When employees judge employer fulfillment as high, they are more likely to feel obligated to reciprocate and hence increase their sense of obligation towards the employer (Rousseau, 2004). High levels of employer fulfillment could be associated with high levels of employee obligations. A psychological contract that is met could lead to a knowledge worker feeling an obligation to contribute even more (De Vos *et al.* 2003; Wocke and Sutherland, 2008).

2.3.3.2 The Violation of the Psychological Contract

The lack of fulfillment of aspects of the psychological contract leads to a feeling of the violation of the contract (Knights and Kennedy, 2005). There are two conditions that may give rise to the perception of a violation of the psychological contract. The first is reneging on a deal by the employer, where obligations owed are knowingly unfulfilled due to either inability or unwillingness on the side of the employer to fulfill what was promised. Secondly, perceptions of violation may arise due to incongruence. In this case, the issue is not an obvious violation but rather an inconsistency in the perceptions of either party as to the nature of mutual obligations (Grimmer and Oddy, 2007).

The violation of the psychological contract is known to have a material effect on the relationship between the employer and the employee (Robinson and Morrison, 2000). As the relationship is based on the principle of reciprocity, when employees experience a breach of the psychological contract, they may withhold their contributions to the organisation (Restubog, Bordia and Tang, 2006). When faced with contract violation, employees seek to remedy the imbalance in their relationship with their employers (Coyle-Shapiro and Kessler, 2000).

The violation of the psychological contract leads to a variety of reactions, depending on the severity of the breach and the nature of the psychological contract (Guest and Clinton, 2005). The composite measure of breach can be categorised into two types of contracts, namely relational and transactional contracts (Zhao *et al.* 2007). However, Millward and Herriott (2000) argued that transactional-relational divide is not necessarily an exclusive one. They suggested that the exchange relationship is better characterised as containing varying degrees of both relational and transactional elements. In other words, individuals are not one versus the other and can instead have both types in their individual psychological contracts, even to a varying extent.

The violation of a psychological contract with a strong relational orientation could lead to some withdrawal of commitment; some degree of unwillingness to go an extra mile while employees with a less relational orientation could withdraw their commitment even more, reverting to the economic/transactional relationship, thus diminishing the employment relationship characterised by organisational citizenship behavior (Guest and Clinton, 2005). Organisational citizenship behavior involves extra role behavior and proactive forms of high performance. The more relational components of the psychological contract are expected to have a stronger mediating impact on the relationship between work experiences such as violation on the one

hand and work behavioral outcomes such as organisational citizenship behavior on the other hand (Grimmer and Oddy, 2007).

As employees in the talent pools are the prime focus for long term career development and therefore more likely to display a more relational psychological contract, it is expected that this will serve as a strong mitigating factor in terms of work behavior in circumstances of a perceived violation of the psychological contract. Hence, the fifth hypothesis states the following:

Hypothesis 5: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of organisational citizenship behavior.

Extra role behavior as a form of organisational citizenship behavior manifests in commitments to provide discretionary support for co-workers in need, or to respond to the broader firm's needs in such a way as being flexible about hours or volunteering to do extra tasks. It is defined as efforts voluntarily exerted beyond the call of duty in order to execute decisions to the best of one's ability. The following have been identified as the characteristics of extra-role behaviour: tolerance of less than ideal working conditions, participation in organisational decision making, increased concern for the success and well being of the organisation, and assistance and mentoring of colleagues/co-workers (Collings and Mellahi, 2009). Proactive forms of high performance are more productive and innovative, and would involve instances where employees proactively introduce better ways of producing a product or providing a service (Thompson and Bunderson, 2003).

On the other hand, the breach of the psychological contract for employees with a less transactional orientation could trigger the intention to leave, while employees with a stronger transactional orientation could intensify the intention to leave or result in the actual exit from the organisation (Coyle-Shapiro and Kessler, 2002). This is particularly the case as the more transactional the psychological contract, the less attached the employee is to the organisation as the relationship is based purely on an economic exchange (Grimmer and Oddy, 2007).

The inclusion of employees in the talent pool focusing on linchpin positions and supporting them through a differentiated HR architecture is expected to have a moderating effect on the intention to leave in circumstances of a perceived violation of the psychological contract. Hence, the sixth hypothesis states the following:

Hypothesis 6: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their current employers.

Turnover has a significant negative impact on the productivity and profitability of organisations. The cost of dealing with a co-worker who is leaving by hiring and supervising a new replacement co-worker could amount to 70% of the year's salary (Hinkin and Tracey, 2000). In addition, employee turnover may erode the company's implicit knowledge base, which is one of the key variables for competitive advantage. Organisations that are unable to hire and retain highly skilled staff will either hinder or destroy the development of the organisation's competencies and competitive advantage (Blomme *et al.* 2010).

2.3.4 The Evolution of the Psychological Contract

Given the changes in the structure of the economy characterized by global competition, the psychological contract has also evolved over time to resemble an ultimatum where the organisation exchanges the privilege of a job in return for employee compliance and commitment. Organisations are no longer in a position where they are able to assure their employees of job security. Continuous change and restructuring were shown to lead to increased feelings of insecurity, inequity, and powerlessness. Decreased opportunities for promotions were also shown to have a negative impact. Downsizing lead to a survivor syndrome and poor practices around their implementation was found in the psychological contracts (Atkinson, 2002).

In return for these developments, De Vos *et al.* (2005) argued that the psychological contract evolved on the employees' side as they developed individualised coping strategies, less reliant upon career progress within one organisation and more upon developing the skills and reputation that will enable them to move between organisations. The most competent and talented people seek opportunities to develop their portfolio of experience and are much in demand. They do not have company allegiance (Bux and Tay, 2010).

Employees ceased to be driven by loyalty and long service to one employer but rather concerned themselves with self managing their careers and chasing a better deal (Zhao *et al.* 2007). The 21st century employees are more skewed towards the generation of individual thinkers, people who value their own mind and thought. One of the key features of these knowledge workers in the new world of work is their increasing mobility (Wocke and Sutherland, 2008).

Under these circumstances, organisational effectiveness could be enhanced through the introduction of talent pools to facilitate movement across the value chain (Rao and Drazin, 2002). Given the increasing career mobility, organisations should be open to recruiting high performing candidates from the external labour market into their talent pools. The development of the talent pool should focus on managing the risks or costs associated with the outcomes that are difficult to predict based on pivotal positions Cappelli (2008a).

2.4 Diversity

Faced with the rapid growth in the demand for highly skilled talent, organisations that want to compete for the best talent must seek to attract and hire from the pool of workers which is increasingly diverse (Eddy and Burke, 2005). Diversity management can help organisations to capitalize on the benefit of diversity including the reduction in employee turnover, increase in sales and marketing efforts, enhancement of creativity and innovation, and improvement in decision making. Diversity management also seeks to create a greater inclusion of all individuals into formal company programmes and informal networks (Avery, 2003). It is important that the talent pool reflects the diversity of the client base and the communities and regions in which the company operates (Kilian, Hukai and Mcarty, 2005).

In the South African context, the focus has been on transformation to achieve social justice, equality and redress the history of unfair discrimination. The transformation initiatives are driven by the need to dismantle the legacy of apartheid by transforming the basic structure, culture and core values of the South African society to ensure equitable access to resources, opportunities and skills (Selby, 2005; Esterhuyse, 2003).

Several pieces of legislation have been passed since 1994 to facilitate the process of transformation. Among these, the Employment Equity Act (1998) makes provision for the implementation of affirmative action measures by organisations to ensure equitable representation of members of the designated groups, namely blacks, women and people with disabilities (Kock and Burke, 2008). Designed to support the Employment Equity Act is the Skills Development Act (1998) and the Skills Levies Act (1999), which jointly facilitates the prioritisation of members of designated groups in training and development. The Broad Based Black Economic Empowerment Act (2003) also has a significant element of redress in that it requires employers to achieve quantified targets across different management levels focusing on black people. The Act also requires employers to spend 3% of their payroll towards training and development of black employees (Booyesen, 2005).

The nature of the psychological contract entered into with black employees, as a result of these pieces of legislation, will by necessity be of a relational nature as the organisations engage on a long term programme of developing the skills and talents of employees to retain and deploy them to senior and knowledge intensive roles in the organisation. In exchange for their loyalty and commitment, these employees will expect continued professional development and growth (Wocke and Sutherland, 2008).

The context of transformation in South Africa has had an influence on how organisations identify candidates and manage their employees with talent. Employees with potential get segmented to track diversity with the intention to ensure that the pipeline contributes towards improving the diversity profile of the organisation's overall population. With pressure mounting for organisations to achieve employment equity targets mainly at management levels, attempts

are made to prioritise members of the designated groups for entry and accelerated development into the talent pools to feed these levels (Booyesen, 2007).

This creates feelings of exclusion and unfairness on the side of white employees. Booyesen (2005) argued that white employees feel threatened by the perceived lack of opportunities and they feel undervalued. This is particularly the case when they are expected to mentor and coach black recruits or employees. In his study, Maharaj (2003) found that white managers believed that employment equity practices led to a breakdown of the relational components of the psychological contract with their employer.

Due to the legislative environment in favour of black employees and the possible feelings of unfairness among white employees, it is expected that black employees in the talent pools will be more positive about opportunities for development when compared to white employees in the talent pools. Hence, the last hypothesis states the following:

Hypothesis 7: Black and white employees in talent pools will have different feelings about opportunities for development and growth in their organisations.

2.5 Conclusion

A talent pool strategy is important for organisations to develop key talent to meet their current and future competency needs. The extent to which organisations are successful in the execution of the strategy could impact on the employees' perceptions of fulfilment or violation of the psychological contract. This will in turn affect their commitment, trust and willingness to stay with their current organisations.

Human talent remains imperative as a source of competitive advantage for organisations. However, with the advent of the boundaryless career, it has become difficult for employers to retain talent. The introduction of a talent pool strategy is seen as an important vehicle to promote the positive psychological contract among employees with talent in an attempt to retain them. However, the challenge is that even with this talent management intervention, knowledge workers may still prefer mobility because they are inherently individualistic.

3. CHAPTER 3: RESEARCH QUESTIONS

As described in the literature, it becomes clear that there is a need to investigate the impact of being part of the talent pool on the psychological contract. The following hypotheses have been postulated to carry out this task and have guided the formulation of the questionnaire instrument and will also guide the formulation of the results and outcomes of the study.

3.1 Hypothesis 1

Employees in talent pools will be less transactional in their orientation to the organisation than employees not in talent pools.

3.2 Hypothesis 2

Employees in talent pools will be more relational in their orientation to the organisation than employees not in talent pools.

3.3 Hypothesis 3

Being part of the talent pool will lead to more commitment in the organisation than not being in the talent pool.

3.4 Hypothesis 4

Being part of the talent pool will lead to more affective trust in the organisation than not being in the talent pool.

3.5 Hypothesis 5

Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of organisational citizenship behavior.

3.6 Hypothesis 6

Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their current employers.

3.7 Hypothesis 7

Black and white employees in talent pools will have different expectations about opportunities for development and growth in their organisations.

4. CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

It has already been illustrated that the concept of the psychological contract has been investigated and studied from different perspectives. However, a gap was identified in the literature regarding the relationship between career management and the psychological contract with specific reference to the segmentation of talent to include high potential employees into the talent pools. Atkinson (2002) and Sturges *et al.* (2005) conducted studies that were close to this study but their conceptualisation addressed career management as a general concept that applies to all employees without specific focus comparing the segmentation or differentiation between high potential employees in talent pools and those not in talent pools.

In this chapter, the methodology used in the investigation of the research problem is presented. These include describing the type and the scope of the study, the target population, the sampling technique, the method of data collection including the questionnaire design, and lastly, techniques used for data analysis.

4.2 Type of the Study

The research design applied in the study was quantitative and descriptive in nature. A descriptive methodology was chosen because a review of literature illustrated that much exploratory research has already been done in this area and a body of knowledge that could be used as the basis for investigation of the research problem exists. Zikmund (2003) argued that descriptive studies seek to describe the characteristics of a population or phenomena.

Descriptive studies determine the answer to who, what, when where and how. This study seeks to describe the impact of inclusion in the talent pool on the psychological contract mainly using variables derived from literature. This is in line with Zikmund (2003)'s assertion that descriptive studies are based on some previous understanding of the nature of the research problem. Although the researcher may have a general understanding of the nature of the business problem, conclusive evidence in the form of answers to the questions of fact does not exist. Although errors cannot be completely eliminated, accuracy is paramount in descriptive research. The study used close ended questions in order to ascertain frequencies of responses where orders of importance of some factors were required. The study also used a cross sectional design because various segments of the population were sampled at a single point in time (Zikmund, 2003).

4.3 Scope of the Study

The scope of the study covers what will be addressed and what will not be addressed in the research (Zikmund, 2003). As a starting point, although there are many factors that impact on employees' psychological contract with their employers, for the purpose of this study, the focus was on the impact of inclusion in the talent pools. The breadth of previous studies show the impact of various factors such as tenure and the role of the future time perspective, the nature of employment contract, employment equity regulations and cultural variations.

Secondly, the study focussed on employees in the talent pools and those outside talent pools to unpack and describe the impact of inclusion in the talent pools on the psychological contract factors.

Thirdly, the study measured the psychological contract factors from the employees' perspective. This implies that the employers' views and perceptions were not addressed by the study.

Lastly, the study targeted companies that follow advanced processes for the implementation of talent pools as part of their talent management strategies in the automotive, asset finance and mining sectors.

4.4 Target Population

Zikmund (2003) defined the target population as a complete group of specific population elements relevant to the research project. The target population relevant for this study were employees in talent pools and those outside talent pools employed by organisations operating in the automotive, asset finance and mining sectors of the economy. Some organisations in these sectors have not implemented talent pools as part of their strategies to manage talent and therefore their employees were excluded from the target population.

4.5 Sampling

Zikmund (2003) defined a sampling frame as a list of elements from which a sample may be drawn. Although the target population was broader, at the end the sampling frame was derived from organisations that participated in the study. The sampling frame came from one company in the automotive industry, one company in the asset finance industry and one company from the mining industry.

The sampling frame of employees who are in and outside talent pools for companies in the automotive and asset finance industries was obtained from their central human resources division because all these companies belonged to the same group. The sampling frame shown that the number of employees identified as talent for the talent pool was low as a proportion of the total number of employees (table 4.1 below illustrates this point).

Table 4.1: Employees in Talent Pools as Proportion of the Total Number of Employees			
Sector	Total Number of employees	Sampling Frame of Employees in Talent Pools	Employees in Talent Pools as % of Total Employees
Automotive	1136	100	9%
Asset Finance	285	86	30%
Total	1421	186	13%

To ensure accuracy and improve the chances of a better response rate, all employees (186) identified as talent for the talent pool were included in the sample. This implies that the entire sampling frame of employees participating in talent pools were included in the sample. However, given a high number of employees not in the talent pools, a stratified sampling method was used to select a sample for participation in the study.

Zikmund (2003) defined stratified sampling as a probability sampling procedure in which simple random subsamples are drawn from within different strata that are more or less equal on some characteristic. An attempt was made to achieve a minimum sample size of 186 for employees not in talent pools in order ensure a match in the sample size of employees in talent pools. However, 200 employees were included in the sample, which meant that the sample size was higher with 14 more units than for employees in talent pools.

To ensure comparability of the two samples, the composition of the employees in talent pools in terms of occupational level and racial classification was used as the basis for the stratification of employees not in talent pools. The two variables were chosen because the lack of balance in representation of employees in talent pools and those outside talent pools could impact negatively on the views expressed by the respondents and therefore skew the results of the study. Comparability of employees in the two groups in terms of occupational level was important to enhance the quality of the feedback. It was also important to ensure comparability of the two groups in terms of racial composition as one of the hypotheses measured the impact of race on the psychological contract.

The stratified sampling was carried out by using a Microsoft Excel list of employees not identified as part of the talent pool. This list was sorted *firstly* by occupational level and *secondly* by racial classification. Microsoft Excel was used to generate random numbers for each employee. The random numbers were then sorted by ascending order within each occupational level for each racial category and only those employees with the highest randomly generated numbers were included in the sample. With the desired sample size in mind, the number of sample units required per occupational level by race was predetermined. This allowed the sample to be representative of employees across different levels and racial groups.

The sampling process followed for an organisation in the mining industry was not as formal as for the group of companies operating in the automotive and asset finance industry. All employees at supervisory level and above were included as part of the sample because their number was small. At the same time, all employees below the supervisory level were excluded from participation in the study because they did not have access to the internet. The sample of

employees in talent pools comprised of 54 units whereas those not in the talent pool comprised of 53 units. Table 4.2 is a summary of a complete sample of participants to the study made of employees in talent pools and those not in talent pools:

Table 4.2: Summary of a Sample of Employees in and outside Talent Pools				
Sector	Talent Pool		Not In Talent Pool	
	Sampling Frame	Selected Sample	Sampling Frame	Selected Sample
Automotive	100	100	1036	112
Asset Finance	86	86	199	88
Mining	54	54	53	53
Total	240	240	1288	253

4.5.1 Classification of Employees: Talent Pools vs. Not Talent Pools

It is important to highlight that the classification of employees into talent pools and not talent pools before the data was collected played an important role during the data collection process. Employers participating in the study were requested to provide the information already classified into two groups. This made it possible to send the same questionnaire and collect data from these two groups of employees. This reduced the risk of incorrect self classification which would have likely occurred if the study had relied on employees themselves to indicate whether they were in the talent pools or not when completing the questionnaire.

The risk would most probably have occurred because most of the organisations that were approached to participate in the study indicated that they did not formally inform their employees of their status as being part of the talent pools. Therefore, some of the employees

would not have had a definite answer about whether they were part of the talent pool or not. This is despite the practice that employers generally treat employees in the talent pools differently and preferentially to those not in talent pools through regular discussions in talent management conferences, assignments into strategic projects, selection into strategic development programmes, regular remuneration reviews and issuing of retention bonuses.

4.6 Unit of Analysis

It is important for the research to define the unit of analysis, specifying the level at which the investigation would take place (Zikmund, 2003). This could include the overall organisations, departments or individuals. For the purpose of this study, the unit of analysis was the individual employee either in a talent pool or not in a talent pool within targeted organisations.

4.7 Method of Data Collection

The study utilised an internet survey method to collect the data. Zikmund (2003) defines an internet survey as a self administered questionnaire posted on the website where respondents are required to provide answers to the questions displayed on the screen by highlighting a phrase, clicking an icon, and keying in an answer. This method of data collection requires that the majority of the target population for the study should enjoy access to the internet in order to reduce the possible negative impact on the participation rate. For this present study, only a few of sampled employees in the group of companies in the automotive and asset finance industries at admin level indicated that they were not able to respond to the survey because they did not have access to the internet. Such employees were replaced by other employees with internet access. All employees without access to the internet for a company in the mining industry were excluded from the sample.

Zikmund (2003) argues that the following were among the advantages of the internet survey: speed and cost effectiveness, efficiency, accurate means of assessing information about the population, visual appeal and interactivity, better respondent participation and cooperation.

Survey Monkey was used as an internet platform to collect the data. The platform came with a number of functionalities that reduced complexity of the data collection process. Among the functionalities that were used were the following: the survey questions were designed online and classified into different subheadings, an electronic link to the questionnaire was created and distributed through email, multiple data collection folders were created to enable the collection of data from the two groups, namely employees in talent pools and those not in talent pools. The tool also made it possible to track progress on the response rate on a daily basis.

A period of four weeks was allowed for the respondents to complete the questionnaire with a reminder email sent three times before the closing date to appeal to those who had not yet participated to participate while at the same time using the opportunity to thank and express appreciation to those who have already participated in the study.

4.8 Questionnaire Design

As already indicated, a survey research design was used as the basic design methodology for the collection of the primary data. The questionnaire was developed specifically to answer the research hypotheses as laid out in chapter 3 of this research report. Moreover, the questionnaire was pre-tested with subordinates in the workplace to ensure there were no structural problems and to screen out any problems with the questions or instructions of the

questionnaire. For instance, the following changes were made on the questionnaire as a result of the feedback from the pre-test:

- Initial questions used in the pre-test:

24	Avoid making innovative suggestions for new projects or improvement widely	1	2	3	4	5
25	Hardly go out of the way to assist colleagues with job related problems	1	2	3	4	5

- Changes to the questions due to the feedback from the pre-test:

24	I will avoid making innovative suggestions for new projects or improvement	1	2	3	4	5
25	I will no longer go out of the way to assist colleagues with job related problems	1	2	3	4	5

The changes were made to bring more clarity to the questions. A deliberate attempt was made to ensure the use of simple, unbiased, unambiguous, and non-irritating words in the formulation of questions.

The first page of the questionnaire explained the purpose of the study and requested the participation of the participants. Although participants were advised that participation was voluntary, they were also encouraged to participate. Participants were also guaranteed of confidentiality and anonymity in the way that their responses were to be handled. The estimated time of completion of the questionnaire was also included in this page.

The questionnaire was divided into three sections:

- Section 1 gathered data about the demographic details of the respondents to obtain the demographic profile of the employees in talent pools and those not in talent pools who had responded to the questionnaire. Four questions were asked in this regard focussing

on the following variables: occupational level, gender, race and years of service with the current company.

- Section 2 gathered data concerning the variables relating to the psychological contract, organisational commitment and trust. Twenty three statements were used to measure these constructs.
- Section 3 gathered data on variables relating to organisational citizenship behaviour and the intention to leave. Eight statements were asked measuring these two constructs.

The responses to the statements in section 2 were categorised on a five point likert scale ranging from “strongly disagree” to “strongly agree” as shown below:

Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
-------------------	----------	----------	-------	----------------

The responses to the statements in section 3 were categorised on a five point likert scale ranging from “not at all” to “to a great extent” as shown below:

Not at all	Slightly	Somewhat	Moderately	To a great extent
------------	----------	----------	------------	-------------------

The statements in the questionnaire that addressed various constructs could be classified in the following manner (refer to appendix 2 for the questionnaire):

4.3: Measurements of the Major Constructs in the Questionnaire	
Construct	Statement number as per questionnaire
Relational Psychological Contract	1, 3, 8, 9, 14, 17, 19, 20
Transactional Psychological Contract	2, 6, 15, 16, 21, 22
Organisational Commitment	4, 5, 10, 11
Trust	7, 12, 13, 23
Organisational Citizenship Behaviour	24, 25, 27, 28, 30
Intention to Leave	26, 29, 31
Opportunities for Growth and Development	3, 17

The development of the questionnaire was mainly informed by the work that had already been researched in the literature study. This played an important role in enhancing the relevance and quality of the questions asked. Most of the questions measuring various constructs already had a Cronbach alpha reliability that exceeded 0.65 derived from the previous use in the literature. What follows below are the major constructs of the study, together with the key sources in the literature that informed their operationalisation (refer to appendix 1 for the actual operationalisation of the study):

4.8.1 Psychological Contract

The questionnaire measuring the transactional and relational dimensions of the psychological contract was derived mainly from the work of Millward and Hopkins (1998). The scale used was a valid means of operationalising the transactional and relational dimensions of the psychological contract and the scale was validated on five workplace samples (Millward and Brewerton, 1999). Millward and Herriot (2000) also produced evidence of the construct validity of the scale. The Cronbach alpha gained for the scale shows an internal consistency just below the rule of thumb cut-off of 0.70 and was therefore reliable for use. Individuals using the

scale could have high or low scores on both the transactional and relational dimensions or be high on one and low on the other (Grimmer and Oddy, 2007).

However, some questions to measure the transactional and relational dimensions of the psychological contract were derived from the work done by Rousseau (2000). This was done in an attempt to close the gap that appeared in the questionnaire provided by Millward and Hopkins (1998) which focussed less on measurements addressing the employer obligations of the psychological contract. Millward and Hopkins (1998) appeared to have focused mainly on the employee obligations of the psychological contract. Rousseau (2000) argued that factor analysis was conducted on his measurement items and they were found to be valid. This construct was measured through fifteen statements in the questionnaire, ranked on a five point scale from “strongly disagree” to “strongly agree”.

4.8.2 Organisational Commitment

The operationalisation of this construct was derived from the work done by Blomme *et al.* (2010). Their operationalisation produced measurement items that exhibited an internal consistency reliability of 0.90 measured through the Cronbach’s alpha. This construct was measured through four statements in the questionnaire and were also ranked on a five point scale from “strongly disagree” to “strongly agree”.

4.8.3 Trust

Robinson and Rousseau (1994) operationalised this construct and produced measurement items which were used in this study. Grimmer and Oddy (2007) also used the items before and found them to have a Cronbach’s alpha of 0.90, indicating a high internal reliability. Four

statements were used in the questionnaire to measure this construct, also ranked on a five point scale from “strongly disagree” to “strongly agree”.

4.8.4 Organisational Citizenship Behaviour

Five items were used for the measurement of organisational citizenship behaviour based on Coyle-Shapiro’s (2002) work. A factor analysis was conducted on the items and they were found to have alpha co-efficients ranging from 0.60 to 0.74, the co-efficients that were deemed acceptable for use (Coyle-Shapiro, 2002). The items were measured on a five point scale from “not at all” to “to a great extent”.

4.8.5 Turnover Intention

A five point scale ranging from “not at all” to “to a great extent” was used again to measure this construct. Blomme *et al.* (2010) already used the three measurement items in their previous research and found them to have an internal consistency reliability of 0.90 based on the Cronbach’s alpha.

4.9. Data gathering Process

Once a good number of respondents (260) had completed the online questionnaire, the data gathering process commenced. The online survey platform had the capability to download all responses into a spreadsheet format.

4.10 Data Analysis

The software that was used for statistical data analysis was called the SAS System. The data was imported from Microsoft Excel into this statistical data analysis tool. As the size of the sample was big enough, namely greater than 30 respondents, the minimum requirement to

use parametric tests was met. Descriptive statistics such as frequency distributions, cross tabulations, the Chi-Square Test, Fisher's Exact Test, Analysis of Variance and the Duncan Multiple Range Test were used to analyse the data. They were all tested to the 5% significance level. The level of significance indicates the importance that a researcher attaches to the consequences associated with incorrectly rejecting the null hypothesis. It is the accepted probability of error or probability value that determines the boundary between rejecting or not rejecting the null hypothesis (Zikmund, 2003).

Although the scales used to measure the constructs were mainly derived from the literature and were already tested for reliability and consistency in previous studies, for the purpose of this study, the internal consistency analysis was repeated through the Cronbach co-efficient alpha technique. This was completed because in some instances the items from different sources were combined in the formulation of the measurement items for the constructs. The Cronbach co-efficient alpha is the most popular of the internal consistency co-efficiencies (Zikmund, 2003).

Frequency distributions were used to determine the distribution of the respondents in various variables e.g. demographic variables. The Chi-square test was used in the analysis of categorical data to determine whether the attributes were independent of one another. When using this test the null hypothesis was that the two attributes were independent (Albright, Winston and Zappe, 2009). Therefore, statistically significant results were those that indicated some sort of dependence. Rejecting independence did not tell us of the form of dependence. To see this, the data was looked at more closely. The data for this test consisted of counts in various combinations of categories, arranged in a contingency table or cross tab. In cases

where 60% of the cells had the expected counts of less than 5, the chi-square test was deemed as invalid and therefore the Fisher's Exact Test was used.

Analysis of variance (ANOVA) was used to analyse the difference between population means. When using ANOVA, the null hypothesis was that all means were equal while the alternative hypothesis specified that the means were not all equal (Albright *et al.*, 2009). The ANOVA procedure was conducted in two phases. In the first stage, the null hypothesis of equal means was tested. If the resulting P-value was higher than the 0.05 significance level, then there was no enough evidence to reject the null hypothesis. However, if the P value was sufficiently small (less than 0.05), the conclusion was that the means were not all equal, and therefore the null hypothesis was rejected.

In the event that the null hypothesis was rejected, the second stage in the ANOVA analysis was followed, namely an attempt to discover which means were significantly different from which other means. In cases where more than two population means were compared to establish the difference, the Duncan's Multiple Range Test was used. In line with the five-point likert scale used in the questionnaire, the means also ranked from 1 to 5 to illustrate the strength of the different population groups in relation to each construct.

4.11 Limitations of the Study

Although the data was collected from three companies, one in the mining industry, one in the asset finance industry and the last one in automotive, the automotive and asset finance companies all belonged to the same group. A significant proportion of the sample was derived from this group of companies. The talent management systems used and terms and conditions of employment in the group are very similar. Therefore, the study relied heavily on one group

of companies to collect and analyse the data in investigating the research problem. The lack of broader representation among participating companies denied the study an opportunity to obtain a different set of responses that could possibly have influenced the outcomes of the study.

Lack of access to the internet among employees operating below the supervisory level in a company operating in the mining sector limited the participation of these employees in the study. This group of employees were excluded from the sample due to lack of access to the internet. However, employees operating at the same level in other participating organisations (automotive and asset finance) were included in the sample because most of them enjoyed internet access. This created inconsistency in the study as the spread of representation of the sample by occupational level was different for different companies participating in the study.

One of the major disadvantages of the internet survey method is the high possibility for respondent misunderstanding (Zikmund, 2003). Although the questionnaire was pre-tested, this risk could not be completely eliminated because there was no interviewer present for clarification when the questionnaire was completed. Different respondents could have attached different personal meanings to the questions due to the interviewer's absence, and this would have had an impact on the findings of the study.

There was also a 25% item non response rate error due to the inability of the software used in data collection to disallow respondents from proceeding to the next questions until all preceding questions were answered.

The study relied on participating companies to provide data on who is classified as part of the talent pools and who is not. The companies rely on performance management systems to identify talent. The most inherent limitation with most of the corporate performance management systems is the inability to eliminate subjectivity in performance ratings and ultimately talent identification. The impact of this limitation is that some of the employees identified as talent might not represent actual talent and vice versa.

5. CHAPTER 5: RESULTS

5.1 Introduction

In this chapter the response rates, demographic information and the results on hypotheses tested will all be presented.

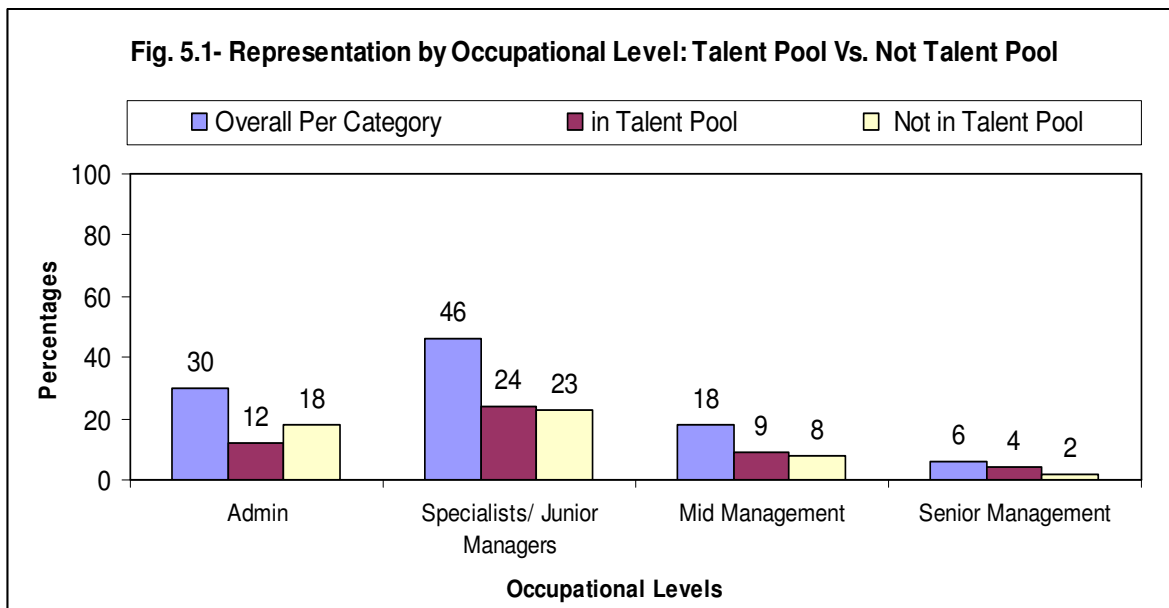
5.2 Response Rate

After determining the sampling frame and choosing a sample, employees in the talent pools and those not in talent pools in the three organisations were requested to participate in the survey. Sampled employees in the two groups were sent an email separately that gave them the opportunity to participate in the study. There were 240 emails sent to employees in the talent pools and 253 to employees not in talent pools. A total number of 493 employees in and outside talent pools received the questionnaire. Of the 240 in the talent pools, 127 (53%) responded to the survey, whereas of the 253 not in the talent pools, 132 (52%) responded to the survey. The total response rate for both groups of employees was 53%. It should however be noted that of the 53% response rate, some respondents had to be discarded as unsuitable because they did not complete enough of the questionnaire for their responses to be used in the survey. In the end, 96 (40%) of the employees in the talent pool and 99 (39%) of employees not in talent pools completed the questionnaire sufficiently enough to be used in the study. Thus, the study achieved a final overall response rate of 40%.

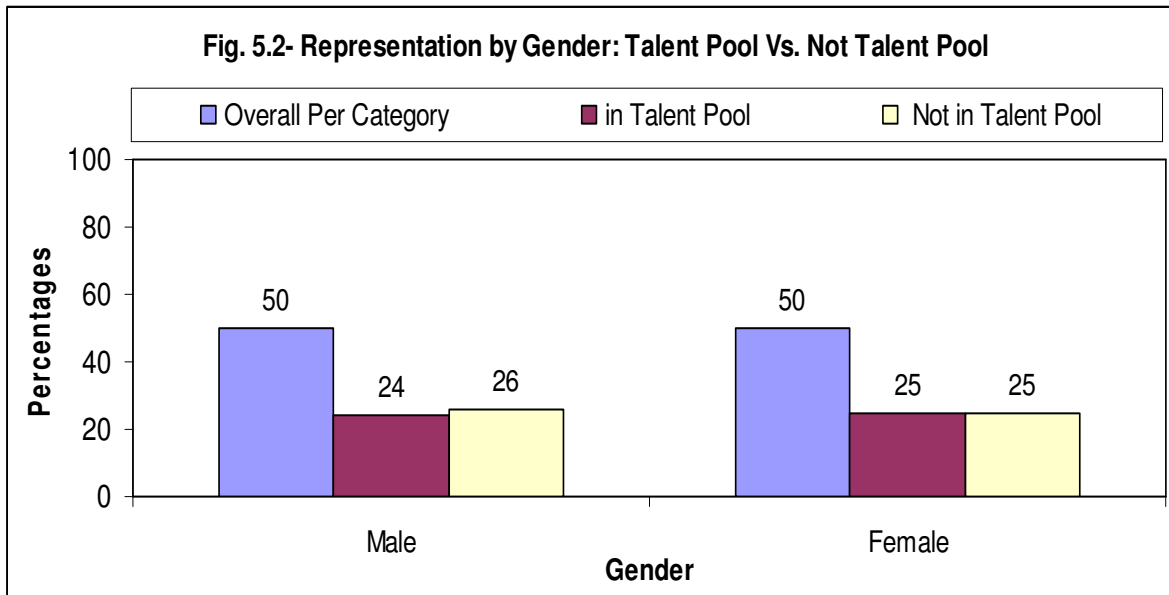
5.3 Demographic Information

There were four questions asked in order to determine the demographic profile of employees in the talent pools and those not in talent pools who participated in the study. The questions

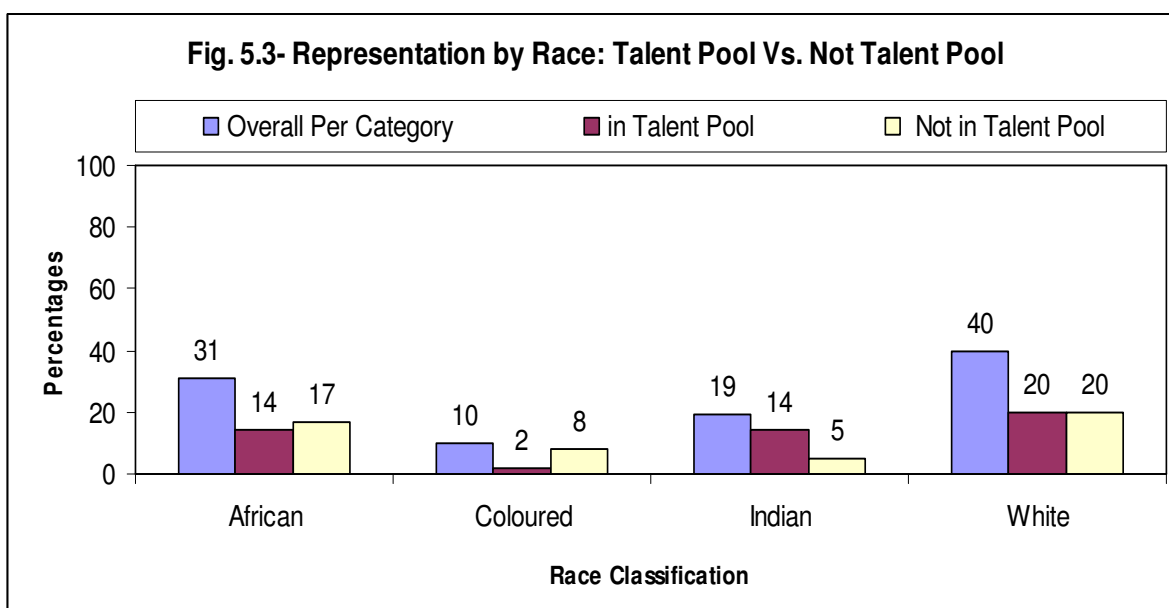
were on occupational level, gender, race and years of service with the current employer. The distribution of the sample for each of these variables is graphically presented below in figure 5.1 through to figure 5.4:



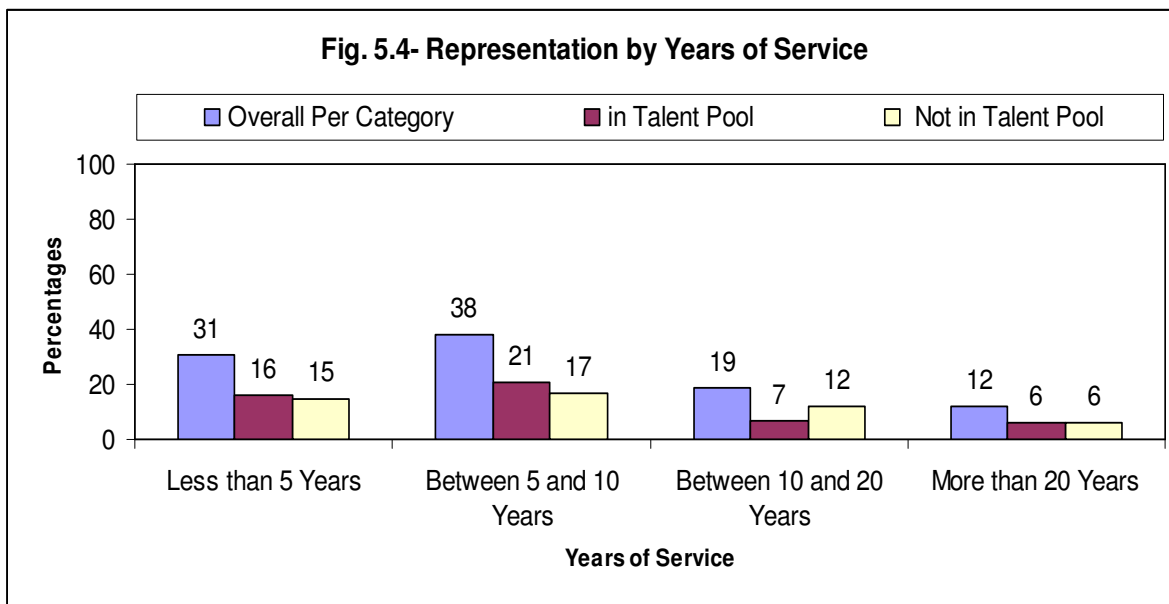
Most of the employees who participated in the study were in a specialist and junior management category (46%, 90 respondents). There was good representative balance between employees in talent pools (24%) and employees not in talent pools (23%) in this category. Employees classified as administrators were the second highest category (30%, 59 respondents) in terms of participation in the study. The split in this category was skewed towards employees not in talent pools (18%) compared to those in talent pools (12%). The category with the lowest participation in the study was made up of senior management (6%, 12 respondents). The representation across different levels is important to ensure lack of biasness in the responses in favour of one particular level.



The participation by gender in the study showed an equal split of 50% between males and females. That is the case as 98 males and 97 females participated in the study respectively. There was also a good representative balance between employees in talent pools and those not in talent pools in both the male and female categories.



The 40% (78 respondents) representation among white employees in the study put them in majority compared to the African employees with a 31% (60 respondents) representation rate. Although the split between employees in talent pools and those not in talent pools was well balanced among the white employees, it was slightly skewed towards the employees not in talent pools (17%) among African employees. The Indians were the third employee group (19%, 37 respondents) with high representation in the study, followed lastly by the coloured employees (10%, 20 respondents).



Most of the employees who participated in the study benefitted between 5 and 10 years of service with their current employers (38%, 75 respondents), 21% of whom were in talent pools while 17% were not in talent pools. They were followed by employees with less than 5 years of service with a representation rate of 31% (61 respondents) in the study. There was a sound balance in the representation of employees in talent pools (16%) versus those not in talent pools (15%) in this category. Employees with between 11 and 20 years of service occupied the third place with a representation rate of 19% (37 respondents), followed lastly by employees

with more than 20 years of service (12%, 23 respondents), who also displayed a good representative balance between employees in talent pools and those not in talent pools.

5.3.1 Representivity of employees in and outside talent pools

The Chi-Square test was performed to further measure comparability in terms of representation of employees in talent pools and those not in talent pools across all demographic variables. This exercise was conducted to determine whether there was a statistically good balance in the representation of the two groups in the study as this could impact on the quality of the findings. Table 5.1 shows that on a 0.05 significant level, except for the race variable, there was no significant difference found in any of demographic variables when it comes to representivity of employees in talent pools and those not in talent pools. Therefore, the chi-square test confirmed a firm comparability in three of the four variables. The existence of a significant difference in the race variable was due to a major skewness in representation of employees not in talent pools (80%) among the coloured group while the representation among the Indian group was 73% in favour of employees in talent pools. Despite this anomaly, this variable was still used in the analysis because both the coloured and the Indian groups jointly comprised less than 30% of the participants of the study.

Table 5.1: Representation of employees in talent pools and outside talent pools		
Demographic Variable	Chi-Square P Value	Comments based on 0.05 significant level
Occupational Level	0.1125	More than 0.05, no significant difference in representation
Gender	0.7211	More than 0.05, no significant difference in representation
Race	0.0014	Less than 0.05, there is a significant difference in representation
Years of Service	0.2936	More than 0.05, no significant difference in representation

5.4 Consistency and Reliability of the Scales used in the study

A number of constructs were measured by the questionnaire in an attempt to investigate the research problem. The concept of the psychological contract consisted of two constructs, namely the relational and the transactional dimensions. In addition to these, there were four additional major constructs that were measured by the study, namely organisational commitment, trust, organisational citizenship behaviour and the intention to leave. Although the measurements for these constructs were mainly derived from the literature, and there was an indication by scholars who used them before that they were reliable; for the purpose of this study, the cronbach alpha reliability co-efficients were also calculated to further determine the internal consistency of the measurement items per construct. This was done to determine the impact of combining certain measures from different sources. A summary of the results of the tests are presented in Table 5.2 below.

Construct	Cronbach Co-efficient Alpha
Relational Psychological Contract	0.68
Transactional Psychological Contract	0.56
Organisational Commitment	0.69
Trust	0.76
Organisational Citizenship Behaviour	0.68
Turnover Intention	0.92

Except for transactional psychological contract, all the constructs achieved the cronbach alpha co-efficients of above 0.6, which according Albright, Winston and Zappe (2009) is adequate as an indication of internal consistency and reliability among the measurement items of the constructs to continue with analysis. The cronbach alpha co-efficient achieved for the transactional psychological contract was 0.56, with the correlation of each measurement item

to the total scale showing that even if either of them was removed, the cronbach alpha would still not improve.

Despite a low cronbach alpha co-efficient for the transactional Psychological Contract, the scale was still used in the analysis because Grimmer and Oddy (2007) used the same scale and found evidence of the construct validity. They argued that the cronbach alpha gained for the scale depicted an internal consistency just below the rule of thumb cut-off of 0.70 and was therefore reliable for use.

5.5 Research Propositions and Hypotheses

The findings with regard to the various hypotheses developed as the basis for investigation of the research problem are reported in this section.

Hypothesis 1: Employees in talent pool will be less transactional in their orientation to the organisation than employees not in talent pools.

Hypothesis 2: Employees in talent pools will be more relational in their orientation to the organisation than employees not in talent pools.

Analysis of Variance (ANOVA), also often referred to as the F-test, was used as a statistical technique to test the two hypotheses. Although the T-test is generally applicable for two independent samples (employees in talent pools and those outside talent pools), Albright *et al.* (2009) argued that the T-test is directly proportional to the F-test and therefore ANOVA was also suitable. Bless and Kathuria (1993) went further to argue that ANOVA carries much

weight for two independent samples and its additional strength lies in the fact that it could also be applied to analyse more than two independent samples.

The first null hypothesis tested was that the means of employees in talent pools and those not in talent pools were equal in relation to the transactional aspects of the psychological contract. The second null hypotheses tested was that the means of employees in talent pools and those not in talent pools were equal in relation to the relational aspects of the psychological contract.

In line with the five-point likert scale (from strongly disagree to strongly agree) used in the questionnaire, the means also ranked from 1 to 5 to illustrate the strength of the responses of the two population groups towards each construct. The higher the mean of the population group (closer to the maximum rating of 5), the more positive that population group was towards the construct. On the other hand, the lesser the mean of the population group (closer to the minimum rating of one), the more negative was that population group towards the construct. The results of the analysis for hypotheses 1 and 2 are summarized in Table 5.3 and Table 5.4 below:

Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	2.4	0.59	0.3095
Not in Talent Pool	99	2.5	0.67	

The hypothesis testing results for the first hypothesis revealed that the P value (0.3095) was more than the 0.05 significance level. Therefore, the null hypothesis that the means of the two populations were equal was not rejected. Employees in talent pools and those not in talent pools did not respond in a way that was significantly different from each other to this construct.

Although the means of the two groups shows that employees in talent pools (mean of 2.4) were slightly less transactional compared to employees not in talent pools (mean of 2.5), the differences were insignificant. Both groups fairly disagreed with the items measuring whether their relationships with their employers were purely transactional. They saw their psychological contracts with their employers as less transactional. This finding is contrary to the hypothesis postulated in the study that employees not in talent pools would be more transactional in their orientation to the organisation than employees in talent pools.

Table 5.4: ANOVA Results on the Relational Psychological Contract

Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	3.6	0.50	0.0231
Not in Talent Pool	99	3.3	0.60	

The second hypothesis testing results revealed that the P value (0.0231) was less than the 0.05 significance level. Therefore, the null hypothesis that the means of the two groups were equal was rejected. The employees in talent pools and those not in talent pools responded differently to the construct of the relational psychological contract. The means of the two groups confirmed the alternative hypothesis postulated in this study that employees in talent pools (3.6) will be more relational in their orientation to their organisations compared to employees not in talent pools (3.3).

Hypothesis 3: Being part of the talent pool will lead to more commitment in the organisation than not being in the talent pool.

Hypothesis 4: Being part of the talent pool will lead to more affective trust in the organisation than not being in the talent pool.

Although organisational commitment and trust could easily be associated with the relational psychological contract, separate scales were used to measure these two constructs. This provided the study with an opportunity to delve more into the details of each construct than if there was no separation of the constructs. The same statistical technique, namely ANOVA, was used to test the null hypothesis on a 0.05 significance level, with the means of the population groups used to establish the nature of the difference between the groups in case the null hypothesis was rejected. The results of the analysis for hypotheses 3 and 4 are summarized in Table 5.5 and Table 5.6 below:

Table 5.5: ANOVA Results on Organisational Commitment				
Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	3.8	0.62	0.0206
Not in Talent Pool	99	3.5	0.80	

As the P value (0.0206) is less than the 0.05 significance level, the null hypothesis that the means of the two populations were equal was rejected. There was a significant difference between employees in the talent pools and those not in the talent pools in the way they responded to the issue of organisational commitment. The means of the two population groups illustrate employees in the talent pools (3.8) were more positive about organisational commitment than employees not in talent pools (3.5). This is supportive of the third hypothesis postulated in the study that being part of the talent pool will lead to more organisational commitment in the organisation than not being in the talent pool.

Table 5.6: ANOVA Results on Affective Trust

Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	3.3	0.73	0.6867
Not in Talent Pool	99	3.3	0.78	

Table 5.6 reveals that the findings with regard to trust in the organisation did not show any significant difference between employees in talent pools and those not in talent pools. With the P value (0.6867) being greater than the significance level (0.05), the null hypothesis that the means of the two populations groups were equal was not rejected. The means of the two groups, namely 3.38 for employees in talent pools and 3.37 for employees not in talent pools, illustrate that both groups were fairly unsure about whether to trust their organisations. Thus, the finding does not support the fourth alternative hypothesis that being part of the talent pool will lead to more trust in the organisation than not being in the talent pool.

Hypothesis 5: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of organisational citizenship behavior.

Hypothesis 6: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their current employers

The two hypotheses are based on two constructs that are essential for the definition of work behavior, namely organisational citizenship behavior and the intention to leave organisations. Once again, ANOVA was chosen as a statistical technique to test the two hypotheses. The null hypothesis was that the means of the employees in talent pools and those not in talent pools

were all equal. Similarly to the other constructs, the P value was used to reject or not reject the null hypothesis at a significance level of 0.05. The constructs were measured on a five point scale (1-5) from not at all - to a great extent. The distribution of the means on a five point scale indicated the extent to which the two groups were similar or varied from one another in their responses. The results of the ANOVA analysis for the two hypotheses are illustrated in Table 5.7 and Table 5.8 below:

Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	1.8	0.76	0.0438
Not in Talent Pool	99	2.9	0.98	

As the P value (0.0438) is less than the significance level (0.05), the null hypothesis that the means of the two groups, namely employees in talent pools and those not in talent pools were equal was rejected. The means of the two groups confirmed that there was a significant difference in the way that the two groups responded to statements measuring organisational citizenship behavior. On a five point scale (1-5) from not at all – to a great extent, employees in talent pools with a mean of 1.8 indicated that they would slightly withdraw from organisational citizenship behavior while employees not in talent pools with a mean of 2.9 indicated that they would somewhat not engage in organisational citizenship behavior in circumstances where their organisations did not meet their expectations. The alternative hypothesis that employees in talent pools and those not in talent pools would react differently to the violation of the psychological contract with regard to organisational citizenship behavior was proven to be correct.

Table 5.8: ANOVA Results on Intention to Leave

Status Group	Number of Cases	Means	Std Dev	ANOVA P Value
In Talent Pool	96	2.9	1.18	0.8865
Not in Talent Pool	99	2.8	1.35	

As the P value (0.8) was above the significance level (0.05), the null hypothesis that the means of the two groups were equal was not rejected. Employees in talent pools and those not in talent pools were not significantly different in the way they responded to the statements measuring the construct relating to the intention to leave their organisations in the event that they felt their expectations were not met. Both groups of employees with the means of 2.9 (employees in talent pools) and 2.8 (employees not in talent pool) felt that they would somewhat consider leaving their organisations in circumstances where their expectations were not met. Therefore, the alternative hypothesis that the employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their organisations was found to be incorrect in this study.

Hypothesis 7: Black employees and white employees in talent pools will have different expectations about opportunities for development and growth in their organisations.

As the nature of the data involved was categorical, the Chi-square test for independence was used to determine whether specific responses focussing on opportunities for development and growth were dependent on the race group. The null hypothesis tested in this regard was that the attributes (statements vs. race group) were independent. The P value was used for rejection or non-rejection of independence between attributes. If the P value was equal to or

less than the 0.05 significance level, the attributes were considered dependent and therefore the null hypothesis was rejected. However, rejection of the null hypothesis did not indicate the form of dependence. To address this, the data in contingency tables was looked at more closely. The column percentages were used to determine the pattern of dependence by looking at the differences in the distribution of responses between race groups (Albright *et al.* 2009).

The distribution was on a five point scale (1-5) from strongly disagree - to strongly agree. In cases where 60% of the cells had the expected counts of less than five, the chi-square test was deemed invalid and therefore the Fisher's Exact Test was used. Non rejection of the null hypothesis implied that the responses pertaining to the opportunities for growth and development were not dependent of the race group and therefore there was no major pattern in the contingency tables differentiating race groups from one another. Table 5.9 presents a summary of the hypothesis testing results.

Table 5.9: Chi-Square and Fisher's Exact Test on Opportunities for Growth and Development					
Questionnaire Codes	Measurement Items	Fisher's Exact Test P Value	Response Pattern: Contingency Table Column Percentages		
			Scale	Black	White
Q3	I expect to gain promotion in this company with the length of service and effort to achieve goals	0.0491	1. Strongly Disagree	2%	3%
			2. Disagree	2%	3%
			3. Not Sure	2%	2%
			4. Agree	42%	70%
			5. Strongly Agree	52%	22%
Q17	I expect to develop my skills for growth in this company	0.0522	1. Strongly Disagree	2%	0%
			2. Disagree	2%	3%
			3. Not Sure	5%	3%
			4. Agree	41%	68%
			5. Strongly Agree	50%	26%

For both measurement items in Table 5.9, the Fisher's Exact Test P Values (0.0491 and 0.0522) were equal to or less than the 0.05 significance level. Therefore, the null hypothesis that the responses to these items were not dependent on the race group was rejected. The respondents' racial classification as black or white had an influence on the nature of their responses in this regard. Closer examination of the column percentages of the black and white responses to the statements indicated that although more whites (70%; 68%) than black employees (42%; 41%) agreed that they expected to develop their skills and gain promotions in their companies, more blacks (52%; 50%) than white employees (22%; 26%) strongly agreed with the statements. This implies that although more white employees were merely positive, more black employees were strongly positive in their expectations. This is in line with the alternative hypothesis that blacks and white employees in talent pools would have different expectations about opportunities for growth and development in their organisations.

5.6 Conclusion

All the hypotheses were statistically tested to arrive at the findings of the study. The statistical techniques used and findings with respect to each hypothesis are summarized in Table 5.10 below. These findings will be discussed in more detail in the next chapter.

Table 5.10: Summary of the Findings of the Study

No	Alternative Hypothesis	Null Hypothesis Tested	Statistical Technique Used	Rejection/Non-Rejection of Null Hypothesis at 0.05 Significance Level
1	Employees in the talent pools will be less transactional in their orientation to the organisation than employees not in talent pools.	The means of employees in the talent pools and those not in the talent pools in relation to the transactional dimensions of the psychological contract were all equal.	ANOVA	Not Rejected
2	Employees in talent pools will be more relational in their orientation to the organisation than employees not in talent pools.	The means of employees in the talent pools and those not in the talent pools in relation to the relational dimensions of the psychological contract were all equal.	ANOVA	Rejected
3	Being part of the talent pool will lead to more commitment in the organisation than not being in the talent pool.	The means of employees in the talent pools and those not in the talent pools in relation to organisational commitment were all equal.	ANOVA	Rejected
4	Being part of the talent pool will lead to more affective trust in the organisation than not being in the talent pool.	The means of employees in the talent pools and those not in the talent pools in relation to affective trust in their organisations were all equal.	ANOVA	Not Rejected
5	Employees in the talent pools and those not in the talent pools will react differently to the violation of the psychological contract in terms of organisational citizenship behaviour.	The means of employees in the talent pools and those not in the talent pools were all equal with regard to reactions pertaining to organisational citizenship behaviour in circumstances where the psychological contract was violated.	ANOVA	Rejected
6	Employees in the talent pools and those not in the talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their current employers.	The means of employees in the talent pools and those not in the talent pools were all equal with regard to reactions pertaining to the intention to leave their current employers in circumstances where the psychological contract was violated.	ANOVA	Not Rejected
7	Black employees and white employees in talent pools will have different feelings about opportunities for development and growth in their organisations.	The feelings of employees in the talent pools about opportunities for development and growth in their organisations were not dependent on their race group status.	Chi-Square/ Fisher's Exact Test	Rejected

6. CHAPTER 6: DISCUSSION OF RESULTS

6.1 Introduction

In this section, the findings presented in chapter five with regard to each construct are discussed in detail and placed within a theoretical framework presented in chapter two.

As various forces such as globalisation, international competition, deregulation and advancement in information technology had an impact on the structure of the businesses over time and the employment relationship was also affected (Horwitz *et al.* 2003). The new competitive reality brought to an end the paternalistic approach that most employers previously adopted towards their employees (Van Buuren, 2003). Employers needed to become more lean and agile to survive, and this led to regular downsizing and re-engineering (Collings and Mellahi, 2009). The instability that arose from these changes had an impact on the psychological contract of employees as employers were no longer able to guarantee job security, internal growth and development (Atkinson, 2002).

The impact of the changes on the employees' psychological contract is manifested in the development of the boundaryless careers. In these kinds of careers, employees started looking beyond the boundary of a single employer for their career development (Arthur *et al.*, 2005). Employees have become less reliant upon career progress within one organisation and more upon developing their skills and reputation to move between organisations (Zhao *et al.* 2007). This poses a serious threat to employers as they still depend on talent to achieve their strategic and operational objectives (Bux and Tay, 2010). To mitigate the impact of the boundaryless careers, most organisations rely on talent management strategies that include

the introduction of talent pools to develop employees with high potential. Through a talent pools strategy, these organisations aim to meet their current and future competency needs while attending to employees' needs for development and growth (Sharma and Bhatnagar, 2009).

This research was designed to investigate the impact of a talent pool strategy, namely inclusion of high potential employees into the talent pool, on the psychological contract. The findings with regard to each hypothesis will now be discussed.

6.2 Hypothesis 1

H1: Employees in talent pools will be less transactional in their orientation to the organisation than employees not in talent pools.

Transactional psychological contracts focus on short term financial relationships involving specific exchanges such as pay and performance (Atkinson, 2002). The roles and responsibilities in these kinds of contracts are clearly defined through job descriptions with other aspects of the contracts also assumed to be tangible, stable and available through labour law. The transactions between parties are often viewed as independent events, neither long standing nor ongoing (Sturges *et al.* 2005). An individual's identity is derived from their unique skills and competencies in which the exchange relationship itself is based (Millward and Hopkins, 1998). The organisation is simply the place where individuals seek immediate rewards out of the employment situation - such as pay and credentials (Rousseau, 2004).

Given these characteristics of the transactional psychological contract, it was expected that employees in talent pools would be less transactional in their relationships with their employers

compared to employees not in talent pools. For employees in the talent pools, a lot of effort is invested towards their development and building relationships with them. Hence, they were expected to be less transactional. However, the findings of the study revealed no significant difference between employees in talent pools and those not in talent pools in relation to the transactional aspects of the psychological contract. Both groups with the means of 2.4 and 2.5 saw their psychological contracts with their employers as less transactional.

Although this finding came out as expected for employees in talent pools, it was not expected for employees not in talent pools. Employees not in talent pools were expected to be more transactional as they do not enjoy the same attention in terms of development and growth as employees in talent pools.

The finding could possibly be explained by what Isaksson *et al.* (2010) found in their study on the psychological contract of temporary and permanent employees. They found that the permanent employment status of employees in organisations had a positive impact on their attitude to invest in building their relationships beyond a purely transactional arrangement. Applied to this study, this implies that whether they are in the talent pool or not, employees employed permanently were likely to express aspirations to build some lengthy relationships to grow in their organisations. This would have an impact in terms of how they interpret their current psychological contract with their employers.

Isaksson *et al.* (2010) further presented the layered model of the psychological contract content. The key assumption of this model is that all psychological contracts share a core of transactional exchanges. This implies that the transactional contents represent the foundation of any psychological contract irrespective of whether the employee is in the talent pool or not.

A layered psychological contract model would lead to variations in range, in essence in the number of relational exchanges given as surplus to the transactional core.

Based on this finding, it is important for organisations not to treat employees outside talent pools as less important. They should be regarded as part of human capital with the potential to grow and become strategic talent for the organisation due to their positive psychological contract.

6.3 Hypothesis 2

H1: Employees in talent pools will be more relational in their orientation to the organisation than employees not in talent pools.

The relational psychological contracts are not time bound, but they are characterised by ongoing or long term extensive training, career development, and involve the exchange of both monetary and non-monetary benefits (Lester *et al.*, 2006). A talent pool strategy exposes high potential employees to these kinds of development. Their development includes exposure to a variety of jobs and bosses using techniques such as action learning, job enrichment and enlargement, rotational assignments, cross functional shadowing, special projects, committee assignments, deployment, redeployment, task force participation, presentation delivery, reports preparation, mentoring and coaching, simulations and workshops (Fulmer *et al.* 2009).

Such employees are developed with the focus to build a leadership brand. This happens when people in the talent pool are developed to become exceptional leaders with a distinct set of competencies that are uniquely geared to fulfil customers and investors' expectations. Development initiatives are mostly unique in addressing what the firm stands for in the eyes of

customers and investors (Ulrich and Smallwood, 2007). They are pushed out of their comfort zones to groom them for more complex challenges. Managing unfamiliar territory forces candidates who are part of the talent pool to learn new skills and not to always rely on their core strengths (Conger and Fisher, 2007).

Hence such employees were expected to be more relational in their orientation to the organisation than employees not in talent pools. Employees with a relational contract come to identify with the organisation through promotion from within, mentoring and socialisation (Rousseau, 2004). The contract is dynamic, socio-emotional, and could include aspects such as loyalty and job security aimed at establishing and maintaining a long term employment relationship (Atkinson, 2002).

Indeed, the findings of the study revealed a significant difference between employees in talent pools and those not in talent pools with regard to the relational dimensions of the psychological contract. Employees in talent pools with a mean of 3.6 came out as more relational in their orientation to their organisations than employees not in talent pools with a mean of 3.3. Among other factors that would contribute to a more relational psychological contract among employees in talent pools include the differential treatment they receive through a differentiated human resource architecture, senior and line management support for their development, ongoing monitoring and evaluation of their progress. (Collings and Mellahi, 2009; Conger and Fulmer, 2003; Boudreau and Ramstad, 2007; Fulmer *et al.* 2009; Lepak and Snell, 2002, Garrow and Hirsh, 2008; Lewis and Heckman, 2006).

Thus, organisations investing in a talent pool strategy could secure more relational psychological contracts from their employees in talent pools. This is important as such

employees could end up reciprocating the development efforts from their organisations through their performance.

6.4 Hypothesis 3

H1: Being part of the talent pool will lead to more commitment in the organisation than not being in the talent pool.

Although organisational commitment could easily be associated with the relational psychological contract, a separate scale was used to measure this construct. This provided more depth to the study as this construct was dealt with in more detail than it would have been if it was integrated as part of the relational psychological contract.

Organisational commitment was defined as a strong identification with and involvement in the organisation and it is reflected by the employee's acceptance of organisational goals, willingness to work hard for the organisation and the desire to stay with the organisation (Knights and Kennedy, 2005).

With development initiatives in their favour, employees in talent pools were expected to show more commitment to their organisations than employees not in talent pools. The results of the study confirmed this expectation as employees in talent pools with a mean of 3.8 were more positive than employees not in talent pools with a mean of 3.5 in terms of organisational commitment.

This finding is similar to the one in respect of the relational psychological contract. It therefore makes sense that some scholars like Grimmer and Oddy (2007) integrated organisational commitment as part of the relational psychological contract in their studies.

The greater level of commitment shown by employees in talent pools could further be explained by the social exchange theory, in terms of which reciprocity is an important characteristic of social relationships (Thomas and Feldman, 2008). Individuals who perceive that they are valued and respected are likely to reciprocate with emotional engagement (Cooper-Hakim and Viswesvaran, 2005). Employees have shown to be motivated to reciprocate what they consider to be obligations fulfilled by their employers as well as promised future inducements. The inclusion of employees in talent pools is premised on the idea that organisational interests could best be served by attending to employees' interests including their skills requirements, motivations and the quality of their job (Boselie *et al.* 2005). By pursuing a talent pool strategy, employers hope that there would be employee related outcomes involving securing their commitment, motivation and extra role behaviour, which in turn are critical to the achievement of organisational outcomes (Collings and Mellahi, 2009; Boxall and Purcell, 2008; Coyle-Shapiro and Kessler, 2000).

The finding of the study in relation to this issue confirms the finding of the previous study completed by Sturges *et al.* (2005) who found that the experience of organisational career help is linked to higher organisational commitment via the fulfilment of the psychological contract. Therefore, by engaging in a talent pool strategy, organisations could improve the commitment of their employees, which would in turn have a positive impact on organisational performance.

6.5 Hypothesis 4

H1: Being part of the talent pool will lead to more affective trust in the organisation than not being in the talent pool.

Aryee *et al.* (2002) defined trust as the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party. Affective trust consists of relational bonds between parties, respect and concern for one's welfare. It is emotional in nature and not dependent on rationality, emanating from the social exchange relationship (Tyler, 2003).

The findings of the study with regard to affective trust in organisations did not show any significant difference between employees in talent pools and those not in talent pools. The means of the two groups, namely 3.38 for employees in talent pools and 3.37 for employees not in talent pools illustrated that both groups were unsure about whether to trust their organisations. This finding is contrary to what was expected when the hypothesis was formulated.

This is an interesting finding, especially when placed within the context of the other findings already discussed in the study. The finding reveals the complex nature of the psychological contract of employees in modern organisations. In some literature, affective trust is integrated as part of the relational psychological contract. The separation of trust from the relational psychological contract in this study shows that while employees in talent pools were more relational and committed compared to employees not in talent pools, they were not necessarily

trusting of their employers. Despite their relational nature, this highlights the area that organisations should address in order to retain their key talent.

This finding is also contrary to the point made by Aryee *et al.* (2002) who argued that organisations managing talent could secure organisational trust from their employees. Similarly, Boxall and Purcell (2008) made the point that by engaging in managing talent, trust is among other factors that organisations could gain from their high potential employees. Grimmer and Oddy (2007) found that the relational dimension of the psychological contract appeared to be an important mediator with regard to the effects of the contract violation on the organisational outcome of trust. Despite their findings and claims, this study found that managing talent does not necessarily translate into affective trust.

This complexity in the psychological contract of employees in talent pools could be attributed to the changes in the employment relationship over the past decades that emanated from various forces that affected the structure of businesses. Such forces, namely international competition, deregulation, advancement in information technology and globalization of the markets created a new competitive reality in which organisations were forced to downsize regularly to become lean and mean in order to maximize shareholder value (Van Buren, 2003). These regular changes did not only undermine the trust that was built over a long period of time between employers and their employees, but also had a negative impact on the psychological contract as employers found themselves in a position where they were no longer able to guarantee job security and upward mobility within their flatter organisational structures (De Vos, *et al.*, 2005). Given the changes, employees in talent pools, like any other employee, lost the trust about whether their employers were open and upfront with them, whether their

employers' intentions were good, whether their employers were always honest and faithful and whether their employers were treating them in a consistent and predictable fashion.

6.6 Hypothesis 5

H1: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of organisational citizenship behavior.

Employees constantly evaluate their psychological contract to determine whether their employers are fulfilling or violating the psychological contract content terms (De Vos *et al.* 2005). The fulfillment of the psychological contract refers to the judgment by employees that the employer has performed its obligations. The violation refers to the perception that the obligations or entitlements have not been met (Guest and Clinton, 2005).

The nature of the psychological contract that the employee has with the employer turns to have an influence on work behavior. The transactional psychological contract attracts in-role behavior while the relational psychological contract attracts organisational citizenship behavior (Workmann and Bommer, 2004).

In role behavior entails working to the standards set for one's job as required in terms of the formal job description and is normally recognised by the organisations' formal reward system (Zhao *et al.* 2007). Organisational citizenship behavior involve commitments to provide discretionary support for co-workers in need or respond to the broader firm's needs in such a way as being flexible about hours or volunteering to do extra tasks. It represents efforts voluntarily exerted beyond the call of duty in order to execute decisions to the best of one's ability.

As employees in talent pools were expected to be more relational, they were also expected to display strong organisational citizenship behavior than employees not in talent pools. This type of behaviour is particularly important with pivotal positions because by their very nature, these positions tend to require greater proactive initiatives and flexibility to cope with the fast changing environment and timely adaptation to new processes and innovations (Collings and Mellahi, 2009).

In circumstances where the organisation is perceived to have violated the psychological contract, this tends to have a material effect on the relationship with its employees (Robinson and Morrison, 2000). As the relationship is based on the principle of reciprocity, when employees experience a breach of the psychological contract, they may withhold their contributions or change their behavior towards the organisation depending on the severity of the breach and the nature of the psychological contract (Restubog *et al.* 2006).

Due to the different nature of the psychological contract and the resulting work behavior expected between employees in talent pools and those not in talent pools, it was expected that the violation of the psychological contract would attract different types of reactions from the two groups of employees. The findings of this study confirmed that there was a significant difference in the way employees in talent pools and those not in talent pools would react to their organisation in terms of organisational citizenship behavior in circumstances where their expectations were not met. Employees in talent pools (mean: 1.8) indicated that they would slightly withdraw their organisational citizenship behavior while employees not in talent pools (mean: 2.9) indicated that they would somewhat not engage in organisational citizenship behavior.

The findings of the study in this regard implies that a talent pool strategy would serve as a mitigating factor in terms of securing continued organisational citizenship in circumstances of violation of the psychological contract of high potential employees. This is a positive factor that should encourage organisations to implement a talent pool strategy.

6.7 Hypothesis 6

H1: Employees in talent pools and those not in talent pools will react differently to the violation of the psychological contract in terms of the intention to leave their current employers.

It has already been argued that the nature of the psychological contract tends to have an impact on work behavior (Workmann and Bommer, 2004). This study also illustrated that employees in talent pools tend to be more relational in their orientation to their organisations than employees not in talent pools. Given the variance in the psychological contract and the impact on work behavior, employees in talent pools and those not in talent pools were expected to react differently to the perceived violation of the psychological contract in terms of the intention to leave their organisations.

The violation of a the psychological contract could lead to reactions ranging from withdrawal of commitment, unwillingness to go the extra mile, reverting to an economic/transactional relationship, intensification of the intention to leave or result in the actual exit from the organisation (Guest and Clinton, 2005; Coyle-Shapiro and Kessler (2002).

In this study, it was expected that involvement in talent pools would be a mitigating factor in cases of violation of the psychological contract while employees not in talent pools would react with a strong intention to leave or with actual exit from the organisation.

However, findings of this study revealed that employees in talent pools and those not in talent pools were not significantly different (P value, 0.8, was above the significance level of 0.05) in their response to the items measuring the intention to leave their organisations in circumstances where their expectations were not met. Both groups of employees with the means of 2.9 (employees in talent pools) and 2.8 (employees not in talent pool) felt that they would somewhat consider leaving their organisations in circumstances where their expectations were not met.

This finding is contrary to what was expected from the study. The relational character expressed by employees in the talent pools did not have any major moderating impact on the intention to leave their current organisations in circumstances where their psychological contracts were not met.

Again, this finding illustrates the high complexity in understanding the contemporary employment relationship. When placed within the context of other findings, this finding could be related to the finding on trust. The expression by employees in talent pools and those not in talent pools that they were not sure whether to trust their organisations, could explain the intention among these two groups of employees to somewhat want to leave their organisations in circumstances where their expectations were not met. The finding is particularly of interest when it comes to employees in talent pools. Despite being identified as potential employees for development into linchpin and pivotal positions in their organisations, these employees were

not different to employees not in talent pools when it came to trust and the intention to leave their organisations.

This finding confirms the boundaryless dispensation as a reality that continues to confront organisations. Employees are less reliant upon career progress within one organisation and more upon developing the skills and reputation that would enable them to move between organisations. They no longer have company allegiance. They have ceased to be driven by loyalty and long service to one employer but are rather concerned about self managing their careers and chasing a better deal (Zhao *et al.* 2007). Kinnear and Sutherland (2000) argued that knowledge workers will continue to be mobile because they are individual orientated, motivated by the desire to experiment and learn new things which their current organisations may not be able to consistently provide.

With this finding, it becomes clear that the linkage between inclusion in the talent pool and retention of key talent is weakened if employers violate the psychological contract. Employers therefore should not only invest time to develop their employees in talent pools, but they should also ensure that the promises and inducements made are fulfilled.

6.8 Hypothesis 7

H1: Black employees and white employees in talent pools will have different expectations about opportunities for development and growth in their organisations.

The black group was derived from combining Africans, Coloureds and Indians into one group as per the South African legislation. The results of the Chi-square and the Fisher's Exact Test (P Values: 0.0491 and 0.0522) measured at a 0.05 significance level, illustrated that the race

group status of employees in the talent pools had an influence on their expectations about opportunities for development and growth in their organisations. More black (52%) than white (24%) employees came out as strongly positive about expectations for development and growth. This finding could be attributed to the current legislative environment in South Africa that seeks to promote transformation.

Given the country's history of unfair discrimination, companies are required by law to engage in transformation to promote the achievement of social justice and equality (Selby, 2005; Esterhuysen, 2003). Several pieces of legislation such as the Employment Equity Act (1998), the Skills Development Act (1998), the Skills Development Levies Act (1999) and the Broad Based Black Economic Empowerment Act (BBBEE) (2003) were passed to ensure prioritisation of members of the designated groups namely blacks, women and people with disabilities in skills development, recruitment and promotion opportunities (Kock and Burke, 2008). The findings of the study in this regard show that black employees in talent pools were aware of the added advantage provided by the legislative dispensation; hence they had strong positive expectations about opportunities for development and growth in their organisations. This finding is similar to the one by Wocke and Sutherland (2008) who found that African managers felt most positive about the employment equity legislation.

From this finding, it becomes clear that external factors such as the legislation do have an impact on the psychological contract. It is important for employers to take this into consideration when they craft their value propositions.

6.9 Conclusion

The findings of the study illustrated that pursuing a talent pool strategy would have a significant impact on the relational psychological contract and organisational commitment of employees in talent pools. The strategy would also serve as a mitigating factor in terms of securing organisational citizenship behavior in circumstances where organisations were perceived to be violating the psychological contract of their employees. However, the findings did not show any significant impact on organisational trust and retention. From these findings, the impact of the changes in the structure of businesses over time as they re-engineer and re-organise themselves frequently leading to the boundaryless dispensation has become evident. The employees lost trust in the organisations and became individualistic through the intention not to stay with the same organisation in circumstances where the psychological contract was violated. The study also indicated the impact of the current legislation on affirmative action and black economic empowerment on employees in the talent pools' expectations for development and growth in their organisations.

The findings of the study have been contextualised within the existing literature presented in this research report. The research objectives as defined through the seven hypotheses laid out in chapter 3 have been met and have contributed to the literature available on the psychological contract.

7. CHAPTER 7: CONCLUSION

7.1 Introduction

Employees are part of the most important resources that are crucial for sustainable competitive advantage. The retention of talent is critical to ensure continued productivity, innovation and creativity. However, the changes in the structure of business over time due to forces such as international competition, deregulation, advancement in information technology and globalization of the markets have created a new competitive reality in which organisations are forced to restructure and downsize regularly in order to survive (Van Buren, 2003). As a result, employers were no longer able to guarantee job security and provide more opportunities for development and growth associated with the previous organisational structures that were predominantly bureaucratic and functional (Horwitz *et al.* 2003).

These changes have had an adverse effect on the psychological contract of employees, leading to the development of the boundaryless career. Employees with talent cease to be loyal to one employer and instead focus on developing their portfolio of skills for mobility across different organisations (De Vos *et al.* 2005). This has left employers marginalized as they no longer have access to an internal labour market pool with a continued set of skills and competencies associated with the single organisation-career perspective (Currie *et al.* 2006).

Despite the emergence of the boundaryless career dispensation, Boudreau and Ramstad (2005) argue that it is still critical for organisations to continue competing through talent. The war for talent has continued to be a strategic business challenge and a critical driver of corporate performance (Michael *et al.* 2001). To position themselves to win the war in the face

of the boundaryless dispensation, most organisations have embarked on talent management to segment and deploy their human capital strategically (Sharma and Bhatnagar, 2009). They identify key positions which differentially contribute to the organisation's sustainable competitive advantage and develop a talent pool of high potential and high performing incumbents to fill these roles (Collings and Mellahi, 2009). By doing this, it is hoped that the challenges around the changing psychological contract and the associated brain drain of key talent could effectively be managed. Hence, this study focussed on measuring the impact of inclusion in the talent pool on the psychological contract.

7.2 Executive Summary of the Findings of the Study

The findings of this study exposed that the segmentation of talent did not result in a significant difference between employees in the talent pools and those outside the talent pools in relation to the transactional psychological contract. Both groups of employees felt that their psychological contracts with their employers were less transactional. Although employees not in talent pools were expected to be more transactional, their permanent employment status with their employers probably had an impact on their psychological contract. Despite not being in the talent pools, they saw the potential to build long term relationships with their current employers beyond a mere transactional arrangement. To retain these employees, it is important for managers to understand their psychological contract and build value propositions that are aligned to their contracts.

However, the segmentation of talent into a talent pool was shown in this study to have a significant impact on the relational psychological contract. Employees in talent pools came out as more relational than employees not in talent pools in the psychological contract. Being part of the talent pool exposed these employees to additional benefits including long term extensive

training, career development, mentoring and socialisation with even higher prospects for promotion in their organisations (Rousseau, 2004).

Similarly, employees in talent pools expressed more commitment to their employers than employees not in talent pools. In return for career management support they received from their employers, employees in talent pools were willing to give more commitment. This finding aligns well with the other finding of the study that, in circumstances where there was a violation of the psychological contract, employees in talent pools are willing to withdraw less of their organisational citizenship behaviour compared to employees not in talent pools.

Although employees in the talent pools came out as significantly different to those not in the talent pools with regard to the relational psychological contract, organisational commitment and organisational citizenship behavior; the two groups of employees were not different when it came to affective trust in organisations and the intention to leave organisations in circumstances of a violation of the psychological contract.

In this regard, the findings of the study show that the inclusion of employees in the talent pools created high expectations among these employees. Hence, they interpreted their psychological contract with their employers as more relational, characterised by organisational citizenship behavior. However, the high expectations did not translate into these employees trusting their organisations. The expectations were also not significant to moderate these employees' intention to leave their current employers in circumstances of a psychological contract violation.

The lack of trust in their organisations and the intention to consider leaving their organisations in circumstances of a perceived violation of the psychological contract could be attributed to the complexity in the employment relationship due to changes in the structure of businesses over time (Horwitz, *et al.* 2003). These changes have had a negative impact on the psychological contract as organisations cease to adopt a paternalistic approach towards their employees. In return, employees cease to trust their organisations as focal points of development and started developing portfolios of expertise to be employable across different organisations (Atkinson, 2002).

Lastly, the current legislation pertaining to affirmative action and black economic empowerment has a significant impact on expectations for growth and development among black and white employees in talent pools. Although white employees in talent pools were also positive in their expectations, black employees were even more positive. This made sense as the legislation encouraged preferential treatment for black employees in skills development and promotional opportunities to address the imbalances caused by the previous apartheid system (Selby, 2005).

7.3 Recommendations for Management

It has already been argued that the resource based view of the firm emphasises the important role played by employees with talent in sustaining competitive advantage (Boxall and Purcel, 2008). In order for managers to retain and secure top performance from their talented employees, they must have a deeper understanding of the basic construct of their psychological contract. This is particularly important as the contemporary employment relationship has become too complex with the emergence of the boundaryless career (Sturges *et al.* 2005).

Organisations should continue to segment their workforce to determine who should form part of the talent pool in order to focus a significant proportion of their scarce resources on development of the strategic employees to meet the current and future talent needs of the organisation. A talent pool strategy encourages organisations to proactively identify incumbents with high potential to fill key positions. The focus should be on positions that are typically difficult to fill, residing in core areas of the business (Conger and Fulmer, 2003).

However, as Cappelli (2008a) warned, managers should be careful not to create a mismatch between supply and demand in their talent management systems. A mismatch could lead to an oversupply of critical talent resulting in employee turnover, layoffs and restructuring or an undersupply where important positions cannot be filled. This could impact negatively on the employees' psychological contract which in turn will affect the credibility of the organisation's talent management system.

The segmentation of talent for creation of the talent pools should not lead to managers ignoring employees not in the talent pools because they also see their psychological contract with their employers as not merely transactional. They display an aspiration to build long term relationships with their current employers and therefore they could represent future potential talent for the talent pools.

The implementation of a talent pool strategy is positively linked to the fulfilment of the relational psychological contract and the enhancement of organisational commitment and organisational citizenship behaviour among employees with talent and this would impact positively on organisational performance. A subtle and complex nature of connections exist between

individual development in the talent pool, the relational psychological contract, organisational commitment and citizenship behaviour. Therefore managers cannot afford to neglect career management support for employees in talent pools.

In the light of the complex nature of the employment relationship associated with the boundaryless dispensation, managers need to be fully aware of the implications of breaching the psychological contract. The breach is likely to extend beyond the hurt feelings, sense of betrayal and poor attitudes experienced by employees who perceive their organisations not to have lived up to their commitments. With violations, employee commitments were likely to decrease with the resultant negative impact on organisational performance.

As the study revealed, employees in talent pools were not trusting of their employers and they were not willing to stay in cases of psychological contract violations. The strong relationship between violations and mistrust cannot be neglected because trust is crucial for organisational effectiveness. Robinson and Rousseau (1994) argued that trust has a spiral reinforcement quality such that a decline in trust often leads to further decline in trust. A lack of trust is associated with a decrease in quantity and quality of communication, cooperation and effective decision making, which may in turn lead to a further deterioration in trust and organisational performance.

Managers need to understand that the contract violations weaken the positive linkage between inclusion in talent pools and the positive prospects of organisations to retain such employees. The delinking is exacerbated by the increased visibility of employment offers by other organisations and the reduction in switching costs from one organisation to another.

To manage the trust and reduce the propensity to leave organisations among employees in talent pools, managers need to avoid psychological contract violations as far as possible. As Bal *et al.* (2009) proposed, when the organisation has broken the psychological contract, employees with talent feel that they take a high risk in trusting their employers.

Managers should be careful to make unrealistic promises during recruitment, induction, development sessions and routine work interactions with their employees with talent. They should not make promises for promotions which never materialise. Such promises may have motivational effects in the short term, but if afterwards employees perceive a breach in the psychological contract, both the employees and the organisation could suffer in the long term (Grimmer and Oddy, 2007).

Managers need to conduct proper needs analysis before engaging in a talent pool strategy. The analysis should focus on determining the positions that should be classified as pivotal and the size of the talent pool required to fill those positions. Once employees are in the talent pool, Suazo (2008) pointed out that managers should pay closer attention to employees' emotional states and put out the fire before negative behaviour occurs. They should be willing to use counselling programmes especially designed to deal with employees' frustrations. They must have the courage to explain the reasons for unfulfilled promises to employees in talent pools in order to deter negative reactions from such employees. They can avoid negative emotions towards the organisation by listening to the concerns and explain with evidence how the situation is out of their control. Such communication could serve to mitigate against talented employees decreasing their commitment and efforts to the organisation.

Managers should also assess their employees in the talent pools' needs and make sincere efforts at fulfilling the obligations they made towards them for as long as those needs are reasonable. Even partial fulfilment may help rebuild employees' confidence in management. If the organisation consistently refuses to fulfil its promises, no matter what explanations it provides, negative work outcomes would be inevitable.

To improve their organisational competitiveness in retaining top talent in the new era, managers must also consider new value propositions. It is important to understand that the reason employees stay with their organisation is a strategic issue for managers as well as a major concern for the individual. Having insight into those factors is important in determining employee retention and for working out retention policies and practices that would be effective at both the individual and organisational level (Collings and Mellahi, 2009).

The current human resources strategies need to be realigned to build in more flexibility into the central human resource management package such as benefits and career paths to be better able to offer a menu to line managers which they could align to support their employees in talent pools. The human resource management systems should be re-designed for different types of internal labour market pools. The level of sophistication in the systems should be high enough to diagnose and support employees' psychological contracts.

Line managers need to be equipped with skills to deal with psychological contract issues without the imposition of formal static and inflexible processes. This implies that the psychological contracting requires a fundamental shift in thinking of human resources policies, the end of unitary assumptions, and a re-education process for line managers and employees

alike, as well as a call for leadership and not just facilitation from HR professionals (Collings and Mellahi, 2009).

Managers also need to take into consideration the impact of legislation on the formation of the psychological contract. The differences in psychological contract held by racial groups due to the legislation require differentiated HR management solutions. Wocke and Sutherland (2008) recommended that managers for international businesses should benchmark against local best firms to understand and manage the impact of legislation and other local factors on the effectiveness of their businesses.

7.4 Limitations of the Study

As the findings of this study were based on cross sectional data, longitudinal research would not only confirm drawn conclusions but also describe the process of psychological contact development among employees in talent pools.

Even though the possibilities for generalizing the findings were maximised through a better sample size and inclusion of companies from different industries, a potential limitation of the study was the high dependence on one group of companies for data collection, which reduced the representativeness of the study. Evidence for the generalisability of the findings of the study could be provided by supporting them in other settings.

By limiting its focus on the impact of inclusion in the talent pool on the psychological contract, the study did not pay attention to other factors that may also impact on the psychological contract. These could include other demographical variables, flexible time arrangements, nature of the job structure, and others not discussed.

The study assumed that the concept of the psychological contract represents the best mechanism to analyse and find solutions to the complexities surrounding the contemporary employment relationships. However, the point that the concept emerges when an individual perceives that their contributions obligate their employers into reciprocity, makes it a subjective construct. Lester *et al.* (2006) argued that the parties to the relationship do not have to agree on or even discuss the terms of the psychological contract. This makes it difficult to manage; hence a concern could be expressed about whether the concept represents the most effective mechanism to explain the contemporary employment relationship.

Moreover, although classical approaches to the psychological contract have considered both the employee and employer as the parties involved in the psychological contract, like most of the recent work (e.g. Coyle-Shapiro and Kessler, 2000), this study focused on the psychological contract from the employees' perspective only. This inhibited the study to gain the opportunity to obtain the employers' perspective. De cuyper *et al.* (2008) argued that this is surprising as the psychological contract is essentially an exchange concept. It would have been more interesting to include the employers' perspective in the research.

7.5 Recommendations for Future Research

There are several areas that need to be addressed in future research. Firstly, there is still a need for more research to examine how the psychological contract is formed in the boundaryless dispensation among employees with talent. Specifically, the impact of inclusion in the talent pool and career management support on the psychological contract needs further examination in different sectors of the economy and among different professions and occupations. More samples from a range of professions and occupations might provide a basis

for more robust factor analysis to further illuminate the nature of the structure of the psychological contract. This could also assist in determining whether there were similarities or dissimilarities among different sectors and professions in relation to the impact of a talent pool strategy on the psychological contract. Thus, future studies could validate the findings of this study and contribute further to the development of the psychological contract theory by obtaining data from different sources.

Secondly, future research should focus on explaining the mistrust among employees in talent pools in their organisations despite showing a more relational psychological contract. This is particularly important because some studies such as the one by Coyle-Shapiro and Kessler (2000) classified trust as part of the relational psychological contract and that there was a positive relationship between trust and organisational commitment.

Thirdly, the reasons behind employees in the talent pool expressing the same intention to leave their organisations as employees not in talent pools in case the psychological contract is violated needs to be investigated. Their inclusion in the talent pool with exposure to intensive development and more prospects for promotions to linchpin positions was expected to serve as a mitigating factor in cases of contract violations. Therefore, such employees were expected to express some degree of loyalty to their organisations despite the violation of the psychological contract. Future research is therefore necessary among different samples to confirm and develop further theory about the relationship between talent pools, the psychological contract, organisational commitment, trust and the intention to leave organisations.

Lastly, exploratory research needs to be undertaken to identify new value propositions and differentiated human resources systems to support different employees in the internal labour market pool. This is important to manage the level of congruence between employees and employers' expectations to ensure that organisational outcomes are maximised.

7.6 Conclusion

This study made a contribution to research in organisational behaviour in an important way. The relationship between engaging in a talent pool strategy and the development of the psychological contract was investigated.

The concept of the psychological contract was used to explain the complexity of the contemporary employment relationship in the boundaryless dispensation. While evidence has indicated that inclusion in the talent pools resulted in a more relational psychological contract and increased organisational commitment, these employees remained unsure about whether to trust their organisations. Evidence also suggested that in circumstances where expectations were not met, employees in talent pools, like those not in talent pools, will consider leaving their organisations. Although this could be attributed to the lack of loyalty associated with the boundaryless dispensation as employees became more self-centred in response to the organisations becoming leaner and mean, it is important for managers to understand the psychological contract of their employees in talent pools. To retain them, unique and realistic human resource value propositions aligned to their expectations should be developed. To gain their trust, every attempt should be made to avoid unnecessary contract violations. There is no doubt that future research is necessary to investigate these issues further.

8. References

Albright, S. C., Winston, W. L. & Zappe, C. J. (2009) *Data Analysis and Decision Making*. United States: South-Western Cengage Learning.

Altman, W. (2008) Tuning into the talent, (internet). New York: Management Talent. Available from www.theiet.org/engtechmag (accessed on 12/ 02/ 2010).

Aryee, S., Bhudwar, P. S. & Chen, Z. X. (2002) Trust as a mediator of the relationship between organisational justice and work outcomes: Test of a social exchange model. *Journal of Organisational Behaviour*, 23 (3), 267-285.

Ashton, C. & Morton, L. (2005) Managing talent for competitive advantage: Taking a systemic approach to talent management. *Strategic HR Review*, 4 (5), 28-31.

Atkinson, C. (2007) Trust and the Psychological Contract. *Employee Relations*, 29 (3), 227-246.

Atkinson, C. (2002) Career Management and the changing Psychological Contract. *Career Development International*, 7 (1), 14-23.

Atkinson, S. & Butcher, D. (2003) Trust in Managerial Relationships. *Journal of Managerial Psychology*, 18 (4), 282-304.

Avery, D. R. (2003) Reactions to Diversity Recruiting Advertising: Are Differences Black and White. *Journal of Applied Psychology*, 88 (4), 672-679.

Bal, P. M., De Lange, A. H., Jansen, P. G .W. & Van Der Velde, M. E. G. (2008) Psychological Contract Breach and Job Attitude: A Meta-Analysis of Age as a Moderator. *Journal of Vocational Behavior*, 72, 143-158.

Barnet, R. & Davis, S. (2008) Creating Greater Success in Succession Planning. *Advances in Developing Human Resources*, 10 (5), 721-739.

Becker, K. H. & Haunschild, A. (2003) The impact of Boundaryless Careers on Organisational Decision Making. An Analysis from the Perspective of Lumann's Theory on Social Systems. *The International Journal of Human Resource Management*, 14 (5), 713-727.

Bingham, T. (2009) Survey outlines attitudes on talent management. *The central New York Business Journal*, (20), 10.

Blass, E. (2007) Talent Management: Maximising talent for business performance. *Chartered Management Institute*, (2), 1-12.

Bless, C. & Kathuria, R. (1993) *Fundamentals of Social Statistics: An African Perspective*, Pretoria: Juta and Co.

Blomme, R. J., Van Rheede, A. & Tromp, D. M. (2010) The Use of the Psychological Contract to explain turnover intentions in the hospitality industry: A research study on the impact of gender on the turnover intentions of highly educated employees. *International Journal of Human Resource Management*, 21 (1), 144-162.

Booth, S. and Hammer, K. (2006) Labour Turnover in the Retail Industry: Predicting the Role of Individual, Organisational and Environmental Factors. *International Journal of Retail and Distribution Management*, 35 (4), 289-307.

Bossidy, L., Charan, R. & Burck, C. (2002) *Execution: The Discipline of getting Things Done*. New York: Crown Business.

Booyesen, E. (2005) *Social Identity changes in South Africa: Challenges Facing Leadership*. Inaugural lecture at Graduate School of Business Leadership, University of South Africa, Midrand, 23 June 2008.

Booyesen, L. (2007) Barriers to Employment Equity Implementation and Retention of Blacks in Management in South Africa. *South African Journal of Labour Relations*, 31 (1), 47-71.

Boudreau, J. W. & Ramstad, P. M. (2005) Talentship, Talent Segmentation and Sustainability: A decision Science Paradigm for New Strategy Definition. *Human Resource Management*, (42), 129-136.

Boudreau, J. W. & Ramstad, P. M. (2007) *Beyond HR: The New Science of Human Capital*. MA: Harvard Business School Press.

Boxall, P. & Purcell, J. (2008) *Strategy and Human Resource Management*. Basingstoke: Palgrave Macmillan.

Bux, S. R. & Tay, A. (2010) The Relationship of Psychological Empowerment, Talent Management and Talent Outcomes. *International Review of Business*, 6 (1), 215-227.

Cappelli, P. (2008a) *Talent on Demand*. MA: Harvard Business School Press.

Cappelli, P. (2008b) Talent Management for the 21st Century. *Harvard Business Review*, (03), 74-81.

Cohn, J. M., Khurana, R. & Reeves, L. (2005) Growing Talent as if the business depended on it. *Harvard Business Review*, (10), 1-11.

Collings, D. G. & Mellahi, K. (2009) Strategic Talent Management: A review and research agenda. *Human Resource Management Review*, (19), 304-303.

Conger, A. & Fulmer, R. M. (2003) Developing Your Leadership Pipeline. *Harvard Business Review*, (12), 1-10.

Corporate Leadership Council (1999) *Salient Findings on Career Decisions of High Valued Employees*. Washington DC: The Corporate Advisory Board.

Cooper-Hakim, A. & Viswesvaran, C. (2005) The Construct of Work Commitment: Testing an integrative Framework. *Psychological Bulletin*, 131 (2), 241-259.

Coyle-Shapiro, J. (2002) A Psychological Contract Perspective of Organisational Citizenship Behaviour. *Journal of Organisational Behaviour*, (23), 927-946.

Coyle-Shapiro, J. & Kessler, I. (2000) Consequences of the Psychological Contract for the Employment Relationship: A Large Survey. *Journal of Management Studies*, (37), 903-930.

Coyle-Shapiro, J. & Kessler, I. (2002) Exploring Reciprocity through the Lens of Psychological Contract: Employee and Employer Perspectives. *European Journal of Work and Organizational Psychology*, (11), 69-86.

Currie, G., Tempest, S. & Starkey, K. (2006) New Careers for Old? Organisational and Individual Responses to Changing boundaries. *The international Journal of Human Resource Management*, 17 (4), 755-774.

Dabos, G. E. & Rousseau, D. M. (2004) Mutuality and Reciprocity in the Psychological Contract for Employees and Employers. *Journal of Applied Psychology*, (89), 52-72.

D'Annunzio-Green, N. (2008) Managing the Talent Management Pipeline. *International journal of Hospitality Management*, 20 (7), 807-819.

De Cuyper, N., Rigotti, T., De Witte, H. & Gisela, M. (2008) Balancing Psychological Contracts: Validation of a typology. *The International Journal of Human Resources Management*, 19 (4), 543-561.

De Vos, A., Meganck, A. & Buyens, D. (2005) *The Role of the Psychological Contract in Retention Management: Confronting HR Managers and Employees Views on Retention Factors and the Relationship with Employees' Intention to Stay*. Vlerick Management School.

Echols, M. E. (2007) The Evolution of HCM, (internet). London: PHD. Available from www.talentmanegement.com (accessed on 20/04/2010).

Eddy, S. W. & Burke, R. J. (2005) Person-organisation Fit and the War for Talent: Does Diversity Management makes a Difference? *The International Journal of Human Resources Management*, 16 (7), 1195-1210.

Esterhuyse, W. P. (2003) The challenge of Transformation: Breaking the Barriers. *South African Journal of Business Management*, 34 (3), 1-8.

Fulmer, R. M, Stumpf, S. A., & Bleak, J. (2009) The strategic Development of High Potential Leaders. *Strategy and Leadership*, 37 (3), 17-22.

Garrow, V. & Hirsh, W. (2008) Talent Management: Issues of focus and fit. *Public Personnel Management*, 37 (4), 389-402.

Grimmer, M. & Oddy, M. (2007) Violation of the Psychological Contract: The Mediating Effect of Relational Versus Transactional Beliefs. *Australian Journal of Management*, 32 (1), 153-167.

Guest, D. & Clinton, M. (2005) *Contracting in the UK. Current Research Evidence on the Impact of Flexible Employment on and the Nature of the Psychological Contract*. UK: Kings College.

Guest, D. (2004) Flexible Employment Contracts, the Psychological Contract, and Employee Outcomes: An Analysis Review of Evidence. *International Journal of Management Reviews*, 5 (6), 1-19.

Hills, A. (2009) Succession Planning or Smart Talent Management. *Industrial and Commercial Training*. 41 (1), 3-8.

Hinkin, T. and Tracey, B. (2000) The Cost of Turnover. *Administration Quarterly*, (14), 14-21.

Hui, C., Lee, C., Rousseau, D. M. (2004) Psychological Contract and Organisational Citizenship Behaviour in China: Investigating generalizability and Instrumentality. *Journal of Applied Psychology*, (89), 311-321.

Horwitz, F. M., Heng, C. T. & Quazi, H. A. (2003) Finders, Keepers? Attracting, Motivating and Retaining Knowledge Workers. *Human Resource Management Journal*, 12 (4), 23-44.

Hughes, J. C. & Rog, E. (2008) Talent Management: A strategy for improving employee recruitment, retention and engagement within hospitality organisations. *International journal of Hospitality Management*, 20 (7), 743-757.

Isaksson, K., De Cuyper, N., Oettel, C. B. & De Witte, H. (2010) The role of the formal employment contract in the range and fulfilment of the psychological contract: Testing a layered model. *European Journal of Work and Organisational Psychology*, 1-21.

Kilian, C. M., Hukai, D. & MCarty, C. E. (2005) Building Diversity in the Pipeline to Corporate Leadership. *Journal of Management Development*, 24 (2), 155-168.

Kinnear, L. & Sutherland, M. (2002) Determinants of organisational commitment amongst knowledge workers. *South African Journal of Business Management*, 31 (3), 106-112.

Knights, A. J. & Kennedy, J. (2005) Psychological Contract Violation: Impacts on Job Satisfaction and Organisational Commitment among Australian Senior Public Servants. *Applied H.R.M. Research*, 10 (2), 57-72.

Leisy, B. & Pyron, D. (2009) Talent Management takes on new urgency. *Compensation and Benefits review*, (14), 58-63.

Lepak, D. P. & Shaw, J. D. (2008) Strategic HRM in North America: Looking to the Future. *International Journal of Human Resource Management*, (19), 1486-1499.

Lepak, D. P. & Snell, S. A. (2002) Examining the Human Resource Architecture: The relationships among human Capital, Employment and Human Resources Configurations. *Journal of Management*, (28), 517-543.

Maharaj, K. (2003) *A comparative study of the Psychological contract of White and Black Managers*. Masters Report, University of Witwatersrand.

Mc Cauley, C. & Wakefield, M. (2006) Talent Management in the 21st Century. *The journal for quality and participation*, (4), 4-7.

McInniss, K. J., Meyer, J. P. & Feldman, S. (2009) Psychological Contracts and their implications for Commitment: A Feature-Based Approach. *Journal of Vocational Behavior*, (74), 165-180.

Meyer, J. P., Stanley, D. J., Herscovitch, L. & Topolnytsky, L. (2002) Affective, Continuance and Normative Commitment to the organisation: A meta-analysis of Antecedents, Correlates and Consequences. *Journal of Vocational Behaviour*, 47, 35-60.

Millward, L. J. & Brewerton, P. M. (1999) *Validation of the Psychological Contract Scale in the Organisational Setting*. Unpublished Paper. University of Surrey, UK: Guilford.

Millward, L. J. & Brewerton, P. M. (2000) Psychological Contracts: Employee Relations for the twenty-first century. *International Review of Industrial and Organisational Psychology*, (15), 18-30.

Millward, L. J. & Herriot, L. J. (2000) The Psychological Contract in the UK. In: Rousseau, D. M. & Chalk, R. (eds.). *Psychological Contract Perspectives*. London: Sage.

Millward, L. J. & Hopkins, L. J. (1998) Psychological contracts, organisational and job commitment. *Journal of Applied Social Psychology*, 28 (16), 1530-1556.

Paradise, A. (2009) Talent Management defined, (Internet). New York: American Society for Training and Development. Available from www.astd.org (accessed on 15/ 02/ 2010).

Pate, J. & Martin, G. (2002) Trust and the Psychological Contract. In: Mangmatin, V., Harrison, D. & Thederoy, C. (eds.) *Trust and Confidence*. Paris: CNRS Editions.

Reilly, P. (2008) Identifying the Right Course for Talent Management. *Public Personnel Management*, 37 (4), 381-388.

Restubog, S. L. D., Bordia, P. & Tang, R. L. (2006) Effects of Psychological Contract Breach on Performance of IT Employees: The Mediating Role of Affective Commitment. *Journal of occupational and organisational psychology*, (79), 299-306.

Robinson, S. L. & Rousseau, D. M. (1994) Violating the Psychological Contract: Not the exception but the norm. *Journal of Organisational Behavior*, (15), 245-259.

Rousseau, D. M. (2000) *Psychological Contract Inventory Technical Report*. Pennsylvania: Pittsburgh.

Rousseau, D. M. (2004) Psychological contract in the Workplace: Understanding the Ties that Motivates. *Academy of Management Executive*, 18 (1), 120-127.

Rousseau, D. M. & Mc Clean Parks, J. (1993) The Contracts of Individuals and Organisations. *Research in Organisational Behavior*, (15), 1-43.

Rothwell, W. J. (2002) Putting Success in your succession Planning. *The journal of business strategy*, 23 (3), 32-37.

Selby, K. & Sutherland, M. (2006) Space Creation: A Strategy for Achieving Employment Equity at Senior Management level. *South African Journal of Labour Relations*, 30 (2), 36-64.

Sharma, R. & Bhatnagar, J. (2009) Talent Management- Competency Development: A Key to Global Leadership. *Industrial and Commercial Training*, 41 (3) 118-132.

Smilansky, J. (2006) *Developing Executive Talent: Best Practices from Global Leaders*. Chichester: John Welley.

Somaya, D. & Williamson, I. O. (2008) Rethinking the War for Talent. *MIT Sloan Management Review*, (49), 29-34.

Suazo, M.M. (2008) The Mediating Role of the Psychological Contract Violation on the Relations between Psychological Contract Breach and Work-Related Attitudes and Behaviours. *Journal of Managerial Psychology*, 2 (2), 136-160.

Sutherland, M. & Jordaan, W. (2004) Factors affecting the Retention of Knowledge Workers. *South African Journal of Human Resources Management*, 2 (2), 63-72.

Sturges, J., Conway, N., Guest, D. & Liefoghe, A. (2005) Managing the Career Deal: The Psychological Contracts. A Framework for Understanding Career Management, Organisational Commitment and Work behaviour. *Journal of Organisational Behaviour*, (26), 821-838.

Ten Brink, B. E. H. (2004) *Psychological Contract: A Useful Concept?* Ph.D. Thesis, Kurt Lewin Instituut Vrije Universiteit.

Thomas, W. H. N. G. & Feldman, D. C. (2009) Age, Work Experience and the Psychological Contract. *Journal of Organisational Behaviour*, 30, 1053-1075.

Thomas, W. H. & Feldman, D. C. (2008) Can you get a better deal elsewhere? The effects of the psychological contract replicability on organisational commitment. *Journal of Vocational Behaviour*, 73, 268-277.

Thompson, J. A. & Bunderson, J. S. (2003) Violations of the psychological contract in the Workplace: Understanding the Ties that Motivate. *Academy of Management Executive*, 18 (1), 120-127.

Thorne, K. & Pellant, A. (2008) *What is Talent Management*, (Internet). Available from www.theiet.org/engtechmag (accessed on 12/ 02/ 2010).

Turnely, W. H., Bolino, C. M., Lester, S. W. & Boodgood, J. M. (2003) The impact of Psychological Contract Fulfillment on the Performance of In-Role and Organisational Citizenship Behaviors. *Journal of Management*, 29 (2), 187-206.

Tyler, T. R. (2003) Trust within organisations. *Personnel Review*, 32 (5), 556-568.

Ulrich, D. & Smallwood, N. (2007) Building Leadership Brand. *Harvard Business Review*, (7), 1-11.

Van Buren, H. J. (2003) Boundaryless Career and Employment Obligations. *Business Ethics Quarterly*, 13 (2), 131-149.

Van de Venn, C. (2007) *The psychological Contract; A big deal?* Behavioural Services Centre. the Netherlands: the Hague.

Wocke, A. & Sutherland, M. (2008) The Impact of Employment Equity Regulations on the Psychological Contract in South Africa. *The International Journal of Human Resource Management*, 19 (4), 528-542.

Workman, M. & Bommer, W. (2004) Redesigning Computer Call Center Work: A longitudinal Field Experiment. *Journal of Organisational Behavior*, (25), 317-337.

Zhao, H., Wayne, S. J., Glibkowski, B. C. & Bravo, J. (2007) The impact of Psychological Contract Breach on Work Related Outcomes: A Meta-Analysis. *Personnel Psychology*, (60), 647-680.

Zikmund, W. G. (2003) *Business Research Methods*. United States: Cengage Learning.

9. Appendix 1: Operationalisation of the Constructs for Questionnaire Development

1.1 Psychological Contract Scale (Millward and Hopkins, 1998)

Transactional Items: Q2, Q4, Q5, Q6, Q8, Q9, Q10, Q12,

Relational Items: Q1, Q3, Q7, Q10, Q11, Q12, Q13, Q14, Q15

Answered on a Five Point Scale that ranges from “strongly disagree” to “strongly agree” (1-5)

1. My job means more to me than just a means of paying my bills
2. I prefer to work a strictly defined set of working hours
3. I expect to gain promotion in this company with the length of service and effort to achieve goals
4. I expect to be paid for any over time I do
5. As long as I reach the targets specific in my job, I am satisfied
6. My loyalty to the organisation is defined by the terms of my contract
7. I feel this company reciprocates the effort put in by its employees
8. I only do what is necessary to get the job done
9. I do my job just for the money
10. I expect to develop my skills for growth in this company
11. The organisation develops/reward employees who work hard and exert themselves
12. I am motivated to contribute 100% to this company in return for future employment benefits
13. My career path in the organisation is mapped out

1.2 Psychological Contract Scale (Rousseau, 2000)

Relational Items: Q14, Q15

14. The organisation provides an opportunity for employees to participate in decision making
15. The organisation shows concern for my long term wellbeing

1.3 Organisational Commitment Scale (Blomme, Rheede, and Tromp, 2010)

Answered on a Five Point Scale that ranges from “strongly disagree” to “strongly agree” (1-5)

1. I am feeling that the organisation’s problems are my own problems

2. The organisation has a great deal of personal meaning to me
3. I have a strong sense of belonging to the organisation
4. I am longing for lifelong employment with this organisation

1.4 Trust Scale (Robinson & Rousseau, 1994)

Answered on a Five Point Scale that ranges from “strongly disagree” to “strongly agree” (1-5)

1. My employer is open and upfront with me
2. In general, I believe my employer’s motives and intentions are good
3. My employer is always honest and faithful
4. I can expect my employer to treat me in a consistent and predictable fashion

1.5 Organisational Citizenship (Coyle-Shapiro, 2002)

In circumstances where your organisation does not meet your expectations, to what extent will you do the following?

Answered on a Five Point Scale that ranges from “not at all” to “to a Great Extent” (1-5)

1. Avoid making innovative suggestions for new projects or improvement widely
2. Hardly go out of the way to assist colleagues with job related problems
3. Stick only to formal requirements of the job
4. Tell outsiders that the organizations is not an ideal place to work
5. Join other employees in criticising the organisation

1.6 Turnover Intention (Blomme, Rheede and Tromp, 2010)

In circumstances where your organisation does not meet your expectations, to what extent will you do the following?

Answered on a Five Point Scale that ranges from “not at all” to “to a Great Extent” (1-5)

1. Consider leaving the organisation
2. Search for vacancies in other organisation
3. Wish to work in another organisation

10. Appendix 2: Questionnaire

Dear Sir/ madam

I am conducting a research project as part of my MBA studies with GIBS and I would like to request your assistance in completing the questionnaire. The study investigates the nature of the psychological contract of employees in a number of organizations. The concept of the psychological contract measures two important factors, namely

- Employees expectations in their relationship with their employer, and
- Employees obligations towards their employer in the relationship

The expectations and obligations gathered will be correlated against other variables in the study to determine the dynamics of the psychological contract for the different categories of employees in organizations. The outcome of the study will play an important role in providing an input towards the effective management of talent, including how to engage and retain talent in participating organizations.

The questionnaire is designed to be simple so as to save your time. Except for biographical questions, all questions are evaluated on a five point scale. You are assured of confidentiality and anonymity in the way your responses will be handled. It is expected that it will take between 5 and 10 minutes to complete the questionnaire. Please click on the link below to open and complete the questionnaire. If the link does not work, please copy and paste it into your web browser to open it.

<http://www.surveymonkey.com/s/9V65NTT>

For any enquiry, please feel free to contact me on the contact details below. I will appreciate your feedback by the 30th July 2010. Although participation is voluntary, your understanding and cooperation will be highly appreciated.

Yours Faithfully

Noko Seopa



Section 1: Biographical Data

1. Occupational level

1. Admin
2. Specialist/ Junior managers
3. Mid management
4. Senior Management

2. Gender

1. Male
2. Female

3. Race

1. African
2. Coloured
3. Indian
4. White

4. Years of Service with current employer?

1. Less than one year
2. More than 1 year, but less than 5 years
3. More than 5 years, but less than 10 years
4. More than 10 years, but less than 20 years
5. More than 20 years

Section 2: Psychological Contract, Organisational Commitment and Trust

Using a five point scale, please indicate the extent to which you agree or disagree with each of the statements below:

1. Strongly disagree, 2. Disagree, 3. Not sure, 4. Agree 5. Strongly Agree

		1	2	3	4	5
1	My job means more to me than just a means of paying my bills					
2	I prefer to work a strictly defined set of working hours					
3	I expect to gain promotion in this company with the length of service and effort to achieve goals					
4	I am feeling that the organisation's problems are my own problems					
5	The organisation has a great deal of personal meaning to me					
6	As long as I reach the targets specific in my job, I am satisfied					
7	My employer is open and upfront with me					
8	The organisation provides employees with an opportunity to participate in decision making					
9	I am motivated to contribute 100% to this company in return for future employment benefits					
10	I have a strong sense of belonging to the organisation					
11	I am longing for lifelong employment with this organisation					
12	In general, I believe my employer's motives and intentions are good					
13	My employer is always honest and faithful					
14	I feel this company reciprocates the effort put in by its employees					
15	I only do what is necessary to get the job done					
16	I do my job just for the money					
17	I expect to develop my skills for growth in this company					
18	The organisation develops/reward employees who work hard and exert themselves					
19	The organisation shows concern for my long term wellbeing					
20	My career path in the organisation is mapped out					
21	I expect to be paid for any over time I do					
22	My loyalty to the organisation is defined by the terms of my contract					
23	I can expect my employer to treat me in a consistent and predictable fashion					

Section 3: Organisational Citizenship Behaviour and Intention to Leave

In circumstances where your organisation does not meet your expectations, to what extent will you do the following?

Answered on a Five Point Scale ranging from: 1. Not at all, 2. Slightly, 3. Somewhat, 4. Moderately, 5. To a great extent

24	I will avoid making innovative suggestions for new projects or improvement					
25	I will no longer go out of the way to assist colleagues with job related problems					
26	I will consider leaving the organisation					
27	I will join other employees in criticising the organisation					
28	I will stick only to formal requirements of the job					
29	I will wish to work in another organisation					
30	I will tell outsiders that the organisation is not an ideal place to work					
31	I will search for vacancies in other organisations					