The Effect of Talent Management, Human Resource Practices and Organizational Performance

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Abstract
Human Resource activities have become essential with the transformation of work style and design. The need for employee commitment is mandatory, especially in the remote work setting. Organizational strategic needs need to support the organizational goal. Having competitive and stress-free employees is essential for an organization to perform continuously. The HR activities design must be watchful and critical to achieving this. Alongside, the gentle approach to tackling human resources becomes even vital. Hence, the research investigates organizational performance using two anteceding factors; talent management and HR practices. Employee engagement is expected to mediate the relationship. This study hoped to support many theorists.

Keywords: Talent Management, Human Resource Practices, Employee Engagement, Organizational Performance
Introduction
The literature linking HRM and firm performance suggest that progressive human resources' (HR) systems considering various constructs and practices lead to improved firm performance. A lot of HRM factors focused on firm performance configurations have been dealt with extensively in the previous works (Chadwick and Guthrie, 2016 and Do et al., 2018). Existing HRM facet firm performance model studies reveal several gaps in understanding the relationship (Purcell et al., 2003; Sekhar et al., 2017). The major criticism is based on the fact that in earlier studies, the detailed process by which HRM factors contributes to better firm performance is not transparent (Bandyopadhyay and Srivastava, 2020). Haggerty and Wright (2009) suggest a re-conceptualization of the HR-focused firm performance model. Thus, the study attempts to reconfigure an SME performance model (non-financial) based on new HR-related constructs through complex or amorphous understandings of practices/systems.

In recent times there has been an emergence of research on evolving models of TM and best practices in large corporations (Festing et al., 2013; Morley et al., 2015), but unresolved issues around the conceptual and intellectual boundaries of TM make it more difficult for TM to establish its academic merits throughout other business (McDonnell et al., 2017; Pauli and Pocztowski, 2019). More recently, it has been argued that TM needs to be studied more in different contexts and environments and that the focus should be broadened to a broader multi-stakeholder perspective (Cui et al., 2018). In addition, there continues to be a dearth of theoretical research on HRM and TM in SMEs, despite the growing recognition of the importance of HR and TM in the SME context (Valverde et al., 2013), leading to performance (Krishnan and Scullion, 2017). Too often, HR and TM concepts and practices developed within large firms are applied uncritically within SMEs (Festing et al., 2013; Heneman et al., 2000; Neher and Miles, 2019) with little or no acknowledgement that SMEs differ in some fundamental ways with regards to their institutional, resource and economic contexts.

As indicated earlier, several studies have tested the relationship between TM practices and firm performance with generally supportive results. Current research in this area has advanced beyond testing for the relationship between various TM practices and organizational performance to identify the mechanisms through which TM related practices affect organizational performance (Boselie et al., 2005; Collins and Smith, 2006; Cui et al., 2018; Krishnan and Scullion, 2020). However, recent reviews of the research on the relationship between TM practices and organizational performance have questioned the methodological rigor of these studies (Krishnan et al., 2020; McDonnell et al., 2017). These reviews suggest that it is premature to assume a significant positive relationship between TM practices and a firm's performance and argue for further research using more rigorous research procedures.

Employee engagement enhances employee performance which is imperative to enhance a firm's performance and effectiveness (Cheng and Chang, 2019; Saleh et al. 2023). Engaged employees exhibit a wide range of productive behaviors that enhance synergetic team efforts toward organizational performance or objectives (Rattanapongpinyo, 2018). Research suggests that highly engaged employees not only pursue their role-related objectives but are also cognitively and emotionally connected to their efforts (Eldor and Harpaz, 2016). Engaged employees work cooperatively with their teammates, take responsibility for their tasks, and contribute fully to the organizational goals and objectives (Bailey et al., 2017). On the other hand, one of the most effective tools in ensuring that employees stay engaged and committed to their work is TM.
Gallup research has shown that only 13% of employees worldwide are engaged with their organizations (MacLeod and Clarke, 2011). In contrast, this sense of engagement or commitment toward their work ensures that they stay with the organization in the long run (Pandita and Ray, 2018). In this context, the configuration is still unclear due to limited studies on how employee engagement mediates in between TM and performance (Othman and Mahmood, 2019) within SMEs where the current literature on TM has primarily disregarded the engagement of the employees while approaching the subject from the firm's point of view, and more precisely, managerial standpoint (Saks, 2017).

Human resource development is seen as critical to the success of an organization (Alagaraja et al., 2015). Human resource policies and practices can promote employee engagement, pro-organizational actions and attitudes, and employee skills (Rana, 2015). Human Resource Practices is a valuable tool for SMEs to improve retention, commitment and encouragement of their workers and create sustainable advantages by helping them grow and learn over the long run (Mustafa et al., 2018). However, the SME's are downsized versions of significant corporations, so we cannot presume that the HR practices for bigger businesses also extend to small and medium-sized enterprises.

HR practices do not influence firm performance directly but through a (causal) chain of mediating variables (Becker et al., 2011). The underlying idea is that performance can be differentiated at hierarchical levels, with an outcome at one level contributing to performance at the next level. Despite the inconsistency in the literature concerning the number of levels and the criteria used, generic models suggest that HR practices directly impact employees' knowledge, skill, attitude, motivation, engagement, and empowerment (Al Qalhati et al., 2020). A change in these features, in turn, influences productivity. This productivity increase or decrease subsequently affects firm performance. Empirical research on HRM in small and medium-sized companies context shows a wide variety of Human Resource Practices in small and medium-sized firms. However, according to Tiwari & Saxena (2012), human resources management is more complicated than technology or capital management; human resources are considered one of the most valuable assets by organizations. SMEs' key challenges regarding HRM are deemed inadequate in staff development, salaries, expertise, and efficiency. The company may be supported by managers and staff who are inspired by the exercise. However, recruiting, selection, training, and development are still relevant and want to work more sophisticated. SMEs have been found to have a high turnover due to the absence of HR variables such as staffing and reward. Therefore, the adoption of appropriate Human Resource Practices is an essential element of organizational design. For example, such practices facilitate a culture that supports risk-taking and innovation, leading to a firm's performance (Ogunyomi and Bruning, 2016). Thus, Human Resource Practices is essential to the achievement of strategic organizational objectives.

In contrast, for this reason, the focus of HR policy is on the delivery of added value via "soft" management practices that are strategic in connecting these practices to the goals of the firm and its external context, thereby contributing to firm performances (Do et al., 2018). Despite the recognized role, the study indicates that the role of HRP on performance is understudied (Nikam and Sharma, 2018; Hossain et al., 2022), precisely in association with employee engagements. In contrast, not surprisingly, this gap is further exacerbated in a non-western context like Oman.

However, previous works suggest that emotional competence has the potential to enable individuals to cope better and experience less stress, thus contributing to a healthy and stable workforce that has an ultimately positive impact on company performance (Javed et al., 2020;
Batchelor et al., 2018; Harrell-Cook et al., 2017). However, individuals embrace some challenges and uncertainties during the decision-making processes that drive them in a stressful environment and have a crucial impact on behaviours and cognitive perception. Moreover, these unexpected perceptions and stress levels could make managers unfair or failed. Therefore, the effect of EC on SMEs people (i.e., regarding decision-making styles) is essential for SMEs' profitability and the structure of the national economy (Efeoğlu et al., 2020). Decision-makers, capable of using emotional intelligence, may optimise and prevent adverse outcomes. Recognising others' emotions is valuable and effective in managing those emotions during the decision-making process by implementing a leadership approach for individuals. But only a few studies examine this important factor (Musa et al., 2018). This study will try to fill this gap both theoretically and empirically. Research objectives are to investigate the impact of Talent Management Human Resource Practices Employee Engagement on Organizational Performance and to examine the mediating effect of Employee Engagement and moderating effect of Emotional Competence.

**Association between TM on OP**

Many researchers have studied the effects of TM practices on organization performance in past years. In his study, (Thunnissen et al., 2013) classified the impact based on the researcher's perspective into two groups. The first one claims that TM has an indirect positive effect on organizational performance through enhancing human resources practices (Beechler & Woodward, 2009). The second group of researchers argue that TM directly affects overall organizational performance (Moczydlowska, 2012). From the above summary, we can conclude that TM enhances organizational performance by attracting and retaining the talented people it requires (Ashton, 2018). But in the Oman context, SMEs have not always successfully exploited the technology, incorporating pattern recognition through talent management and or implementing innovative ideas (Saqib et al., 2017). The study of Kontoghiorghes (2016) detects that talent attraction and retention to be highly associated with the extent to which the organization is perceived to have a change, quality, and technology-driven culture, and characterized by support for creativity, open communications, effective knowledge management, and the core values of respect and integrity. This study concluded that strategically aligned and ethical high-performance organizational cultures have substantial effects on talent attraction and retention and are also highly conducive to the development of high commitment and motivating work systems. In addition, employees who are motivated perform well and contribute to the organization’s growth (Kumar, 2018). Mitosis et al. (2018) also detect a highly significant positive correlation between organizational performance and each of the three components of TM. However, as per HR policies, an appropriate talent development process can also make connections between learning, training, development, and the business to demonstrate strategic value leading to growth (Hicks, 2016). The findings from (Goestjahjanti et al., 2020) confirmed that talent management positively influences work involvement and employee performance. It is needed to investigate the organization level as well. So that the study proposes the following propositions based on the above arguments:

**Association between HRP on OP**

Policies and practices on human resources can encourage employee engagement, pro-organizing attitudes and behaviors, and, more importantly, employee competence. However, it continues to be difficult for multiple organizations to adopt HR activities that nurture such
results while meeting employee needs. To date, much of the HRD and HR practices literature in SMEs have concentrated on the manager/owner viewpoint (Nolan and Garavan, 2016). Existing research on the link between HRP and performance in small businesses is most evidenced in studies on managers' perception concerning the importance and success of HR practices (Adesanya et al., 2012). The outcome suggests that owners/managers recognize the need for HRP to achieve firm objectives. However, the translation of this awareness into action has been problematic (Harvey and Kamoche, 2004). Similarly, a study by (Ogunyomi & Bruning, 2015) found partial positive relationships between certain HRM practices and firm performance. However, the above discussions create the foundation for the below propositions:

**Association between EE on OP**
Over the years, researchers and human resource (HR) specialists have found that enthusiastic workers are a productive asset to the organization's output or performance (Zhou et al., 2018). Furthermore, research results have indicated a positive relationship between workforce engagement and business success (Geldenhuys et al., 2014). An organization's success or failure depends mainly on employees' proper involvement (Khan, 2013). The study also identified a link between employee engagement and an essential element in organizations' survival (Singh et al., 2016). Yalabik et al., 2013) have indicated that employee engagement is an effective predictor of organizational performance and forms a mutual relationship between employer and employee. Also, according to (Kompaso & Sridevi, 2010), an association connects the level of employee engagement with the degree of an organization's profit growth. However, the absence of employee engagement results in a higher turnover and lower customer satisfaction (Wise, 2017).

**The Mediating role of EE on TM and OP**
In organizations, employee engagement facilitates applying and implementing the TM practices and decrease difficulties and challenges management in the workplace. In the literature, many studies have indicated the importance and role of TM practices in enhancing employee engagement, which interns contribute to organizations' success. For example, (Deshpande, 2015) suggests that effective TM implementation can contribute to employee engagement and decrease turnover, enhancing employee performance and talent retention. In addition, (Hughes and Rog, 2008) argue that employee engagement has been linked to many organizational outcomes referred to TM, such as attracting, retaining and turnover. Moreover, (Sarangal et al., 2020) highlighted the importance of TM strategy in contributing to employee engagement. The following hypothesis is suggested:

**The mediating role of EE in between HRP and OP**
The link between human resources and organizational success has been demonstrated based on the theory of social exchange. However, the mediating position of attitudes and behaviors has led to conflicting results (Snape and Redman, 2010). Truss et al. (2013) indicated the secret to understanding how effective HR practice can result in more excellent individual and organizational success through the attitude of engagement of staff. Still, the empirical and conceptual connections between HR practice and staff engagement and engagement and performance are not well established (Guest, 2014).
**The moderating role of EC in between HRP and OP**

Employee productivity levels will be better predicted by a combination of positive job and work attitudes. Robertson et al. (2012) shows that psychological well-being has incremental value over and above that of positive employment and work attitudes in predicting self-reported levels of performance leading to business accomplishments. In addition, in a similar approach, Harrison et al. (2006) propose a unified attitude engagement model, in which broadly positive employee attitudes are associated with better performance. Again, Wright and Cropanzano (2000) report field studies that demonstrate positive relationships between levels of positive mindsets and job performance. The approaches of Robinson et al. (2012) and Harrison et al. (2006) are broadly similar, and both focus on the kind of positive employee attitudes that chief executives of organizations are keen to see developed in their workforces. Senior managers are attracted to this view of engagement because of research evidence linking these attitudes with better firm performance and productivity (Towers Perrin, 2007). This perspective on employee engagement places it within the context of existing constructs used within organizational psychology (e.g. job satisfaction and commitment), rather than suggesting that employee engagement is an entirely new construction that can intervene between attitude-performance equations. Another statistical analysis indicates that the manager’s mindset can adjust the relationship between employee engagement and work efficiency (Luthans and Peterson, 2002).

**Research Framework**

![Diagram showing the relationship between RBV, Emotional Competence, Talent Management, Human Resource Practices, Employee Engagement, and Organizational Performance]
Contribution

Overall, this research will contribute to filling up several significant theoretical gaps. First, given the importance of EC within the middle east country SMEs context, our study's findings contribute to Emotional Intelligence Theory (EIT), suggesting that the individuals' psychological characteristics have a central role in their behaviour, organizational policies and practices. Second, the present study also contributes to emotional intelligence theory and Resource-Based View (RBV), Theory of Planned Behavior (TPB) by integrating behavioural and human resources constructs. While the HR practices consider and take care of the employees' psychological development, it influences EC growth. Thus, an employee can perceive the conditions and situations effectively, improving performance and employee retention. Therefore, the present research makes these contributions at the confluence of the international business, HR, and psychological fields. To the best of the researcher knowledge, no study integrates, propose and examine these three theories simultaneously in a single framework.

Lastly, and adding to these theoretical bodies of knowledge, interesting theoretical implications emerged concerning the relationship between the emotional intelligence, HR and cultural intelligence dimensions and the new retained behaviour's factorial structure, as stated above. As a relatively new approach, this research adds to the literature on emotional intelligence theory, Resource-Based View (RBV), Theory of Planned Behavior (TPB) within the international business management body of knowledge, suggesting that the higher the levels of employees emotional and cultural intelligence, the better the organizational performance.

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