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Impact Of Talent Management On Organizational Performance In Banking Sector Of Pakistan: Mediating Role Of Psychological Empowerment And Self-Efficacy

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Abstract

The main objective of this thesis was to investigate not only the impact of talent management on job performance, self-efficacy and psychological empowerment but also to investigate the mediating effect of self-efficacy and psychological empowerment in the relationship of talent management and job performance. Data were collected from three hundred and seventy seven (N=377) branch managers of 22 private sector banks working in Swat, Peshawar, Mardan, Charssada, Abbottabad, and Nowshera. Data were collected through talent management scale adopted from Human Capital Institute (2008), self-efficacy scale adopted from Bandura, Freeman, and Lightsey (1999), job performance scale adapted from (Goodman & Svyantek, 1999) and psychological empowerment questionnaire (PEQ) adapted from adapted from (Spreitzer, 1995). Data were operated through SPSS and Amos. The results of correlation showed that talent management and all its dimensions had a significant relationship with job performance, psychological empowerment and self-efficacy. Psychological empowerment and self-efficacy also showed a significant relationship with job performance. The results of structure equation modeling showed that both psychological empowerment and self-efficacy partially mediated the relationship between talent management and job performance.

Keywords: Talent Management; Self-efficacy; Job Performance; Psychological Empowerment; Private Banks; Pakistan.

Introduction

One of the biggest challenges organizations nowadays are facing is identifying, attracting, hiring, developing, and keeping people in the dynamic business environment, often characterized by unpredictable, political, economic and technological changes (Reiche, Lee, & Allen, 2019). This situation has led many companies to take the strategic role of talent management seriously (Beraha, Bingol, Ozkan-Canbolat, & Szczygiel, 2018). The phrase "war for talent" was first used in 1998 by a group of McKinsey consultants to highlight the critical role that talent plays in attaining organizational performance (Michaels et al., 2001). Talent management has now gained widespread recognition as being crucial to the life and sustainability of enterprises as well as to organizational success.

TM is primarily concerned with the attraction, training, development, and retention of key employees (Kravariti & Johnston, 2020). TM involves implementing integrated strategies aimed at enhancing workplace productivity. This includes improved processes for attracting, developing, retaining, and effectively utilizing individuals with the necessary skills and aptitude to fulfill both current and future business requirements (Mensah, 2015).

TM focuses on key positions in organizations, as well as filling these vital roles with incumbents who have great talents and abilities to achieve high performance of an organization; it is seen as an important aspect in improving organizational performance (King & Vaiman, 2019). To fulfill the criteria of a competitive and dynamic market, many organizations place a high value in improving TM practices (Meyers, 2020). From an organizational perspective, the banking sector is structured to reduce turnover intentions, increase work commitment and engagement through job security, and compensation. These aspects enhance new tasks and challenges for a more secure and long-term supply of employee commitment and engagement. To meet current and future organizational demands, banking sector relies on the identification, recruitment, management, and retention of high performers or outstanding individuals. Globally, the demand for skilled individuals is growing, as is the competition for them.

Banks, of which managers are an important component, are the world's largest industry, accounting for 8.7% of global employment, and as a result, demand for banking sector and banking sector personnel at all levels is expanding fractionally (Pakistan Economic Survey, 2020).

If an organization fails to recognize the value of TM, it may lose out on many benefits, including the ability to attract skilled and innovative employees, increased productivity, lower employee turnover, increased employee engagement, and a positive reputation and image as an employer. Implementing TM is vital to gaining such benefits; the top manager can do so with the support of line managers, who are critical in the notion of employees' management in banking sector. From the perspective of the "battle for talent, managers support for TM is critical. Managers in banks and financial hubs must integrate the processes of recruitment, development, and retention in order to correctly recognize the value of talent and run the banking business efficiently (Looi, Marusarz, & Baumruk, 2004).

In Pakistan, as in most other countries of the world, banking sector is large scale corporations with many workers working at all levels which is based on structuralist paradigm. This research will be conducted to fill a gap in the literature by investigating TM practices in banking sector in Pakistan. The goal of the research is to figure out how banking sector employees view the relationships between TM practices by extending the study to banking sector staff perceptions in Khyber Pakhtunkhwa, Pakistan. This study will address the need for empirical analysis of a comprehensive model which is required to explain the relationship among these variables.

Additionally, TM is not the only factor to improve the OP but there are many other constructs which affect this relationship. Such as literature highlights that psychological empowerment is one of the important variable that improve overall performance of organization (Berger & Berger, 2011). In addition, the studies explain that there is positive association among psychological empowerment and OP (Choi, 2004). However, on the basis of a review of existing literature, it could be documented that there are less or few studies that analyze the effect of psychological empowerment on TM, OP, or the relationship of these two constructs in particular to the context of Pakistan and specifically in banking sector.

In addition, Stajkovic and Luthans (1998) found that there is a strong association between self-efficacy and OP. This is understandable that self-efficacy of individuals will emphasize their positive behavior in the innovation process thus, improving OP (Collings, Mellahi, & Cascio, 2019). However, there is hardly any study on the effect of self-efficacy on the relationship of TM and OP. It has also been observed that although the literature is available on the individual

variables, but a comprehensive framework that might discuss the unique relationship of all these variables has not been provided in the previous studies in particular to banking sector in developing economy like Pakistan. Following hypotheses are developed after literature review:

Ho_1: There is no positive relationship between talent management (talent attraction, talent motivation, talent development and talent retention) on JP.
Ho_2: There is no significant positive association between TM and Psychological Empowerment.
Ho_3: There is no positive impact of TM on Self-efficacy.
Ho_4: There is no positive relationship between Psychological Empowerment on JP.
Ho_5: There is no significant positive relationship between Self-efficacy on JP.
Ho_6: There is no significant mediating relationship of Psychological in the relationship between TM and JP.
Ho_7: There is no significant mediating role of Self-efficacy in the relationship between TM and JP.

Research Methodology

Population and sample

Population of this study consists of all branch managers working in 22 private sector banks of Khyber Pakhtunkhwa. There are approximately 11138 branches of all private sector banks operating in KP. So the total population of this study is 11138 branch managers. Data were collected from 377 branch managers as suggested by Reisinger et al., (2006), Roscoe (1975) Krejcie and Morgan (1970) Tabachnick and Fidell (1996) and (Sekaran, 2000). Data were collected conveniently from Swat, Peshawar, Mardan, Charssada, Abbottabad, and Nowshera. All private sector banks operating in Swat, Peshawar, Mardan, Charssada, Abbottabad, and Nowshera were targeted for data collection.

Measurement

Talent Management Scale:

Talent Management was measured by talent management scale adopted from Human Capital Institute (2008). This scale has four dimensions which are talent attraction having 6 items, talent motivation having 6 items, talent development having 5 items and talent retention having 6 items. 5-point Likert scale ranging from "strongly disagree to strongly agree" was used for data collection.

Self-Efficacy Scale

Self-efficacy was measured by using self-efficacy scale adopted from Bandura et al. (1999). This scale consists of "Magnitude, Generality and Strength". Each facet of self-efficacy consists of five items. Responses were recorded on 4-point Likert Scale, "1- Always (very high self-efficacy), 2-Sometimes (slightly high self-efficacy), 3- Rarely (low self-efficacy), and 4-Never (very low self-efficacy)."

Job Performance Scale

Job performance scale was measure by averaging its two dimensions which are in-role and extra-role performance (Goodman & Svyantek, 1999). In-role performance has nine items while extra-role seven items.

Psychological Empowerment

Psychological empowerment was measured by using psychological empowerment questionnaire (PEQ) adapted from adapted from Spreitzer (1995). This scale has four dimensions which are "competence, self-determination, meaning and impact." Each dimension has three items.

Table 1: Mean, Standard Deviation and Cronbach Alfa

Variables	Mean	Standard Deviation	Cronbach Alpha
Talent Attraction	3.2533	1.03899	.932
Talent Motivation	3.1260	1.20968	.968
Talent Development	3.1793	1.21633	.963
Talent Retention	3.2493	1.10455	.964
Talent Management	3.2020	.96712	.970
Competence	2.8152	1.07259	.936
Meaning	3.0619	.94859	.960
Impact	3.1636	1.00956	.940
Self-determination	3.4138	1.00956	.951
Psychological Empowerment	3.1136	.85039	.931
Magnitude	2.9162	.82357	.926
Generality	2.9576	.80391	.965
Strength	2.8780	.83218	.961
Self-Efficacy	2.9172	.72038	.961
In-Role Performance	3.2502	1.03512	.976
Extra-Role Performance	3.3498	1.09417	.964
Job Performance	3.3000	.98526	.973

Table 1 shows the mean, standard deviation and Cronbach Alfa of talent management, psychological capital, self-efficacy and job performance. It also shows the mean, standard deviation and Cronbach Alfa of all dimensions of talent management, psychological capital, self-efficacy and job performance. The reliability of all dimensions of talent management, psychological capital, self-efficacy and job performance are excellent. The mean of all factors and their dimensions are near 3 showing fifty percent agreement and fifty percent disagreement.

Table 2: Correlation between Talent Management and Job Performance

	Talent Management	Job Performance
Talent Management	1	.729**
Job Performance	.729**	1

Table 2 reveals the correlation between talent management and job performance. The results of correlation showed a significant positive relationship between talent management and job performance($r=.729$, $p < 0.01$). Therefore **Ho_1:** There is no positive relationship between talent management and job performance is rejected in this study.

Table 3: Relationship between Talent Management and Psychological Empowerment

	Talent management	Psychological Empowerment
Talent management	1	.577**
Psychological Empowerment	.577**	1

Table 3 reveals the correlation between talent management and psychological empowerment. The results of correlation showed a significant positive relationship between talent management and psychological empowerment(r=.577, p < 0.01). Therefore **Ho_2)** There is no significant positive relationship between Talent Management and Psychological Empowerment is rejected in this study.

Table 4: Relationship between Talent Management and Self-Efficacy

	Talent management	Self-Efficacy
Talent management	1	.695**
Self-Efficacy	.695**	1

Table 4 reveals the correlation between talent management and self-efficacy. The results of correlation showed a significant positive relationship between talent management and self-efficacy (r=.695, p < 0.01). Therefore **Ho_3)** There is no significant positive relationship between Talent Management and self-efficacy is rejected in this study.

Table 5: Relationship between Psychological Empowerment and Job Performance

	Psychological Empowerment	job performance
Psychological Empowerment	1	.685**
job performance	.685**	1

Table 5 reveals the correlation between psychological empowerment and job performance. The results of correlation showed a significant positive relationship between psychological empowerment and job performance (r=.685, p < 0.01). Therefore **Ho_4)** There is no positive relationship between Psychological Empowerment and job performance is rejected in this study.

Table 6: Relationship between Self-Efficacy and Job Performance

	Self-Efficacy	Job performance
Self-Efficacy	1	.685**
Job performance	.685**	1

Table 6 reveals the correlation between self-efficacy and job performance. The results of correlation showed a significant positive relationship between self-efficacy and job performance (r=.685, p < 0.01). Therefore **Ho_5)** There is no positive relationship between self-efficacy and job performance is rejected in this study.

Table 7: Model Fit of the Hypothesized Model of Talent Management, Psychological Empowerment and Job Performance

Model	$\chi 2$	Df	$\chi 2$/Df	GFI	CFI	RMSEA	SRMR

Talent Management → Job Performance through Psychological Empowerment	97.549	32	3.048	.950	.967	.074	.046

The 6th hypothesis i.e., **Ho_6:** There is no significant mediating relationship of Psychological capital in the relationship between Talent management and job performance was tested by developing structural model of talent management, psychological empowerment and job performance by using Amos. The beta value (β=.70, $p < .001$) between talent management and job performance reduced after adding psychological empowerment as a mediator. All indices as shown in table 7 are within acceptable range. Similarly all factor loadings as shown in figure 1 are within acceptable range. So the 3-factor model of talent management, psychological empowerment and job performance is acceptable and **Ho_6** is rejected in this study.

Figure 1: AMOS Model of the Relationship between Talent Management and Job Performance through Psychological Empowerment

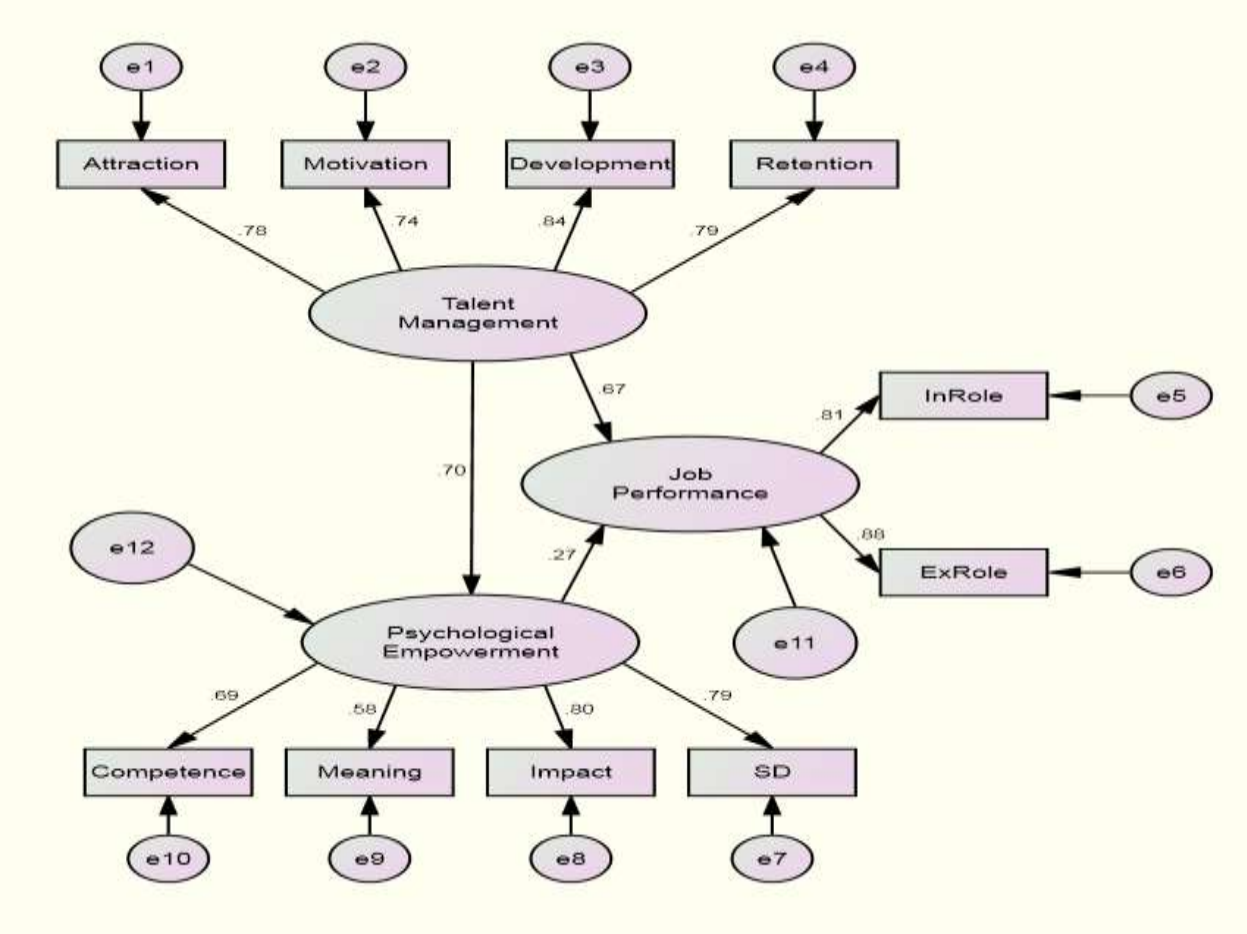
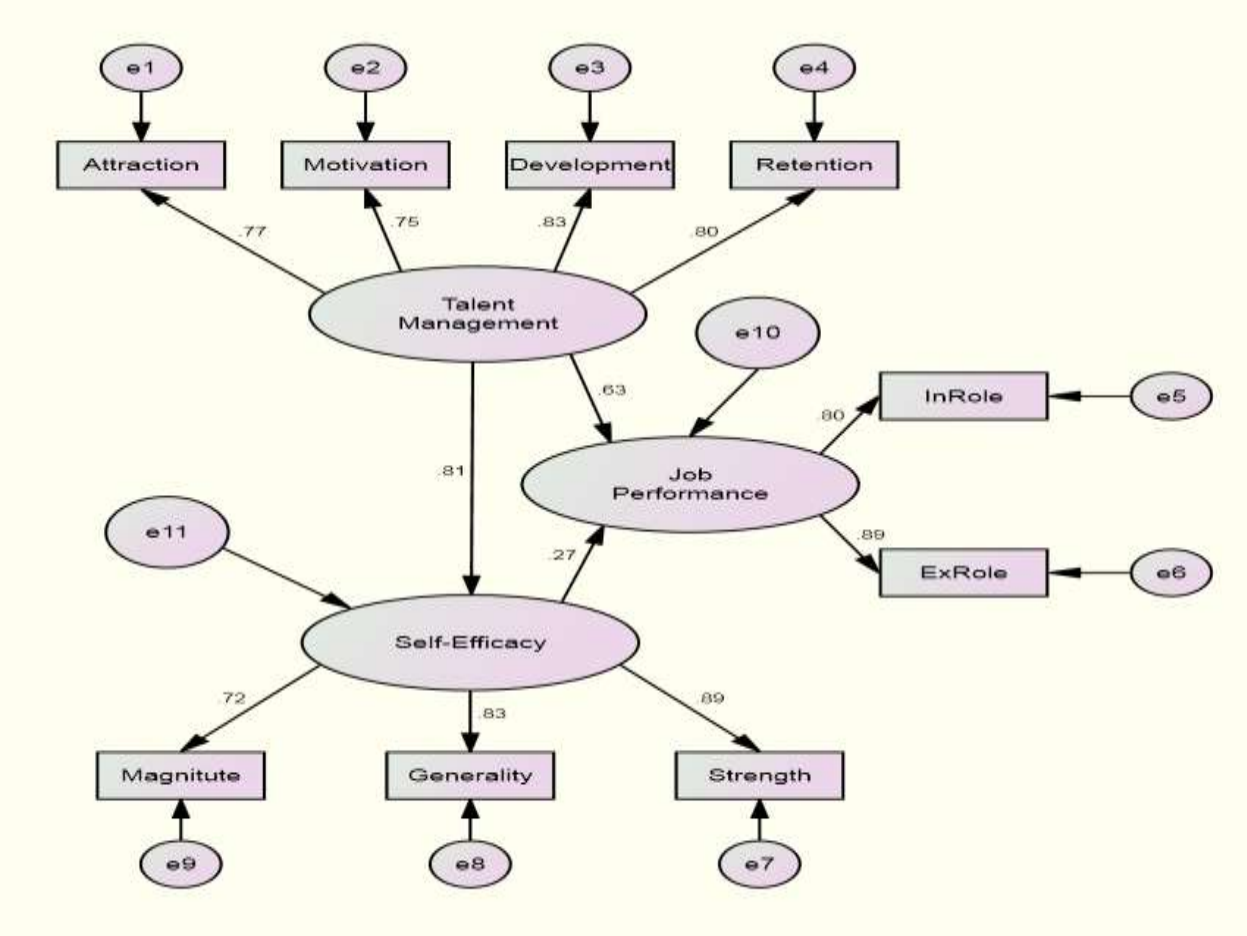


Table 8: Model Fit of the Hypothesized Model of Talent Management, Self-Efficacy and Job Performance

Model	$\chi 2$	Df	$\chi 2$/Df	GFI	CFI	RMSEA	SRMR
Talent Management → Job Performance through Self-Efficacy	97.549	32	3.048	.950	.967	.074	.046

The 7th hypothesis i.e., **Ho_7:** There is no significant mediating role of Self-efficacy in the relationship between talent management and job performance was tested by developing structural model of talent management, self-efficacy and job performance by using Amos. The beta value (β=.81, $p < .001$) between talent management and job performance reduced after adding self-efficacy as a mediator. All indices as shown in table 8 are within acceptable range. Similarly all factor loadings as shown in figure 2 are within acceptable range. So the 3-factor model of talent management, psychological empowerment and job performance is acceptable and **Ho_7** is rejected in this study.

Figure 2: AMOS Model of the Relationship between Talent Management and Job Performance through Self-efficacy



Conclusion

This study investigated empirically the role of self-efficacy and psychological empowerment as mediators on the relationship between talent management and organizational performance. The aim of the present study was to examine how talent management affects organizational performance through the lens of social exchange theory. In addition, this study also examined using social cognitive theory that how self-efficacy and psychological empowerment mediates the relationship between talent management and organizational performance among the managers in private banks located in Peshawar, Mardan, Charssada, Abbottabad, and Nowshera districts of Khyber Pakhtunkhwa province of Pakistan.

The fundamental objective of this research was to examine the impact of TM practices on performance of banking sector of Khyber Pakhtunkhwa, Pakistan. Additional aims of the research were to: to know how talent management impacts psychological empowerment and self-efficacy, to analyze the impact of psychological empowerment and self-efficacy on organizational performance, to test the relationship of psychological empowerment as a mediator between talent management and organizational performance and to test the relationship of self-efficacy as a mediator between talent management and organizational performance.

This research was quantitative in nature making the positivist method more applicable. This study used a quantitative approach to describe how the study's variables affect and interact with one another, and the current investigation tested the model using a quantitative research method. The questionnaire employed to collect data for this study was divided into three parts. All of the questions in this part were graded on a five-point Likert scale, and their codes were listed strongly disagree, disagree, neutral, agree, and strongly agree. The population for this study was consisted of all the 11138 branch managers in the 22 private banks listed with the State Bank of Pakistan. However, data was collected through questionnaire from the 390 managers as suggested by Reisinger et al., (2006), in Peshawar, Mardan, Charssada, Abbottabad, and Nowshera, KP province through convenience sampling.

This study adopted the technique of structural equation modeling (SEM) to test and analyze the hypothesized model. CFA was executed by using statistical software SMART PLS. Cronbach's Alpha and Composite dependability was used to check the reliability. Internal consistency scores are used to determine Composite dependability, whereas Cronbach's alpha demonstrates how each test step improves the test's reliability and validity (RW Naylor, CP Lamberton 2012). The researchers presented contrast validity, which is stability across technique that has to be evaluated for discriminant validity and divergent validity, to assess the legitimacy of the instruments (McLureWasko and Faraj, 2005). Convergent validity was derived from Average Variance Extracted (AVE), whereas discriminant validity was assessed by contrasting the squares of the correlations between the convergent validity with AVE. To test the hypotheses, simple and multiple regressions, F-test and Pearson correlation analysis were performed. Preacher and Hayes mediation technique were applied to test the mediating role of psychological empowerment and self-Efficacy.

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