

Impact of Talent Management on Organizational Effectiveness: Mediation Model of Psychological Contract

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Abstract

A major challenge for human resource professionals and talent management (TM) literature is to establish a robust and immaculate evidence defining the relationship between TM and its outcomes. Although, theoretical and conceptual bases of TM literature have been examined in the West that provide somehow empirical evidences; whilst, limited such studies have been conducted in the Asian region. The relationship of TM and organizational effectiveness (OE) has been rarely studied, without describing that how does this relationship transpire? Similarly, most of the studies on psychological contract (PC) conceded inclusively, rather than investigating its typological assertion with the connotation of TM. This yields the research gap. The novelty of the current study underpins the particular dimension of PC that is relational PC as a mediator, in the lens of TM, which was not discussed in the previous studies with the relationship of OE. Total 309 managers including top and middle level of management from telecom sector of Pakistan have participated in the research, using simple random sampling technique. Structural equation modeling (SEM) was used to test the hypotheses in AMOS 20. Results revealed that TM has significant positive effect on relational PC and OE, and relational PC positively relates to OE. Furthermore, relational PC has a partial mediation between TM and OE. The study contributes to bolster the TM literature, in more viable form and provides the basis for future studies, along with managerial implications and recommendations.

Keywords: Talent Management, Relational Psychological Contract, Organizational Effectiveness, Telecom Sector, Structural Equation Modeling

1. Introduction

As external contextual conditions started to intensify, the transformation of people management has entered into the entirely new level, under the label of “talent management” (Schuler, 2015); even it is believed that in the 21st century talent will be a great differentiator, rather than technology and financial capital, to become truly

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global (Guarino, 2007). This belief from the last few years that, “great organizations are made by talented people” (Elegbe, 2010, p. 33) reinforced the organizations to adopt TM not as a choice but as a mandate to excel and succeed (Schuler, 2015). Researchers argued that organizations have to implement TM to endure in the market place, and to gain assorted individual and organizational benefits (Collings & Mellahi, 2009; Schuler, 2015; Vaiman & Vance, 2008). Early literature on TM revealed a lack of clarity, even in defining TM in the world of work (Collings & Mellahi, 2009; Lewis & Heckman, 2006). Whilst, Dries (2013) found that only around 100 peer-reviewed articles containing a keyword “talent management” have been published in academic journals between 1990 and 2013, which evinced the need of more studies to develop the field of TM.

A major challenge for human resource (HR) professionals and the related literature with TM has been to establish robust, clear evidence regarding the relationship between the contribution of human resource management (HRM) functions and organizational factors. However, strategic HRM (SHRM) theory has enough propositions supporting the baseline of empirical studies conducted in the West; whereas, limited studies have been conducted in the Asia Pacific region (Nankervis, Rowley, & Salleh, 2016). In Pakistan, notably, very few such studies are found to integrate the stream of conceptual knowledge with practical implications for managers.

The importance of service sector of Pakistan as an indicator of economic progress is considerable. As a major part of service sector, the telecom sector of Pakistan has been recognized to gain a great attention for business stakeholders. In recent years, sub-division and more specialization of HR department have started the acquisition, identification and development of talent pool, in the presence of contextual and socio-economic challenges. An imperative challenge for telecom organizations is to retain and manage the talented employees, which contribute to OE. As Ashraf and Khan (2013) argued that telecom sector is experiencing a direct impact of OE and innovation. This thirst generates the need of gathering more empirical evidences from telecom sector, to delineate TM with other constructs such as PC and OE.

In previous studies, Farndale, Scullion, and Sparrow (2010) have focused the significance of TM for organizations to gain competitive advantage which leads to OE. Theory developed by Kim, Lee, and Rhee (2015) supported that TM has positive association with OE. Similarly, Bayyurt and Rizvi (2015) also found the positive relationship between TM and OE in service sector of Pakistan. These studies provide evidence that TM is positively associated with OE, but literature lacks to explore the mechanism that how this relationship exists between TM and OE. This yields the research gap, which is addressed in the current study, through mediating role of PC. As Bayyurt and Rizvi (2015) recommended to study the mediating effect between

TM and OE. Similarly, Thunnissen, Boselie, and Fruytier (2013) also agreed on the development of the field of TM, from infancy to adolescence.

Furthermore, TM has been discussed with PC in previous studies on conceptual or theoretical basis. There are very few studies found that have been established the empirical evidences, for example study conducted by Sonnenberg, Zijderfeld, and Brinks (2014) is one of them. Whereas, these studies conceded PC in more generic term, rather than investigating the typological assertion of the construct. The TM literature lacks the empirical evidences (Gallardo-Gallardo, Nijs, Dries, & Gallo, 2015), to explore its relationship with the particular dimension of PC, which is relational psychological contract. So the novelty of current study contributes in two ways: (a) studying the mediating effect of PC first time between the relationship of TM and OE; and (b) to explore the particular dimension of PC that is relational psychological contract, in the lens of TM, which was not discussed in the previous studies with OE, for example studies conducted by (Festing & Schafer, 2014; Höglund, 2012; Katou, 2015; Sonnenberg, Koene, & Paauwe, 2011; Sonnenberg et al., 2014).

Previous studies on PC that highlighted the mediating effects, have connoted its relationship between limited HRM practices and organizational outcomes with the missing link of OE. Such as, Festing and Schafer (2014) presented a conceptual framework, to construe the PC as a mediator between TM, and attitudinal and behavioral consequences. On the other hand, Sonnenberg et al. (2014) tested the mediation model of talent perception incongruence between perceived TM and psychological contract fulfillment. Whilst, Katou (2015) studied the mediation model of PC, in terms of employee promises and employer promises, between the relationship of HR practices and organizational performance. All these studies are underlying the base models, which deemed for future development of the constructs; thus, almost no research found to describe the mediating effect of relational PC, between the relationship of TM and OE. The current paper is among the first that contributes to test the mediation of relational PC, between TM and OE in telecom sector of Pakistan, on the basis of empirical evidences. Furthermore, the current study can provide a guideline for managers, top executives and entrepreneurs who are responsible for implementing TM practices and interventions, in their organizations for better individual and organizational outcomes. The current study has four main objectives given below:

1.1.Objectives of the study

1. To examine the effect of talent management towards organizational effectiveness.
2. To study whether talent management correlates to relational psychological contract.

3. To determine the effect of relational psychological contract on organizational effectiveness.
4. To determine the mediating role of relational psychological contract in the association between talent management and organizational effectiveness.

2. Literature Review

2.1. Talent management

Researchers contended the theoretical issues to clearly define the construct of TM (Collings & Mellahi, 2009; Lewis & Heckman, 2006); some argued that there is no single concise definition of TM (Ashton & Morton, 2005). According to Silzer and Dowell (2010) it is a set of processes, programs and norms, designed and applied to attract, organize, develop, and retain talent, to meet imminent business needs and attain the strategic objectives. "A more qualitative definition of talent in an organizational context is that it is the current capability or future potential of an employee to deliver exceptional performance in relation to what the organization wants to achieve" (Swales, 2013, p. 33).

In other words, "TM can be characterized as the systematic identification, selection and development of talent in a structured and enriched program of activities and instruments in which multiple actors are involved and assert influence" (Thunnissen & Van Arensbergen, 2015, p. 197). To simplify the connotation, TM is the management of talented employees that are recognized as "talent" by their organizations (Sonnenberg et al., 2014). Latest definition of TM, focuses on the systematic identification, attraction, placement, development, engagement, and retention of those individuals who are of particular value to their organization, considered as "high potential" (CIPD, 2016).

2.2. Psychological contract

Although the notion of psychological contract came from outside the HRM discipline, but it has become a foremost concern in HR literature; in the recent years, it assimilated an ample interest of academicians and practitioners (Cullinane & Dundon, 2006). The term psychological contract first used by Argyris (1960) who considered PC – an informal, implicit, and unwritten agreement between two parties. The construct of PC refers to the beliefs of individuals regarding terms and conditions of a mutual exchange agreement, between the individual and the organization (Rousseau, 1989). It is considered as the reciprocal obligations, which are based on perceived promises between the employee and his/her organization (Morrison & Robinson,

1997). Researchers argued that, “the psychological contract is a set of assumptions and expectations between a specific employee and a specific employer, whereas the social contract establishes assumptions and norms regarding a wide variety of employment relationships” (Edwards & Karau, 2007, p. 68).

2.3. Organizational effectiveness

There are four approaches found in the literature to define the notion of OE: Goal attainment approach, system resource approach, strategic constituency approach, and competing values approach. Goal approach postulated that an organization is considered as effective when it attains its goals, this approach is applicable when goals and objectives are measurable, clearly defined and time-bounded (Perrow, 1961; Price, 1972). The second approach to define OE is the system resource approach, in which organization is considered as an open system that obtains inputs involved in the conversion process and generates output (Yuchtman & Seashore, 1967). It is applicable for organization when survival is the assumption to ultimately measure the effectiveness (Roy & Dugal, 2005).

The third approach to OE is the strategic constituency approach that argued that an organization is considered to be effective, when it satisfies the demands of its stakeholders, called as constituents in organizational environment, which support the organization for its continued existence (Connolly, Conlon, & Deutsch, 1980). The fourth approach to elucidate the construct of OE is competing values approach that focuses on the development and well-being of employees, which cause in the development and well-being of the organization. It highlights the organizational structure, stability, flexibility and internal organizational processes (Quinn & Rohrbaugh, 1981).

To sum-up these four approaches, OE is meant by the capability of an organization to achieve its goals and objectives aligned with its stakeholders or constituents, capacity to adopt the change, optimize the resources, compete with the rivalries, bring quality products and services at the right time at the right market, attract potential personnel, and make the right decisions in the critical time (Potnuru & Sahoo, 2016). However, in the recent literature, researchers describe OE in terms of competing values approach, rather than the older approaches (e.g., goal approach, system resource approach and strategic constituency approach), and they argued that it seems rational when managers respond to the organizational environment and make choices to compete (Taylor, Cornelius, & Colvin, 2013).

Competing values approach is preferable which consistently deals with the competitive choices that telecom organizations make in the challenging situations. These choices include enhanced ability to innovate, better coordination of efforts, fast com-

mercialization of new products and services, responsiveness to market change, ability to anticipate surprises, and reduced redundancy of information (Gold, Malhotra, & Segars, 2001). Hence, the latest definition of OE has been explained in the context of competing values approach such as, Potnuru and Sahoo (2016) defined OE as an approach, which focuses on the stability and productivity of the organization, work-force development, adaptation to the changing business environment, and maximum utilization of resources.

2.4. Talent management and organizational effectiveness

Previous studies conducted by Zhu, Cooper, Thomson, De Cieri, and Zhao (2013), exhibited that strategic integration of HRM, which is a combination of HRM practices linked with firm's business strategy, were positively associated with OE. Similarly, Darwish, Singh, and Mohamed (2013), found that SHRM practices such as training and development, recruitment and selection, internal career opportunities, performance appraisal system, extrinsic incentives, intrinsic incentives and rewards, positively affect OE; whereas, training had a greater effect to increase employee retention and OE. Moreover, recent developments by Potnuru and Sahoo (2016) supported that selected HR development interventions create a positive impact to develop employee competencies, which resulted in OE. These interventions are considered as an origin of TM. Another studies conducted by Khoreva, Vaiman, and Zalk (2017) indicated that TM practice effectiveness focuses on PC and leadership competence development.

In line with the view that TM is positively associated with OE, the recent study conducted by Bayyurt and Rizvi (2015) in service sector of Pakistan, proposed that TM has a positive effect on perceived OE. This indicated that when an organization puts its efforts, time and resources to foster TM practices, which is aligned with the business strategy, the managers of the organization may get benefits in the form of OE. Lawler (2005) argued that the best way to add value in business that directly improves the performance of a corporation, is possible through effective TM that supports change management, influences strategy and value-added activities which is linked with OE. TM activities are considered essential conduit for employees to add value in their work, which promote individual and organizational effectiveness. Similarly, Sweem (2008) based on holistic approach, discussed the approaches for organizations to develop TM strategy for the 21st century that engage employees and improve OE. This means that TM is the priority for organizations to survive in the new competitive era, which brings OE as an outcome.

Theory developed by Kim et al. (2015) found the positive relationship between TM and OE, which supports that TM has been recognized as one of the most imperative responsibility of leaders and that leaders' TM ability positively influences OE. It can

be catastrophic for leaders, to scrutinize TM and OE in a diploid way, or considering them as separate constructs neglecting their mutual relationship. According to Mahfoozi, Salajegheh, Ghorbani, and Sheikhi (2018) the organizations should focus on TM practices to achieve competitive advantage and OE. Another study conducted by Fapohunda (2014) focused the significant relationship of TM with OE, and suggested that TM solution is necessary that contributes positively towards OE, to increase competitive aspects and enhance the bottom line performance. To encapsulate the discussion, findings from previous studies determined that TM is a predictor of OE (Bayyurt & Rizvi, 2015; Darwish et al., 2013; Kim et al., 2015). These theories provide the foundation to construct the positive relationship between TM and OE. On the basis of the aforesaid literature, the following is hypothesized.

H₁: Talent management contributes positively towards organizational effectiveness.

2.5. Talent management and psychological contract

Macneil (1985) classified psychological contract into two major types: (a) transactional psychological contract, and (b) relational psychological contract. According to Rousseau (1990) transactional PC is the close-ended, extrinsic, observable, specific, and static obligations with economic focus and a narrow scope; whilst, relational PC is subjective, intrinsic, open-ended, indefinite and dynamic obligations with a focus on non-economic and emotional elements with more persuasive scope. According to Millward and Hopkins (1998) employees with transactional PC, simply consider the company a place to work with little attachment and emotional commitment to the organization, where employees are concerned with immediate rewards, for example, pay and incentives against employment. Mostly, employees who are less considered to participate in TM program and not recognized as talent by their organization, generate transactional PC. On the other hand, in the relational form of PC, employer is concerned with the locus of responsibility and, in return employees fully tend to align their identities and values along with the company for long-term outcomes (Millward & Hopkins, 1998). Therefore, the employees who have strong identification as high potentials by their organization and considered for TM practices and programs, are known to have fulfillment of relational PC.

Previous studies found positive relationship between TM and PC. Based on social-exchange theory, highly engaged TM practices in the context of generational changes had positive effect on PC, and that effect was found significant for generation X and Y rather than the Baby Boomer (Festing & Schafer, 2014). Sonnenberg et al. (2011) proposed that the more efforts on TM organizations put, the higher the level of PC among employees can be obtained. Similarly, in line with the view that TM positively affects PC, Sonnenberg et al. (2014) found the positive relationship

between TM and PC. Furthermore, literature on the TM studies and PC revealed that non-fulfillment of the PC decreases organizational citizenship behavior, organizational commitment, job satisfaction; and increases turnover intention (Thunnissen, 2016).

In organizations, behaviors that form PC, such as day-to-day work behavior and tools help employees to comprehend their employment terms (Rousseau & Wade-Benzoni, 1994), which cause to promote relational PC. Study conducted in public and private sector organizations of Pakistan, found that perceptions about relational promises in organizations were positively associated to job satisfaction, affective organizational commitment and intentions to quit; whilst, transactional promises were negatively linked to the job satisfaction, affective organizational commitment, and intention to quit (Raja, Johns, & Ntalianis, 2004). Therefore, it is evident that TM generates relational PC among employees, rather than transactional PC which is short-term, narrow, less focused to emotional factors and less committed towards organization. Foregoing in view the following hypothesis has been developed.

H₂: The greater the talent management, the greater the relational psychological contract.

2.6. Psychological contract and organizational effectiveness

It is believed that performance planning, performance management and performance measurement systems support OE, and efficient utilization of performance management generates PC fulfillment (Wadongo & Abdel-Kader, 2014). The empirical study conducted by Kotter (1973) indicated that the higher the matching expectations of employer and employee, the higher the level of job satisfaction, productivity, and low turnover. He argued that, "An implicit contract between an individual and his organization which specifies what each expect to give and receive from each other in the relationship" (Kotter, 1973, p. 92). This means when employees feel that their reciprocal obligations and expectations are going to fulfill, in return, they perform better and their efforts contribute towards OE.

In order to achieve OE, employees' PC is considered noticeably essential element, which should be managed and reflected by the organization's managers, through execution of wise organizational strategies and policies. These factors resulted in positive responses of employees and appropriate job behaviors (Manxhari, 2015). However, in previous study, the breach of PC has found negative effect on OE (Chen & Yu, 2008). This means that if breach of PC negatively affects the OE; then in contrast with that, fulfillment of PC impacts positively to OE. Similarly, to support the view that violation of PC negatively affects OE and non-violation of PC positively relates to OE, researchers such as Richard, McMillan-Capehart, Bhuian, and Taylor (2009)

argued that violation of PC negatively influences the organization, and reduces OE. Another study conducted on service and manufacturing sector found that there was a significant positive relationship between PC and OE (Banerjee, Banerjee, & Patwardhan, 2012). Previous theories on PC identify that transactional PC rarely favors in the organizational benefits, and greater focuses on the individual needs (Millward & Hopkins, 1998; Rousseau & Wade-Benzoni, 1994). On the other hand, relational PC purely engages employees emotionally and persuasively to achieve OE. Based on the above literature, it is hypothesized that:

H₃: Relational psychological contract exhibits positive effect on organizational effectiveness.

2.7. Talent management, psychological contract and organizational effectiveness

With the recent developments in the field of PC as a mediator, few studies found the relationship between HRM practices and organizational outcomes (Abdullah, 2017; Höglund, 2012; Katou, 2013; Potnuru & Sahoo, 2016; Sonnenberg et al., 2014). However, none of the previous work seems to highlight the mediating effect of PC in the relationship between TM and OE. Therefore, more empirical evidences are required to develop the field. Similarly, literature highlights that TM is positively related to OE (Bayyurt & Rizvi, 2015; Darwish et al., 2013; Kim et al., 2015) but how this relationship between TM and OE exists, the phenomenon has not been investigated in previous studies.

Recent study in South Asia by Abdullah (2017) recommended that PC fulfillment indicated the mediating role between HR functions (such as training and development, recruitment and selection, teamwork, job security, information sharing, and compensation), and various behavioral outcomes (such as commitment, job satisfaction, motivation and organizational citizenship behavior), which leads to employee performance. Their results strongly supported the existence of mediation of PC fulfillment between HR practices, and employee outcome and performance (Abdullah, 2017). It has been argued that highly engaged TM practices in organization positively affect PC (Festing & Schafer, 2014); and consequently fulfillment of PC among employees leads to OE (Banerjee et al., 2012).

Previous research on TM in the lens of PC conducted by Höglund (2012) found that PC partially mediates the relationship of talent inducement with human capital. According to Katou (2013), HR practices were positively associated with OE, in the presence of mediating role of PC. Another theory developed by Sonnenberg et al. (2014) proposed that talent perception incongruence mediated the relationship

between TM and PC fulfillment, and TM had a positive effect on PC. Researchers argued that TM has a positive relationship with PC (Festing & Schafer, 2014; Sonnenberg et al., 2011; Sonnenberg et al., 2014); it has been found that PC is positively associated with OE (Banerjee et al., 2012; Chen & Yu, 2008; Kotter, 1973; Richard et al., 2009). This means that TM is linked with PC, and PC is positively associated with OE. In other words TM and PC are the antecedents of OE. These theories provide the basis that relational PC works as a bridge between TM and OE. Therefore, it is hypothesized that:

H₄: Relational psychological contract has a mediating role in the relationship between talent management and organizational effectiveness.

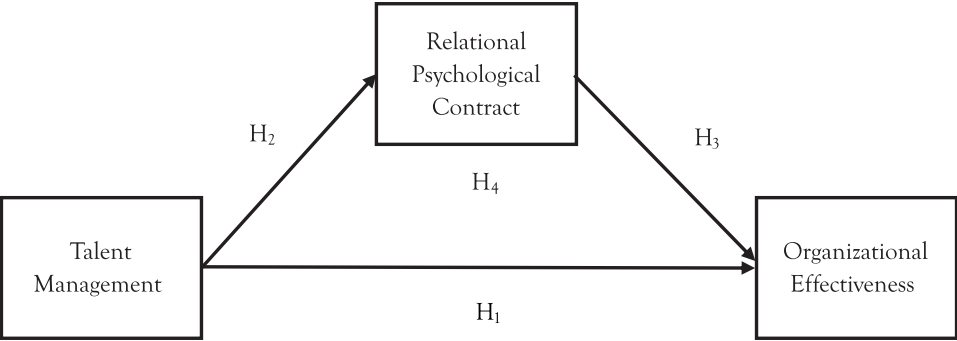


Figure 1: Mediating Model of Relational PC between TM and OE

3. Research Methodology

3.1.Population and sample

The current study is causal in nature, as cause and effect relationships of various variables have been studied, which were drawn from the hypotheses. In terms of time dimension, the study focuses on the cross-sectional data. Data collection was done through online survey questionnaire. Online survey was designed in Google form containing a URL, which was shared to the employees via LinkedIn. Employees were requested to fill the survey questionnaire. Population of the study was top and middle level of management, serving in all departments of the telecom sector of Pakistan. Telecom sector of Pakistan comprises five companies including Jazz, Telenor, Ufone, Zong and PTCL, having a cumulative population size of 18,750 employees including top and middle level of management that fall in the designation of senior managers, managers, assistant managers and supervisors. Sample size of the study was calculated by using Yamane (1967) formula given below. This recommended sample size is also

recognized in the latest studies (Osahon & Kingsley, 2016).

$$n = N / [1 + N(e)^2]$$

Where: “n” = sample size, “N” = population size, and “e” = acceptable sampling error. Using above formula with margin error of 5 percent at 95 percent confidence level:

$$n = \frac{18,750}{1 + 18,750(0.05)^2}$$

$$n = \frac{18,750}{47.88} = 391$$

To target the above number of respondents needed (i.e., 391), the estimated “number of surveys sent” were calculated using:

$$\begin{aligned} \text{Survey sent estimation} &= \frac{\text{Number of respondents needed}}{\text{Expected response rate}} \\ &= \frac{391}{23} \times 100 = 1,700 \end{aligned}$$

Total 1,750 employees were sent online survey questionnaire, out of which 309 employees responded with complete information. While, in the above calculation, the expected response rate of online survey was considered between 20 to 25 % as recommended by Nulty (2008). The response rate and survey sent details are shown in Table 1. Employees were also given a reminder after one week to fill the survey. Simple random sampling technique was used in the study to collect the data, which is considered more accurate, unbiased and good representation of the population (Sharma, 2017). Using this sampling technique, 350 employees (350 x 5 companies = 1,750) of each company which fall in top and middle level of management, were randomly selected from each company page in LinkedIn. More than 20 million companies are listed in LinkedIn including telecom companies of Pakistan, almost 90% employers regularly use it as a business need (Osman, 2019). It is assumed that all managerial staff of telecom companies of Pakistan is technically sound to follow their companies page in LinkedIn, as a professional networking need to gain outstanding benefits such as career opportunities, social marketing and content feed (Osman, 2019).

All telecom companies of Pakistan have their own registered company page in LinkedIn. And employees follow their company page in LinkedIn. This company page contains the list of employees currently working in that organization, which shows employees’ name, profile picture, designation and location. In order to select the top and middle level of management, “all people filters” option in LinkedIn was used, which filtered the employees by their designation including senior managers, managers, assistant managers and supervisors. For example if we write “senior manager” under

the “Title” tab of “all people filters”, the page will display all the relevant results that fall in it. After filtering the required personnel that fall in these four categories such as senior manager, manager, assistant manager and supervisor, the interval “k” was obtained by dividing population size into sample size. For example PTCL company contains 5,000 managers and the researcher wants to send the questionnaire to 350 employees of that company, then the value of “k” is obtained in such a way as: $5,000/350 = 14$. A random number “X” (where, $X = 3$) was selected from 1 to “k” (where $k = 14$). So the first sampled item was 3rd number, and then every kth item was selected from the pagination list of managerial staff of PTCL in LinkedIn. Thus if “k” is 14, and “X” is 3, then selected items were 3, 17, 31, 45, 59 and so on.

Table 1: Distribution of Online Survey Questionnaire using LinkedIn (via Google Form)

Companies	Managerial Staff of each company*	Survey sent to the number of Employees	Number of Responses Received	Response Rate
Jazz	4,700	350	78	22%
Zong	2,700	350	69	20%
Telenor	3,200	350	58	17%
Ufone	3,150	350	53	15%
PTCL	5,000	350	51	15%
Total	18,750	1,750	309	18%

*Managerial staff of each company is presenting the population, in which four categories of designation/title were selected such as senior manager, manager, assistant manager and supervisor.

3.2. Instrument and measurement

Talent management was measured using 16 practices developed by CIPD (2013) on a five-points scale from 1 = never used to 5 = used very frequently. This instrument is highly recognized in previous study (Tatoglu, Glaister, & Demirbag, 2016). Relational PC was measured on 9-items scale developed by Raja et al. (2004) using 7-points Likert scale ranging from 1 = strongly disagree to 7 = strongly agree. OE was operationalized, using six dimensions developed by Gold et al. (2001) such as: (a) enhanced ability to innovate, (b) better coordination of efforts, (c) fast commercialization of new products and services, (d) responsiveness to market change, (e) ability to anticipate surprises, and (f) reduced redundancy of information. These dimensions were measured using 14-items, containing 7-points Likert scale ranging from 1 = strongly disagree to 7 = strongly agree. Data coding was done in such a way that a higher score indicated the higher value of the constructs. SEM was used for validity analysis, confirmatory factor analysis (CFA), coefficient of path analysis and regression analysis, using AMOS 20.

4. Data Analysis and Results

4.1. Validity and reliability

Descriptive analysis has been shown in Table 2, including the values of mean, standard deviation, skewness, kurtosis and correlation matrix of all the study variables. The values of mean for TM, relational PC and OE are shown 2.82, 4.91 and 4.93 respectively with the values of standard deviation from 0.73 to 1.26. To check the data normality skewness and kurtosis values were calculated, which were found in the acceptable range that is -3 to +3 according to Ghasemi and Zahediasl (2012). The correlation matrix of all study variables were found moderate, showing the values of all constructs below 0.90, which spectacted that multicollinearity did not create issue in the study (Tabachnick & Fidell, 2007).

Reliability of the instruments was measured using the value of Cronbach Alpha, which was found strongly acceptable as shown in Table 3. Validity of the constructs was calculated using CFA in AMOS, which is considered an appropriate technique to measure the validity in the eyes of researchers such as Carmines and Zeller (1979). Using CFA, number of factors were specified and the effect of one latent variable on observed variables was analyzed. According to Campbell and Fiske (1959), there are two aspects to calculate the construct validity: (a) convergent validity, and (b) discriminant validity. "In a Confirmatory Factor Analysis convergent and discriminant validity examine the extent to which measures of a latent variable shared their variance and how they are different from others" (Alarcón, Sánchez, & De Olavide, 2015, p. 4).

Table 2: Mean, Std. Deviation, Skewness, Kurtosis and Correlation Matrix (n = 309)

Variable	Mean (SD)	Skewness (Std. Error)	Kurtosis (Std. Error)	1	2	3
1 TM	2.82 (0.73)	-0.03 (0.14)	-0.63 (0.28)	1		
2 RPC	4.91 (1.12)	-0.59 (0.14)	-0.12 (0.28)	0.49*	1	
3 OE	4.93 (1.26)	-0.65 (0.14)	-0.13 (0.28)	0.48*	0.50*	1

Note: TM = Talent Management, RPC = Relational Psychological Contract, OE = Organizational Effectiveness.

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

Table 3: Reliability of Variables

Variables	Cronbach Alpha
Talent Management	0.93
Relational Psychological Contract	0.88
Organizational Effectiveness	0.97

To measure the convergent validity, Average Variance Extracted (AVE) and Composite Reliability (CR) were calculated as shown in Table 4. The values of AVE and CR found equivalent to the acceptable values i.e., 0.5 and 0.7 respectively (Fornell & Larcker, 1981). Except the AVE value of TM was found slightly lesser (i.e., 0.44) than the acceptable value which is 0.50. Therefore, convergent validity of TM was further assessed using factor loading in CFA. The factor loading of each statement in TM indicated the values from minimum 0.57 to maximum 0.74, which reflected the acceptable range, as Hu and Bentler (1999) argued that the factor loading should be greater than 0.50 to satisfy the convergent validity.

Hence, the convergent validity of all variables was established. In order to assess discriminant validity, it is considered that the value of squared correlation between all the constructs must be less than the value of AVE of each construct measured (Walsh, Beatty, & Shiu, 2009). For this, after calculating squared correlation among all constructs, they were compared with the values of AVE of each variable. In Table 5, the values of AVE were found greater than the squared correlation. Hence, discriminant validity of the constructs was also established.

Table 4: Convergent Validity Analysis

Variables	AVE	CR	Convergent Validity
Talent Management	0.44	0.93	Established
Relational Psychological Contract	0.51	0.88	Established
Organizational Effectiveness	0.70	0.97	Established

Table 5: Discriminant Validity Analysis

Variables	Factor Correlation	Correlation Squared	AVE 1 AVE 2	Discriminant Validity
TM \longleftrightarrow OE	0.49	0.24	0.44 0.70	Established
TM \longleftrightarrow RPC	0.53	0.28	0.44 0.51	Established
OE \longleftrightarrow RPC	0.52	0.27	0.70 0.51	Established

4.2. Hypotheses testing using structural equation modeling

Structural equation modeling was used to test the hypotheses of the study, which determines whether the theoretical framework is supported by the empirical data or not? SEM technique is widely used to analyze the causal relationship between exogenous and endogenous variables. Therefore, SEM technique was applied in this study to meet the requirements of the study. Coefficient of path analysis showed the strength and direction of the relationship between variables as shown in Table 6. The

first hypothesis of the study indicated the relationship between TM and OE, which was found significant positive relationship with 0.49 standardized path coefficient value ($P < 0.05$). Second hypothesis of the study examined the relationship between TM and relational PC, and the results found that the value of standardized path coefficient = 0.53 ($P < 0.05$). Third hypothesis of the study is about the association between relational PC and OE, which was found the value of standardized path coefficient as 0.36 ($P < 0.05$). All these three hypotheses were supported.

Table 6: Direct and Indirect Effect

Hypotheses	Direct Effects	Indirect Effects	Total Effects	Ratio of indirect effect to the total effect	Results
TM → OE	0.49*				Supported
TM → RPC	0.53*				Supported
RPC → OE	0.36*				Supported
TM → RPC → OE	0.30*	0.19*	0.49*	39%	Partial Mediation

Note: TM = Talent Management, RPC = Relational Psychological Contract, OE = Organizational Effectiveness.

*All values are significant ($P < 0.05$).

To test the fourth hypothesis, which indicates the mediating effect of relational PC between the relationship of TM and OE, Preacher and Hayes (2008) recommended method of path analysis in SEM was applied, using bootstrapping in AMOS. Bootstrapping method with 2,000 iterations was used to test the significance of indirect effect (Preacher & Hayes, 2008). Table 6 shows the direct and indirect effects of path analysis. In order to test the mediation effect, first direct effect of TM on OE was estimated, which was found significant (i.e., standardized path coefficient = 0.49, $P < 0.05$), as shown in Figure 2. Indirect effect of TM on OE was also found significant ($P < 0.05$), with the reduced value of standardized path coefficient that is 0.30, as shown in Figure 3. Therefore, this indicates the partial mediation of relational PC between the relationship of TM and OE. Hence, hypothesis 4 of the study is also supported.

Initially, measurement model was found with slightly the higher value of CMIN/DF, which was not falling in the acceptable range. In order to obtain goodness of fit model, during zero factor CFA, some indicators were excluded from the model that showed the lower factor loadings. To get model fit, some modification indices were done, which became necessary in AMOS. Goodness of Fit Index (GFI), Comparative Fit Index (CFI) and Tucker-Lewis Index (TLI) indicate the goodness of fit indices; whilst, Root Mean Square Error Approximation (RMSEA) shows the badness of fit index.

Measurement Model 1 was shown in Figure 2. The value of CMIN/DF of measurement model was found 2.63 ($P < 0.05$), which is considered strongly acceptable, as < 2 or 3 indicates a very good fit (Tabachnick & Fidell, 2007). The values of GFI, CFI and TLI were found 0.81, 0.92 and 0.91 respectively, which indicate good fit as closer to 1 (Miles & Shevlin, 1998). The value of RMSEA was found 0.07, which represents a close fit model, as per the findings of Steiger (2007) who argued that the value of RMSEA less than 0.07 presents a close fit. Therefore, overall measurement Model 1 of the research showed a good fit model as shown in Table 7. Measurement Model 2 was shown in Figure 3. The value of CMIN/DF of overall measurement Model 2 was found 2.21 ($P < 0.05$). The values of GFI, CFI and TLI were found 0.80, 0.92 and 0.91 respectively. Whereas, the value of RMSEA was found 0.06; hence, the measurement Model 2 also indicated a good fit model. Subsequently, goodness of fit models (Model 1, and Model 2) indicate that the theoretical model (shown in Figure 1) is supported by the empirical data taken from the sample ($n = 309$).

Table 7: Model Fit Indices

	CMIN	DF	CMIN/ DF	P	GFI	CFI	TLI	RMSEA
Model 1	1039.47	396	2.63	< 0.05	0.81	0.92	0.91	0.07
Model 2	1363.12	617	2.21	< 0.05	0.80	0.92	0.91	0.06

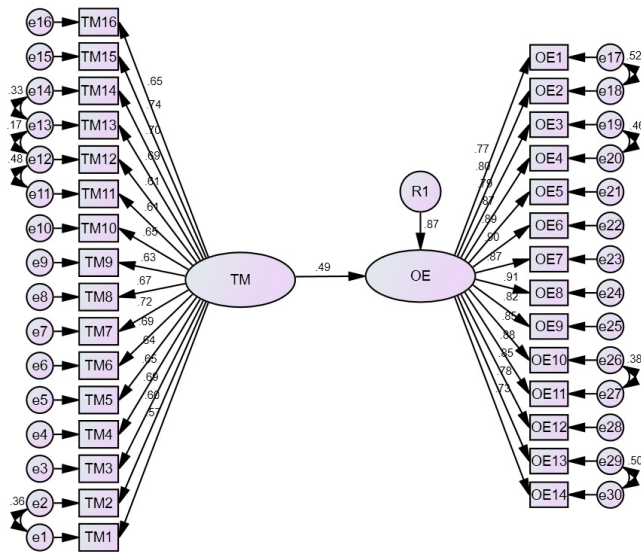


Figure 2: Model 1, Direct Effect of Talent Management on Organizational Effectiveness

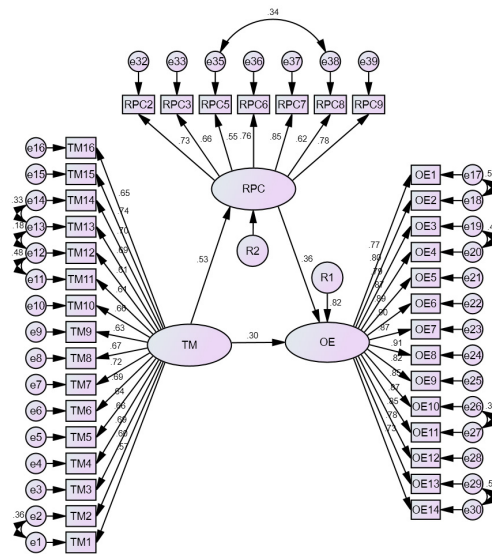


Figure 3: Model 2, Indirect Effect of Talent Management on Organizational Effectiveness

5. Results and Conclusion

The objectives of the research were to identify the effects of TM on relational PC and OE; to examine the relationship between relational PC and OE; and to test the mediating effect of relational PC between the relationship of TM and OE in telecom sector. The results revealed that TM has a significant positive relationship with OE (path coefficient = 0.49, $P < 0.05$). This indicates that more an organization focuses on TM, the more it can achieve OE. This result is in line with the previous studies (Bayyurt & Rizvi, 2015; Darwish et al., 2013; Kim et al., 2015). The findings of the previous studies such as, Bayyurt and Rizvi (2015) indicated that TM had a positive impact on perceived OE.

Similarly, studies conducted by Darwish et al. (2013) in non-Western context, argued that strategic HR decisions including management of talented employees affect the OE in positive terms. Kim et al. (2015) also found that leader's talent management ability had the direct impact on OE. These findings of previous studies support the results of the current study. In other words, if organizations pay attention to identify, develop and retain their top talent, they can achieve indispensable outcomes such as – enhanced ability to innovate, better coordination of efforts, fast commercialization of new products and services, responsiveness to market change, ability to anticipate surprises, and reduced redundancy of information. These dimensions of OE (Gold et al., 2001) stain the depiction that organization is maneuvering to achieve its strategic goals.

Furthermore, results also revealed that, TM positively relates to relational PC (path coefficient = 0.53, $P < 0.05$). This relationship is also supported in previous studies, as perceived TM had positive effect on PC fulfillment (Festing & Schafer, 2014; Sonnenberg et al., 2011; Sonnenberg et al., 2014); whilst, literature lacks to identify the effect of TM on particular area of PC i.e., relational psychological contract, which has been addressed in the current study. Whenever, employees of an organization touch the threshold of relational PC, they start putting their energies towards OE. In previous studies, Festing and Schafer (2014) found positive association between TM and PC in the context of social-exchange theory. Similarly, Sonnenberg et al. (2014) examined the effects of TM practices, differentiation strategies, and incongruent talent perceptions in terms of PC fulfillment on 2,660 respondents. Their findings revealed that increased use of TM practices was related to the higher level of PC. That findings also support the results of the current study that TM has a positive association with relational PC.

Moreover, the results indicate the positive relationship between relational PC and OE (path coefficient = 0.36, $P < 0.05$). This means when employees become satisfied and perceived the fulfillment of relational contract, they perform more effectively to gain OE. This finding is also supported by the results of the previous studies (Banerjee et al., 2012; Chen & Yu, 2008). Banerjee et al. (2012) was found the evidences from service and manufacturing companies, that PC is an antecedent of OE. In other words, there is a positive association between PC and OE. As Chen and Yu (2008) found that non-fulfillment of PC influences OE negatively. Results also revealed that relational PC has the partial mediating effect in the relationship between TM and OE, as discussed in Table 6. This finding is partially supported by the previous work showing the mediating effect of PC (Höglund, 2012; Sonnenberg et al., 2014). In line with that view, it has been found in the previous researches that TM practices in organization positively affect PC (Festing & Schafer, 2014); whereas, the fulfillment of PC among employees generates OE (Banerjee et al., 2012). To recapitulate the discussion, current study gives an explicit understanding that TM and PC are the predictors of OE; and the relational PC acts as a mediator in the relationship of TM and OE, which validates a constructive starting point for future research.

5.1. Theoretical implications

The contribution of the study in literature falls to develop and empirically test the hypotheses, inscribing the unexplored relationships among TM, OE and relational PC, as Dries (2013) suggested that more empirical researches are required to develop the TM field. Similarly, scholars consider that previous studies lack the empirical and theoretical bases to develop the TM construct (Collings & Mellahi, 2009). Our

theoretical model provides the underpinning to empirically explore the direct relationship of TM with OE and relational PC; association between relational PC and OE; and the mediating effects of relational PC in the relationship between TM and OE. The current study also contributes in the social exchange theory, to explore the mediating effect of relational PC between TM and OE model, which was not delved into the previous researches (Bayyurt & Rizvi, 2015; Darwish et al., 2013; Kim et al., 2015). Social exchange theory provides the insights to understand, how perceived TM practices' effectiveness are supposed to generate positive attitudes among talented employees (Khoreva et al., 2017). In line with the social exchange theory, our model proposes that TM practices positively influence employees to generate relational PC, which leads to OE.

The results supported that if organizations start investing on TM practices to identify, acquire, deploy, develop, and retain their top talent, two folded outcomes can be achieved – one is at individual level and other is at organizational level. At individual level, talented employees feel a sense of fulfillment of relational PC. Their long-term promises and obligations with employer begin to establish. As Sonnenberg et al. (2014) argued that PC fulfillment acts as a good predictor of TM, such as the more TM practices an employer puts, the greater the PC among employees will be fulfilled. “TM practices help employees to make sense of their employment relationship. These practices communicate to employees those attitudes and behavior that the organization values” (Sonnenberg et al., 2014, p. 279). Similarly, Khoreva et al. (2017) argued that organizations should pay closer attention towards TM practices and PC fulfillment.

Therefore, management of talented employees has often been discussed as the decisive factor to gain competitive advantage (Collings & Mellahi, 2009; Meyers & Woerkom, 2014). Secondly, at organizational level positive outcomes can be achieved, due to the management of talented employees, such as improved capability to innovate, well organization of efforts, fast commercialization of new services and products, responsiveness to market change, ability to anticipate surprises and reduced redundancy of knowledge. Whereas, Gold et al. (2001) examined that these factors cumulatively delineate OE.

5.2. Practical implications

The findings of the study represent a strong business case to implement TM plan. It suggests that TM is indispensable for the accretion and utilization of skills, inherent abilities and preeminence of talented employees. Mahfoozi et al. (2018) also suggested that organizations should make investment in TM practices, in order to achieve advantageous outcomes, such as competitive advantage and OE. Individuals

who are identified as talent and considered for TM plan of the organization, relish with the high level of PC fulfillment. TM accomplishes unwritten, long-term, flexible and open ended obligations among employees and their organization. In other words, employees feel fulfillment of reciprocal promises and expectations from their organization, when their organization offers them more opportunities to explore, utilize and manage their talent through interventions, practices and development programs.

The results of the study support the arguments that, if organizations give their employees the chance to perform at their best, organizations can achieve what they want (Turner & Kalman, 2014), then no matters whether its fulfillment of PC or OE. Ashton and Morton (2005) emphasized the significance of TM in gaining competitive advantage and to create organizational success in long term, via deploying talented people in the pivotal positions. Therefore, based on such studies, telecom organizations require a thoughtful strategic planning to implement TM programs to identify, develop, deploy and retain their high potentials to obtain OE.

Without involvement of top management and business owners, and their herculean efforts, required objectives of TM cannot be achieved. As Stewart (2008) argued that TM is not so simple to execute without planning, hard thinking and preparation. It is suggested that talent managers and HR department should execute the TM strategy, with keen attention to gain OE and relational PC fulfillment. According to Collings and Mellahi (2009) even chief executive officers are increasingly getting involved in TM process. Implementation of TM in the organization requires dedication, passion and commitment of the owners as well as employees of the company.

Therefore, telecom organizations need to put their efforts and resources towards TM, to obtain relational PC, and to ultimately invigorate the organizations more effectively and efficiently. Secondly, relational PC makes positive changes towards organization including mutual loyalty, support and career rewards. As Millward and Hopkins (1998) found that organizations are considered the locus of responsibility, and in return workers fully tend to align their identities and values with their organization for long-term gains. Employees with high relational PC contribute towards OE. In short, senior managers, managers, assistant manager, team leaders and supervisors endeavor to give their best if they are recognized, trained and developed by their organizations through TM programs, which ultimately lead to fulfillment of PC and OE. Therefore, organizations should pay attention to their talented employees to excel in the industry.

5.3. Limitations and recommendations for future research

The study has some limitations, such as the data was collected at a single point

in time. Longitudinal studies in future may further contribute, to examine the effects of TM on organizational outcomes. Secondly, data was collected only using survey questionnaire, although, other techniques such as mixed method including interviews could also be used to provide a richer understanding of the constructs. Current research only focuses on telecom sector. In future, other service sectors including private and public organizations, may give more rigorous and generalizability of the research. It was not possible to study all the types of PC in one study due to time constraint, therefore, it is recommended that other forms of PC such as transactional PC along with relational PC should also be studied in future, to validate the results with other constructs. Furthermore, it is recommended that future studies should test the mediating and moderating effects of other variables such as employee satisfaction, performance or leadership development on the relationship between TM and OE, which can provide stronger theoretical and empirical basis to strengthen the field.

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Appendix-I

Survey Questionnaire

Talent Management

My organization uses below talent development practices on me:	Never Used	Rarely Used	Occasionally Used	Frequently Used	Used Very Extensively
On-the-job training					
In-house development programs					
E-learning methods					
Coaching by line managers					
Instructor-led training delivered off the job					
External conferences					
Workshops and events					
Formal education courses					
Coaching by external practitioners					
Internal knowledge-sharing events					
Job rotation					
(e.g. moving employees between different tasks)					
Secondment					
(e.g. temporary transfer to another position)					
Shadowing					
(e.g. observing and spending time with expert)					
Action learning sets (e.g. training to get into groups to study their own actions and experience)					
Collaborative and social learning (e.g. connecting employees & sharing knowledge using social media)					
Video-based learning					

Transactional Psychological Contract

	Strongly Disagree	Disagree	Some-what Disagree	Neither Agree nor Disagree	Some-what Agree	Agree	Strongly Agree
My commitment to this organization is defined by my contract.							
I do not identify with the organization's goals							
My loyalty to the organization is contract specific.							
I work to achieve the purely short term goals of my job.							
I work only the hours set out in my contract and no more.							
I prefer to work as strictly defined set of working hours.							
I only carry out what is necessary to get the job done.							

Relational Psychological Contract

	Strongly Disagree	Disagree	Some-what Disagree	Neither Agree nor Disagree	Some-what Agree	Agree	Strongly Agree
I feel this organization reciprocates the effort put in by its employees.							
I expect to grow in this organization.							
My career path in this organization is clearly mapped out.							
I am motivated to contribute 100% to this organization in return for future employment benefits.							
I feel part of a team in this organization.							
I expected to gain promotion in this organization with length of service and effort to achieve goals.							
I have a reasonable chance of promotion if I work hard.							
To me, working for this organization is like being a member of a family.							
The organization develops/rewards employees who work hard and exert themselves.							

Organizational Effectiveness

Over the past two years, my organization has improved its ability to:	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Innovate new products/services.							
Identify new business opportunities.							
Coordinate the development efforts of different units.							
Anticipate potential market opportunities for new products/services.							
Rapidly commercialize new innovations.							
Adapt quickly to unanticipated changes.							
Anticipate surprises and crises.							
Quickly adapt its goals and objectives to industry/market changes.							
Decrease market response times.							
React to new information about the industry or market.							
Be responsive to new market demands.							
Avoid overlapping development of corporate initiatives.							

Streamline its internal processes.							
Reduce redundancy of information and knowledge.							

