

# Organizational Factors Affecting Talent Management Effectiveness in a Retail Organization -- A Validation Study

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*The main objective of this confirmatory study was to examine the extent to which an organizational system designed according to High Performance Work Systems principles is associated with effective recruitment and retention of talent in a retail Cypriot organization. This study also attempted to describe the extent to which talent attraction and retention is associated with bottom-line organizational performance. The results of this study validated the ones obtained from a telecommunications organization and re-ascertained the strong association between high HPWS practices and talent attraction and retention. Further, the results of this study indicated the existence of a strong relationship between effective talent management and bottom-line organizational performance.*

## INTRODUCTION

Talent management, and global talent management in particular, are increasingly cited in research studies as a new strategic cornerstone (Boudreau & Ramstad, 2002; Cappelli, 2008; Farndale *et al.*, 2010; Frank *et al.*, 2004). Many argue that effective talent management constitutes an essential competitive tool for organizations worldwide (Beechler & Woodward, 2009; Boudreau & Ramstad, 2004). The intensely competitive and volatile business environment essentially forces organizations to draw on their human capital to survive, succeed, and gain a competitive advantage (Farndale *et al.*, 2010; Holland *et al.*, 2007; Kontoghiorghes & Frangou, 2009; Mäkelä *et al.*, 2010). At the same time, practitioners realize that traditional approaches to gaining a competitive become inadequate in the new dynamic context and explore new approaches to talent management to enhance their competitiveness (Cappelli, 2008; Holland *et al.*, 2007; Mellahi & Collings, 2010). While practitioners face more challenges in their efforts to manage talent effectively (Holland *et al.*, 2007; Tarique & Schuler, 2010), academic research in the field has been increasing at a slower rate (Lewis & Heckman, 2006). Despite increasing studies on the subject, there is lack of clarity concerning the definition and core practices of talent management (Farndale *et al.*, 2010; Lewis & Heckman, 2006; Mellahi & Collings, 2010).

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Furthermore, the field of talent management is lacking rigorous academic research to establish what constitutes effective talent management and how it can influence organizational performance (Collings & Mellahi, 2009; Mäkelä *et al.*, 2010; McDonnell *et al.*, 2010). Even very recent publications take a rather theoretical approach on the issue, trying to define and distinguish talent management from human resource management (see for example Boudreau & Ramstad, 2004; Cappelli, 2008; Collings & Mellahi, 2009; Farndale *et al.*, 2010; Lewis & Heckman, 2006; Mäkelä *et al.*, 2010; Ready & Conger, 2007). A review of these studies shows that most are theoretical or descriptive essays, while empirical evidence is limited to descriptive statistics or qualitative case study explorations (Beechler & Woodward, 2009; Glen, 2006; Holland *et al.*, 2007; Tarique & Schuler, 2010).

It is evident that empirical research on the issue of talent management is still in its infancy and further research is required to enhance our understanding concerning the predictors and outcomes of effective talent management. Beechler and Woodward (2009) have recently called attention to this lack of empirical research, emphasizing the need to use empirical evidence to develop new models and mindsets more suitable for managing talent in a complex and dynamic environment. Likewise, Boudreau and Ramstad (2004; 2002) discuss that human resource management (HRM) should evolve to a decision science for talent, arguing for the development of a flexible framework that enhances decisions about human capital.

Responding to this call for empirical studies that address research gaps, this study advances extant knowledge by exploring how organizations that are designed as high performance work systems influence employee attitudes and behaviors and in turn enhance talent recruitment and selection. This empirical investigation makes significant contributions in the field. Firstly, we propose an alternative conceptualization of high performance work systems and test how it relates with effective talent management through mediating attitudinal effects. Secondly, we conduct our empirical investigation using an appropriate and sophisticated methodology, namely structural equation modelling. Finally we test our propositions in a context outside the U.S. where more studies on HPWS have focused.

## **TALENT MANAGEMENT**

Given the competitive pressures, most practitioners now realize the importance of talent management as a means to developing a firm-specific and hardly replicable human capital that could potentially lead to sustainable competitive advantage (Frank *et al.*, 2004; Haines *et al.*, 2010; Huselid, 1995). Nonetheless, this realization does not necessarily enhance their ability to manage talent in ways that support organizational strategies. It is equally unclear among academics which policies and practices constitute an effective talent management system (Boudreau & Ramstad, 2004; Earle, 2003; Farndale *et al.*, 2010; Mellahi & Collings, 2010; Ready & Conger, 2007). Lewis and Heckman (2006) discuss that three different streams of thought have been

developed in the talent management literature, but all bear limitations than scholars have yet to address.

The first stream of thought conceptualizes talent management as a faster implementation of traditional HRM practices; in this sense, it is a new and improved version of HRM. The second stream takes a more limited view and associates talent management with a set of processes thus far known as human resource planning or succession management. Under this conceptualization, the aim of talent management is to ensure “an adequate flow of employees into jobs throughout the organization” (Lewis & Heckman, 2006, p.140). Finally, the third stream of thought takes a more generic view and either classifies employees in performance levels to be managed with different policies or considers all employees as talent and emphasizes the role of HRM in unleashing their potential. Building on Lewis and Heckman’s work, Collings and Mellahi (2009) suggest a fourth stream of thought that emphasizes identifying positions, not persons, that are key to organizational competitiveness and adjusting HRM practices to attract and retain high performers in those positions.

The aforementioned conceptualizations indicate that researchers have taken rather traditional and linear views of talent management, strongly associating it with HRM (Boudreau & Ramstad, 2004; Collings & Mellahi, 2009; Larsson *et al.*, 2005). However, effective talent management requires practices, systems, and skills that expand beyond traditional HRM and affect the organization as a whole (Collings & Mellahi, 2009; Farndale *et al.*, 2010). Adopting such a broader view of talent management is critical to attracting and retaining talent, especially as it is becoming easier for talented employees to change jobs (Beechler & Woodward, 2009; Kontoghiorghes & Frangou, 2009). It is actually estimated that as the economy improves, turnover among skilled employees will increase vastly (Frank *et al.*, 2004). This suggests that employers will have less control over the retention of talent, unless they establish elaborate systems to attract, motivate, and engage high performers (Cappelli, 2008; Ready & Conger, 2007). Failure to do so will result in increasing voluntary turnover among these employees. Drawing from relevant studies, voluntary turnover of talented employees results in loss of knowledge and expertise; reduced productivity and performance; damaged customer relations; reduced employee morale; damaged corporate reputation; and administrative, replacement, and training costs (Beechler & Woodward, 2009; Bernthal & Wellins, 2001; Dess & Shaw, 2001; Frank *et al.*, 2004; Hausknecht *et al.*, 2009; Mellahi & Collings, 2010). Overall, the voluntary turnover of high performers is usually dysfunctional and threatening to the firm competitiveness (Hausknecht *et al.*, 2009; Trevor *et al.*, 1997).

It therefore seems that developing a win-win collaboration between organizations and employees aiming to retain best talent makes good business sense (Mellahi & Collings, 2010). What then can organizations do in order to foster commitment among their high performers in order to retain them? Kontoghiorghes and Frangou (2009, p.29) correctly point out that “although there is extensive research regarding employee turnover, research dealing exclusively with talent retention is lacking”. Researchers often tend to consider retention as the opposite of turnover, but it is actually a distinguishable behavior to be studied on its own (Bernthal & Wellins, 2001; Hausknecht *et al.*, 2009). Therefore, the numerous studies on employee turnover (see for example Dess & Shaw, 2001; Griffeth *et al.*, 2000; Haines *et al.*,

2010; Mitchell *et al.*, 1993; Ramlall, 2004) do little to clarify the antecedents and outcomes of effective talent management.

Taking the above into consideration, this study attempted to enhance understanding around the under-researched issue of talent management. We define “effective talent management” in terms of “effective recruitment and retention of talent”; in turn, we subscribe to conceptualizations that distinguish best talent, often called high-performers or high-flyers, from other employees because of their potential to contribute to organizational success (Beechler & Woodward, 2009; Earle, 2003; Hausknecht *et al.*, 2009). We use the literature on strategic HRM, high performance work systems, total quality management, socio-technical systems, and employee attitudes to argue that designing the organization as a high performance work system has positive effects on key employee attitudes and, in turn, on effective talent management. In the following section, we discuss our conceptualization of high performance work systems and draw from the relevant literature to develop hypotheses concerning their associations with employee attitudes and talent management.

## **HIGH PERFORMANCE WORK SYSTEMS AND TALENT MANAGEMENT**

### **Traditional High Performance Work Systems**

The development of HRM to a strategic function aiming to achieve sustainable competitive advantage through the development and engagement of people has resulted in numerous studies on high performance work systems (HPWS) (Guthrie *et al.*, 2009; Shih *et al.*, 2006). Also cited as high-involvement, high-commitment, or best-practice, these systems under traditional HRM research are viewed as sets of HR practices that synergistically develop a firm-specific human capital (Delery & Doty, 1996; Huselid *et al.*, 1997; 1995). These high performing practices are integrated into an HR system that is horizontally consistent and vertically aligned with corporate strategies (Den Hartog & Verbarg, 2004; Liao *et al.*, 2009).

Despite variations in the composition of bundles of ‘best’ HR practices, HPWS typically include extensive recruitment and selection; formal and informal training and development; merit-based performance appraisals and compensation systems; internal promotions; and participative organizational structures. Other core aspects of HPWS include open communications and information sharing; autonomous work groups; and job design to include motivating and challenging tasks (see for example Boudreau & Ramstad, 2004; Delery & Doty, 1996; Godard, 2004; Guthrie, 2001; Guthrie *et al.*, 2009; Huselid, 1995; Huselid *et al.*, 1997; Ready & Conger, 2007; Shih *et al.*, 2006; Wright *et al.*, 2005). In addition to the above, other practices have been incorporated in definitions of HPWS, though less frequently and specifically targeted towards high performing employees. These include effective supervision and leadership (Bernthal & Wellins, 2001; Griffeth *et al.*, 2000; Saari & Judge, 2004); work group relationships (Frank *et al.*, 2004; Horwitz *et al.*, 2003); innovation (Earle, 2003; Martel, 2003); flexibility (Earle, 2003; Ramlall, 2004); speed (Martel, 2003); risk-taking (Martel, 2003); and use of technology (Earle, 2003; Frank *et al.*, 2004).

Finally, drawing on high performers to enhance competitiveness requires organizational justice (Hiltrop, 1999; Ramlall, 2004): «fairness of reward allocations, policies, and procedures and interpersonal treatment» (Hausknecht *et al.*, 2009, p.271).

The high performance paradigm asserts that HPWS enhance organizational competitiveness through the development of skilful, involved, and engaged employees. There are in fact numerous studies that rely on empirical evidence to argue that HPWS affect aspects of organizational performance. Positive affects have been reported on financial performance, productivity, absenteeism, customer satisfaction, profitability, and employee motivation and commitment (see for example Agarwala, 2003; Delery & Doty, 1996; Den Hartog & Verburg, 2004; Gong *et al.*, 2009; Guthrie *et al.*, 2009; 2002; Harmon *et al.*, 2003; Hsu *et al.*, 2007; Huselid *et al.*, 1997; Liao *et al.*, 2009; Shih *et al.*, 2006; Wright *et al.*, 2005).

Nonetheless, the HPWS rhetoric has been debated and criticized by more recent studies (see Boxall & Macky, 2009 and Godard, 2004 for critical evaluations). Despite the considerable number of studies on HPWS, researchers have not reached a consensus in regards to the number and content of the HR practices these systems should include, while the theoretical perspective guiding HPWS, i.e. universalistic, contingency, or configurational, is under debate (see Delery & Doty, 1996 for a relevant discussion). In effect, Boxall and Macky (2009, p.4) conclude that “we find ourselves in the midst of a lively debate over the impact of HPWSs on firms and workers”. Some researchers have argued that the HPWS paradigm lacks methodological rigour to justify causal relationship between HR practices and performance (Godard, 2004; Wright *et al.*, 2005) and that reported findings cannot be generalized to organizations of different sizes, industries, and outside the U.S. (Guthrie *et al.*, 2009; Huselid *et al.*, 1997). There is also empirical evidence suggesting a weak, or even adverse relationship between HPWS and performance measures (Boxall & Macky, 2009; Guthrie *et al.*, 2009; Godard, 2004; Guthrie *et al.*, 2002; Liao *et al.*, 2009; Shih *et al.*, 2006; Wright *et al.*, 2005).

### **Alternative Conceptualization of HPWS**

Considering the aforementioned criticisms, Boxall and Macky (2009, p.5) argue that “given the embeddedness of work systems within wider production or operational strategies..., the narrow conception of synergy is too limiting. Complementarity does need to be considered within the domain of HR policies and practices but, more importantly, it needs to be understood within the broader management system of the workplace”. Subscribing to this point of view, we argue for an alternative definition of HPWS, which draws on the theory and principles of socio-technical systems and total quality management. Harmon *et al.* (2003, p.394) argue that theorizations of HPWS relate strongly to socio-technical systems design in the sense that “both design perspectives emphasize that sustained organization effectiveness requires *alignment* between the social-humanistic and techno-structural dimensions of human systems”. Total quality management also suggests principles and systems that are central in the effective management of human capital (Stevens, 2008). Nonetheless, adopting principles from either or both these paradigms to design a high performing organization, able to attract and retain talent, requires a shift from the traditional design around bundles of HR practices towards a more holistic view of the

organization (Bayo-Moriones & Merino-Díaz de Cerio, 2004; Bou & Beltrán, 2005; Ready & Conger, 2007).

It should be noted that effective talent management goes beyond processes, systems and policies; it requires the incorporation of appropriate values to influence people's attitudes and mind-sets and nurture commitment, engagement, and accountability (Beechler & Woodward, 2009; Den Hartog & Verburg, 2004; Farndale *et al.*, 2010). Ready and Conger (2007) suggest that these values, and the passion they create, may be the only aspects that can hardly be duplicated. Organizational values that have been associated with increased employee motivation and organizational commitment include humanity and vision (Abbott *et al.*, 2005). Talented people in particular want to work in environments where they feel inspired, engaged and valued, and where an ethical, flexible and open culture fosters creativity, change, innovation, and use of technology (Earle, 2003; Martel, 2003; Ramlall, 2004). In fact, research shows that the decision of high performers to stay with an organization depends greatly on corporate pride, esteem, and trust (Bernthal & Wellins, 2001; Hiltrop, 1999). Organizational values influence employee willingness and ability to use their skills and knowledge (Larsson *et al.*, 2005); in this sense values influence motivation, satisfaction, and commitment, and ultimately retention (Eisenberger *et al.*, 1990; Frank *et al.*, 2004). Nonetheless, there is lack of empirical evidence linking HPWS, culture, and organizational performance (Den Hartog & Verburg, 2004).

### **Purpose of the Study**

In this study, we propose that high performance organizational designs do not rely on the narrow perspective of HR practices, but on a broader framework. This broader framework in turn combines design aspects of the socio-technical systems (STS) and total quality management (TQM) theories as well as integrates key core organizational values. More specifically, in our study HPWS are defined in terms of the following STS and TQM characteristics: the use of technology for knowledge management; a quality, technology, and change driven culture; support for creativity; open communications; respect; and integrity. We argue that the aforementioned HPWS attributes are positively associated with effective talent management, both directly, but mainly indirectly through the mediating effects of employee attitudes and behaviors. This model linking HPWS with talent management was originally tested on a different sample stemming from a telecommunications organization (Kontoghiorghes & Mano, 2010). Therefore, the main purpose of this confirmatory study is to empirically investigate these relationships in a different organizational setting and industry and describe the extent to which the findings of the two studies are in agreement. In the following sections, we discuss the main components of the proposed model and draw from the relevant literature to develop research propositions and hypotheses.

### **High Performance Work Systems and Talent Management**

In the previous section we discussed the rhetoric and reality around HPWS and their associations with organizational bottom line. The focus of this study is on the links of HPWS with talent management, and more specifically with the effective recruitment and retention of talent. Traditional HRM literature defined HPWS around integrated sets of HR practices or bundles, which were presumed to have the potential to assist

the organization achieve competitive advantage through people (Den Hartog & Verburg, 2004; Harmon *et al.*, 2003). As such, traditional bundles of HR practices were used to investigate the antecedents of attracting and retaining high performers. These studies reached the overall conclusion that high performance organizations perform better than their competitors in regards to talent management (Bernthal & Wellins, 2001; Holland *et al.*, 2007; Horwitz *et al.*, 2003; Hsu *et al.*, 2007; Guthrie, 2001; Martel, 2003).

Nevertheless, evidence linking specific HR practices with the recruitment and retention of best talent are inconclusive (Boudreau & Ramstad, 2004; Guthrie, 2001; Haines *et al.*, 2010; Hiltrop, 1999). According to Hiltrop (1999), only a small amount of variance concerning effective talent management can be empirically explained by bundles of 'best' HR practices, and an even smaller amount can be explained by non-HRM factors like organizational size, nationality, and industry-type. Likewise, other authors have argued that traditional HR programs often fail to attract and retain top talent (Boudreau & Ramstad, 2004; Frank *et al.*, 2004). In discussing ways to attract and retain top talent, Earle (2003, p.246) concludes that "if retention strategies are not firmly embedded in the organisation's business processes..., no matter how successful, will ultimately prove futile". Indeed, research findings indicate that HR practices influence the *perceived* ability of the organization to attract and retain talent, but *practically* some of the 'best' HR practices may enable best performers to leave the organization (Guthrie, 2001; Haines *et al.*, 2010). Therefore, we agree with Boudreau and Ramstad (2004, p.5) in that HR practices alone are inadequate to "systematically address the increasing sophistication and importance of talent markets and decisions to today's competitive challenges".

These findings highlight the need to take a broader, more holistic view of HPWS, especially when these are used as analytical tools of the antecedents and predictors of talent management (Glen, 2006). The broader, systemic conceptualization of HPWS we have proposed responds to calls to integrate HR with organizational culture, structures, and strategy to attract and retain talent (Horwitz *et al.*, 2003; Larsson *et al.*, 2005). Further, it considers the organizational system as a whole (Holland *et al.*, 2007) and identifies what Glen (2006) calls a series of 'hot buttons' or predictors that must be combined and managed effectively for talent to be engaged and retained. We therefore argue that the alternative conceptualization of HPWS we propose will have positive associations with talent management. Therefore, we hypothesize the following:

*Hypothesis 1: High performance work systems are positively related with effective talent management.*

### **High Performance Work Systems, Employee Attitudes, and Talent Management**

Although we expect that HPWS will have a direct, positive association with talent recruitment and selection (*see H1*), it is the main premise of our model that this relationship is mediated by such employee attitudes and behaviors as satisfaction, motivation, and commitment. Literature on 'traditional' HPWS is explicit in that integrated bundles of 'best' HR practices engage and motivate employees to use their potential towards achieving corporate goals (Delery & Doty, 1996; Guthrie *et al.*, 2002; Hsu *et al.*, 2007; Huselid *et al.*, 1997; Liao *et al.*, 2009; Shih *et al.*, 2006).

Evidence shows that HRM practices can systemically influence employee motivation and satisfaction, therefore reducing employee intentions to leave the organisation. Ultimately this reflects positively on overall organisational performance (Bou & Beltrán, 2005; Gong *et al.*, 2009; Harmon *et al.*, 2003; Hausknecht *et al.*, 2009; Huselid, 1995; Shih *et al.*, 2006; Wright *et al.*, 2005).

However, results of empirical studies have challenged the strength of the link between HR practices and attitudinal employee responses. For instance, Fiorito *et al.* (2007) found limited evidence to support that HR practices are positively associated with organizational commitment. Likewise, other researchers have argued that the processes through which HR systems influence performance remain a 'black box' and that further investigation is needed in order to understand how employee attitudes and behaviors mediate this relationship (Agarwala, 2003; Gong *et al.*, 2009; Hsu *et al.*, 2007). In investigating this 'black box', van Breukelen *et al.* (2004) found that attitudes are strong predictors of behavior. Job satisfaction and motivation are actually widely cited in the relevant literature as strong attitudinal predictors of employee retention (see Agarwala, 2003; Bernthal & Wellins, 2001; Godard, 2004; Gong *et al.*, 2009; Griffeth *et al.*, 2000; Haines *et al.*, 2010; Harmon *et al.*, 2003; Mitchell *et al.*, 1993; Saari & Judge, 2004; van Breukelen *et al.*, 2004). The impact of these attitudes on retention is indirect: they improve intentions to stay through influences on organizational commitment (Agarwala, 2003; Fiorito *et al.*, 2007).

Our model also provides insights into this black box; we argue that the 'black box' is about motivating employees to participate, contribute, and fulfil their potential in jobs and organizations that satisfy their expectations. We further argue that HPWS have the potential to create such jobs and organizations (Hausknecht *et al.*, 2009). The principle guiding the association between HPWS and employee attitudes is that "talent is not only about competence, but even more about motivation" (Larsson *et al.*, 2005, p.2). In this sense, skilled employees must be engaged to be willing to give discretionary effort in their jobs (Agarwala, 2003; Bernthal & Wellins, 2001; Frank *et al.*, 2004; Martel, 2003).

In all, we agree that HPWS are designed in ways that ensure job and organizational satisfaction, motivation, and commitment as antecedents of talent recruitment and retention (Collings & Mellahi, 2009; Earle, 2003). Organizational commitment in particular "is joined at the hip with employee retention" (Frank *et al.*, 2004, p.13) and a solid predictor of absenteeism, performance, and turnover (Fiorito *et al.*, 2007). We therefore argue that it is through these positive associations with employee attitudes and behaviors that HPWS ultimately have positive links with effective talent management. We therefore develop the following hypotheses concerning HPWS, employee attitudes, and talent management:

*Hypothesis 2: High performance work systems are positively related with job satisfaction, job motivation, and company satisfaction.*

*Hypothesis 3: Job satisfaction, job motivation, and company satisfaction are positively related with employee commitment.*

*Hypothesis 4: Employee commitment is positively related with effective talent management.*

*Hypothesis 5: Effective talent management is positively related to bottom-line organizational performance.*

Overall, we propose that talented people prefer to work in organizations that are systemically designed as HPWS. We assume that such an organizational design has positive effects on employee attitudes and behaviors and enhances their commitment to the organization, making them more willing to stay and contribute to organizational performance.

## **METHODOLOGY**

### **Survey Instrument**

The survey instrument used for this study consisted of an eighth generation questionnaire, which was designed to assess the organization in terms of the HPWS, employee satisfaction, motivation, commitment, and talent management dimensions described earlier. The instrument was comprised of 190 Likert-type items using a 6 point scale ranging from “Strongly Disagree” to “Strongly Agree”. The vast majority of the incorporated dimensions were previously tested for validity and reliability in seven different organizations in the United States and additional four in Cyprus (Kontoghiorghes & Frangou, 2009; Kontoghiorghes, 2005; Kontoghiorghes, Awbrey and Feurig, 2005; Kontoghiorghes, 2004; Kontoghiorghes and Bryant, 2004; Kontoghiorghes and Gudgel, 2004; Kontoghiorghes and Hansen, 2004; Kontoghiorghes, 2003a; Kontoghiorghes, 2003b; Kontoghiorghes, 2002; Kontoghiorghes, 2001a; Kontoghiorghes, 2001b; Kontoghiorghes and Dembeck, 2001).

### **Subjects**

The sampling frame of this study consisted of 413 employees of a Cypriot retail organization. The data analysis of this study will be based on the 218 responses received, which reflects a response rate of 52.78 %. The majority of the respondents were females (76.3%). In terms of education, 71.3% had a primary or high school degree, 25.3% a college degree, and 3.4% a graduate degree. In terms of position held in the organization, the frequency distribution identified 4.1% of the respondents as middle level managers, 18.9% as supervisors, 66.9% as lower level employees, and 10.1% as administrative personnel.

## **RESULTS AND FINDINGS**

### **Reliability Analysis**

Table 1 shows the means, standard deviations, and reliabilities for all dimensions. As indicated, the factors assessed by the questionnaire were found to be highly reliable. The Chronbach’s alpha coefficients ranged from 0.70 to 0.93. It is also worth mentioning that 26 out of the total 28 factors incorporated in the research design were found to have a Chronbach’s alpha coefficient greater than 0.80.

## Structural Equations Modeling

As mentioned earlier, the main purpose of this study is to describe the extent to which the Kontoghiorghes and Mano (2010) model linking HPWS with talent management in a telecommunications organization (Figure 1), can be generalized to a retail organization as well. In order to test the generalizability of the model, its fit indices were examined overall, as well as in comparison to the results of the Kontoghiorghes and Mano (2010) study. For comparability purposes the same software, estimation procedures, as well as fit indices were used in both studies. More specifically, the structural equation model was tested with the use of the software AMOS 18 (Arbuckle, 2009), with the use of the maximum likelihood estimation. The fit indices that were used were those of the chi-square ( $\chi^2$ ), the chi-square divided by the degrees of freedom ( $\chi^2/df$ ), the Normed Fit Index (NFI), the Tucker-Lewis Index (TLI), the Incremental Fit Index (IFI), the Comparative Fit Index (CFI), and the Root Mean Square Error of Approximation (RMSEA). The structural equation model for the retail organization is depicted in Figure 2.

In terms of fit, the results of both datasets were very similar since only small variations existed in between them. For example, as presented in Table 2, the Incremental Fit Index (IFI=0.95) and the Comparative Fit Index (CFI=0.95) both had a very good fit since their values were equal to the cutoff value of 0.95. The Normed

Table 1. Descriptive statistics

<b>Dimension</b>	<b>No of Items</b>	<b>Mean</b>	<b>S.D.</b>	<b>Alpha</b>
1. Use of technology to distribute new knowledge	2	4.70	1.25	0.92
2. Quality driven culture	6	5.32	0.85	0.82
3. Technology driven culture	4	5.07	0.95	0.89
4. Support for creativity	3	4.73	1.19	0.87
5. Open communications	3	4.67	1.28	0.84
6. Respect is a core value	6	5.04	1.08	0.88
7. Integrity is a core value	6	4.98	1.02	0.92
8. Change driven organizational culture	3	4.91	0.93	0.87
9. Job motivation	3	4.94	1.16	0.73
10. Job satisfaction	3	4.59	1.41	0.91
11. Company satisfaction	3	4.63	1.27	0.88
12. Organizational commitment	8	4.67	1.28	0.92
13. Talent retention	3	4.37	1.44	0.88
14. Effective talent recruitment	3	4.15	1.28	0.89
15. Effective talent management	6	4.27	1.34	0.91
<b>Performance Dimensions</b>				

16. Quality performance	5	4.82	1.03	0.83
17. Customer satisfaction/loyalty	3	5.02	0.93	0.88
18. Employee productivity	3	4.67	1.07	0.70
19. Co-worker quality performance	4	4.73	1.01	0.91
20. Rapid Change adaptation/implementation	4	4.90	0.98	0.91
21. Rapid technology assimilation	3	4.83	0.98	0.91
22. High degree of organizational flexibility	3	4.62	1.05	0.90
23. Speedy operations	5	4.79	1.08	0.91
24. Provide best value to the customer	2	4.19	1.45	0.91
25. Fast and successful response to environmental threats and opportunities	3	4.88	1.01	0.86
26. Innovative organization	3	4.93	1.00	0.91
27. Competitive organization	5	4.75	1.11	0.93
28. Profitability	3	4.91	1.02	0.86

Fit Index (NFI=0.92) as well as the Tucker-Lewis Index (TLI=0.92) had an acceptable fit since their values fell in between 0.90 and 0.94. The Root Mean Square Error of Approximation (RMSEA=0.09) no longer supported the fit of the model in the current dataset since according to Hu and Bentler its value was higher than the cutoff of 0.06. However, the chi-square divided by the degrees of freedom had a marginally acceptable fit with a value of 2.70 which is slightly over the suggested cutoff of 2.50. Not surprisingly, the chi square did not support the fit of the model in either study since its statistically significant p-value (p=0.00) suggested that the model did not fit the data. Since the chi square statistic is influenced by large sample sizes though, this result is not a source of concern.

In addition to the fit indices, the coefficient of determination ( $R^2$ ) was used as an additional indicator of the effectiveness of the model since it indicates the percentage of variance of the endogenous variables that are explained by the model. The results of this analysis have shown that 75.4% of the variance of the dependent variable of “Effective talent management” was explained by the model ( $R^2$ ), which is slight higher than the percentage of variance explained in the Kontoghiorghes and Mano (2010) study (72.8%). The model based on the current dataset also explained 78.9% of the variance of the “Satisfaction/motivation” construct, as well as 79.3% of the “Organizational commitment” variable. Both of these percentages are much higher those of the Kontoghiorghes and Mano study which were equal to 58.4% and 64.1% respectively (Table 2).

Since the fit of the model has been established, the parameter estimates can then be interpreted and compared to the parameter results of the Kontoghiorghes and Mano (2010) study. The standardized parameter estimates of the model are presented in Figure 2 and Table 3 below. These parameters indicate the contribution of each of the latent and observed variables to the overall model. More specifically, they represent the amount by which each endogenous (dependent) variable would change for every

standardized unit of change of an exogenous (independent) variable. In addition, the numbers located on the top right side of each endogenous variable reflect the proportion of the variance of that variable that is explained by the model ( $R^2$ ).

The standardized and unstandardized regression weights, along with their standard errors are presented in Table 3. The path coefficients from the three latent variables to their corresponding observed variables are all adequate in size and are also statistically significant. This indicates that the observed variables are representative of the latent domains they are supposed to measure. These results are presented at the bottom of Table 3.

By taking a close look at Table 3, it is clear that the standardized estimates are quite similar in both datasets, with the current dataset having slightly larger estimates. However, the overall patterns and magnitudes of the relationships are similar, which strengthens the generalizability of the model.

Figure 1. HPWS and effective talent management model – Kontogiorghes & Mano (2010)

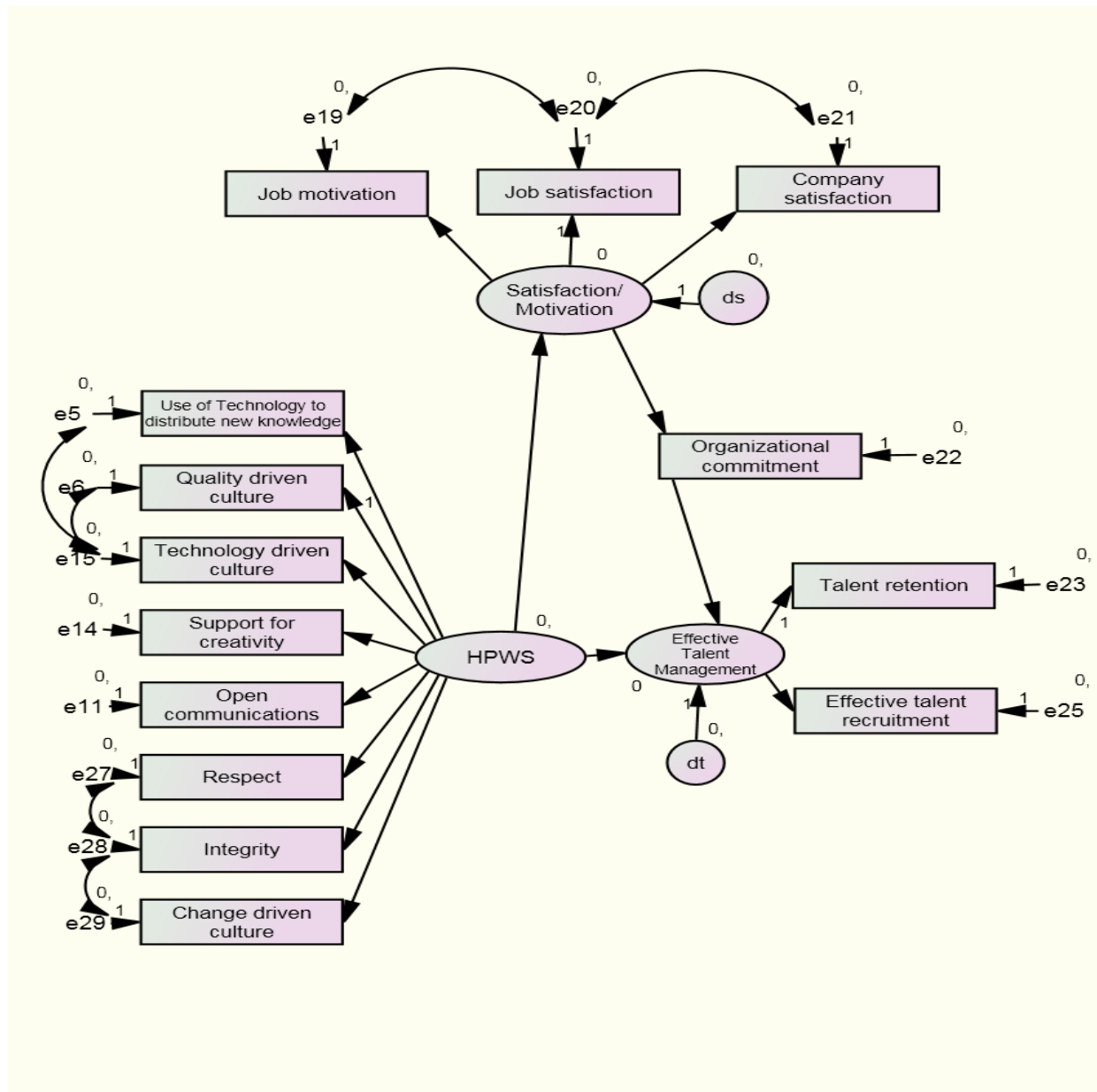


Figure 2. HPWS and effective talent management model – Retail organization

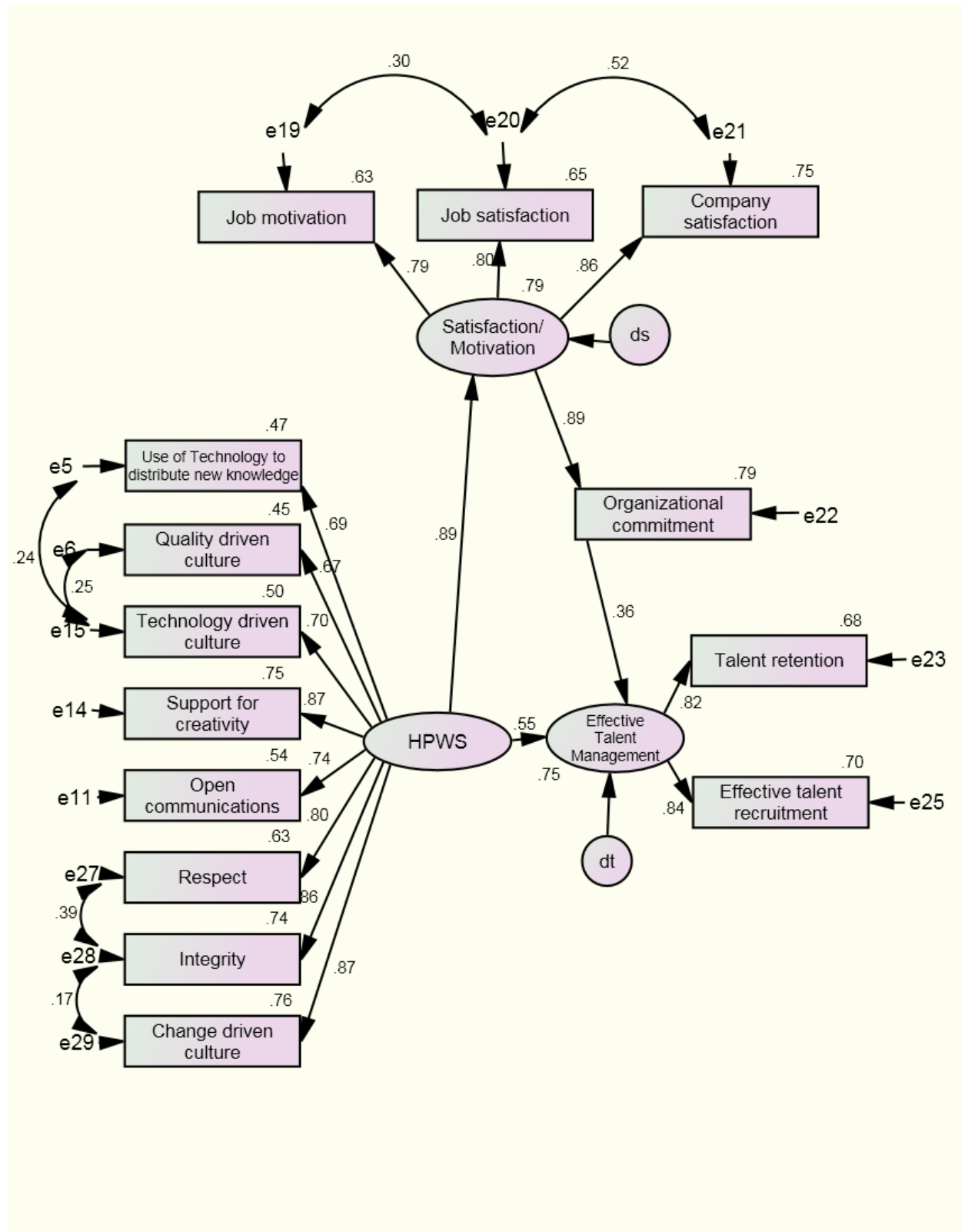


Table 2. Fit indices of the structural models

Fit indices	Original model	Current results
$\chi^2$	235.31 (df=69)(p=0.00)	183.38 (df=68)(p=0.00)
$\chi^2/df$	3.41	2.70*
NFI	0.95**	0.92*
TLI	0.94*	0.92*
IFI	0.96**	0.95**
CFI	0.96**	0.95**
RMSEA	0.06*	0.09
$R^2$ (Effective talent management)	72.8%	75.4%
$R^2$ (Satisfaction/motivation)	58.4%	78.9%
$R^2$ (Org. commitment)	64.1%	79.3%

\*\*Supports the model fit

\*Marginally supports the model fit

Based on the results of the model, the pattern of the relationships between the variables are very similar in the current and the original sample, although the standardized coefficients of the current dataset are slightly larger (Table 3). In terms of the structural component of the model, the HPWS construct has a slightly stronger effect on employee satisfaction/motivation, and a slightly lower effect on effective talent management in the current dataset. In addition, employee satisfaction/motivation had a stronger effect on organizational commitment, and in turn organizational commitment had a stronger effect on effective talent management. Consequently, the percentage of variance explained of the talent management factor was higher and equal to 75.4%.

In terms of the measurement component of the model, the majority of path coefficients between the latent variables and their corresponding observed variables were slightly larger in the current dataset, which in turn strengthens the latent variable construct.

Table 3. Standardized and Unstandardized path coefficients

			Kontoghiorghes & Mano results	Current results		
			Standardized Estimates	Standardized Estimates	Unstandardized Estimate	S.E.
HPWS	→	Satisfaction/ Motivation	0.76**	0.89**	2.19	0.24
Satisfaction/Motivation	→	Organizat. commitment	0.80**	0.89**	0.88	0.06
HPWS	→	Effective talent management	0.63**	0.55**	1.37	0.27
Organizat. commitment	→	Effective talent management	0.30**	0.36**	0.38	0.10
Effective talent management	→	Talent retention	0.69**	0.82**	1.00	
Effective talent management	→	Effective Talent Recruitment	0.70**	0.84**	0.91	0.08
HPWS	→	Change driven culture	0.74**	0.87**	1.75	0.17
HPWS	→	Integrity	0.77**	0.86**	1.69	0.16
HPWS	→	Respect	0.74**	0.80**	1.59	0.16
HPWS	→	Open communication	0.62**	0.74**	1.94	0.21
HPWS	→	Support for creativity	0.72**	0.87**	2.12	0.20
HPWS	→	Technology driven culture	0.62**	0.70**	1.35	0.13
HPWS	→	Quality driven culture	0.73**	0.67**	1.00	
HPWS	→	Use of Technology to distribute new knowledge	0.68**	0.69**	1.93	0.22
Satisfaction/Motivation	→	Job satisfaction	0.77**	0.80**	1.00	
Satisfaction/Motivation	→	Job motivation	0.78**	0.79**	0.72	0.05
Satisfaction/Motivation	→	Company satisfaction	0.78**	0.86**	0.94	0.05
			Correlations		Covariances	SE
e29	↔	e28	0.19**	0.17	0.03	0.02
e28	↔	e27	0.29**	0.39**	0.08	0.02
e15	↔	e6	0.24**	0.25**	0.07	0.02
e19	↔	e20	0.57**	0.30**	0.13	0.04
e20	↔	e21	0.15**	0.52**	0.23	0.05
e15	↔	e5	--	0.24**	0.12	0.04

\*\* p<0.001

### Correlational Analysis

As shown in Table 4, effective talent management was found to be positively and significantly correlated with all 13 bottom-line performance indicators incorporated in the study. With the exception of profitability ( $r = 0.38$ ,  $p < 0.01$ ) all correlations were found to be above 0.46. This finding is in agreement with the results of two previous studies (Kontoghiorghes & Frangou, 2009; Kontoghiorghes & Mano, 2010) which also found a strong association between effective talent management and bottom-line organizational performance. One explanation of the relatively lower correlation between effective talent management and profitability is the fact that an organization's profits are not only influenced by internal factors, but such external factors as competition and the economy.

Table 4. Pearson correlations between effective talent management and performance

<b>Performance Factor</b>	<b>Effective Talent Management</b>
Quality performance	.57**
Co-worker quality performance	.51**
Customer satisfaction/loyalty	.46**
Employee productivity	.47**
Rapid change adaptation/implementation	.63**
Rapid technology assimilation	.62**
High degree of organizational flexibility	.72**
Speedy operations	.60**
Provide best value to the customer	.63**
Fast and successful response to environmental threats and opportunities	.59**
Innovative organization	.61**
Competitive organization	.57**
Profitability	.38**

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

## Summary, Conclusions, Discussion

In summary, the results of this study validated those obtained by the Kontoghiorghes and Mano (2010) study and indicated that an organizational system designed according to HPWS principles can directly facilitate employee satisfaction and motivation as well as talent attraction and retention. Further, the results of this study reflected an indirect but strong association between HPWS and employee commitment which perhaps explains why some describe HPWS organizations as “high-commitment” organizations. Finally, once again this study empirically demonstrated the strong association between effective talent management and bottom-line organizational performance. As mentioned earlier, effective talent management was found to be strongly correlated with 13 of the 14 investigated bottom-line indicators and moderately associated with profitability. It is safe to conclude then that talent management rightfully can be considered a new cornerstone and important priority of the HRM domain. It simply has a strong impact on the bottom-line.

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