“The influence of talent management practices on employee retention and performance: An empirical study of Jordanian service organizations”

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THE INFLUENCE OF TALENT MANAGEMENT PRACTICES ON EMPLOYEE RETENTION AND PERFORMANCE: AN EMPIRICAL STUDY OF JORDANIAN SERVICE ORGANIZATIONS

Abstract

This study aimed to examine the influence of talent management practices (recruitment and selection, training and development, rewards and compensation) on employee retention and employee performance in Jordanian service organizations. A questionnaire was adopted and distributed among the employees in the service organizations in Jordan; the study’s respondents were 267 employees from service organizations (telecommunication firms, banks, and tourism firms). SmartPLS 3 was used to analyze the data and to examine the measurement and structural models. The findings of the study indicated that rewards and compensation significantly and positively affected employee performance ($t = 2.558$) and employee retention ($t = 5.336$). Similarly, recruitment and selection significantly and positively influenced employee performance ($t = 2.208$) and employee retention ($t = 5.822$). Training and development also significantly and positively affected employee performance ($t = 2.288$) and employee retention ($t = 2.699$). The results suggest that implementing talent management practices (recruitment and selection, training and development, and rewards and compensation) can improve employee retention and performance in Jordanian service organizations.

Keywords

recruitment and selection, training and development, rewards and compensation, employee performance, Jordan

JEL Classification

M12, M13, M14, M21

INTRODUCTION

Every organization requires adequate talent to achieve growth and development, and acquiring a sufficient workforce is under the obligation of the human resource department. HR management is about procuring and managing employees and nurturing and maintaining the skills, knowledge, and talent necessary for the organization to succeed. Specifically, increasing the employee retention rate is crucial to organizational development by implementing appropriate organizational strategies in recruiting skilled employees. Nevertheless, retaining talent and gaining a strategic advantage are challenging as an enterprise must invest significant time and resources in hiring and training personnel. Hence, a high employee attrition rate would pose significant costs to an organization, as the replacement requires substantial direct and indirect resources. Furthermore, corporations struggle to recruit suitable talents for organizational objectives.
Numerous factors could engender employee attrition, resulting in significant challenges in developing a single retention strategy. Reducing employee attrition degrees could assist in saving time and resources during the hiring process and recruitment costs by retaining existing employees. Meanwhile, increasing employee motivation and performance is a global trend in talent management for organizational success and efficient business strategy development and execution. Employee engagement, retention, and productivity could be boosted by discovering and developing talent, and improving organizational performance to gain a more competitive advantage. Planning, recruiting, selecting, training, compensating, motivating, and retaining talent are integral talent management strategies for retaining key employees. An effective talent management system would assist companies in retaining talent by integrating and aligning the approaches above.

Numerous studies were conducted to increase employee retention and performance, and pertinent strategies were developed. The factors significantly influencing employee retention and the impact of employee performance, salary, and compensation were extensively studied. Nonetheless, limited attention was provided to the significant role of talent management tools in elevating employee retention and performance in the context of Jordan.

1. LITERATURE REVIEW AND HYPOTHESES

Organizational leaders encounter a significant challenge in identifying and retaining talented employees (Kumar, 2022) to obtain a competitive edge (Zhang & Stewart, 2017). Managing and motivating employees would enhance the retention rate within the firm (Swailes, 2013), as the action creates a positive work environment for the employees and boost performance (Pandey et al., 2019). Talent management assists in role development, which allocates employees with challenging tasks, responsibilities, and autonomy in performing respective roles to constantly maintain sufficient motivational levels at work and connection with the organization (Al-Emadi et al., 2015). Employees discerning organizational endeavors to advance personal careers and support employee growth would exhibit higher loyalty to the corporation (Alsakarneh et al., 2018). Furthermore, talent management practices emphasize the highest performance of skilled workers (Raesi Ziarani et al., 2023), which are perceived favorably as a vital opportunity for personal career growth (Connelly et al., 2011). Hughes and Rog (2008) explicated that a suitable talent management approach would increase the retention rate and positively affect operational and financial results. Conversely, retention is negatively impacted by limited career opportunities (Islam et al., 2022).

Social exchange theory delineates the increase in employee retention through talent management practices (Hijazi et al., 2021; Eneizan et al., 2021). Employees are expected to remain loyal to employers for improved treatments, including positive talent management practices that provide an optimistic career outlook (Tymon et al., 2010; Pandey et al., 2019). Rothwell (2010) explicated that corporate strategies to retain talented individuals should be prioritized before focusing on the recruitment, selection, and development processes. Retaining existing employees would save decision-makers from devoting significant time and resources to recruitment and development through an effective talent retention plan (Johennesse & Chou, 2017). Moreover, more income is needed to retain top-performing employees (Rothwell, 2010). While suitable talent management practices could reduce attrition (Ismail et al., 2021; Thilagham et al., 2022), corporate success depends on efficient recruiting and selection (Makhamreh et al., 2022).

The recruitment and selection process plays a significant role in employee performance and commitment, which are highly associated with employee retention (Nazari et al., 2014; Zhang & Stewart, 2017). Specifically, rewards and compensation are pivotal to employee motivation (Ghazanfar et al., 2011). Salary is frequently the most vital factor in retaining employees while recruiting more talent (Cosack et al., 2010), as a salary amount is the most practical characteristic of a job (Llorens & Stazyk, 2011; Misra et al., 2013).
Talent management is an organizationally structured procedure to attract, develop, deploy, and retain talent (El Masri & Suliman, 2019; Bibi, 2018). Organizations must effectively attract talent through recruiting and selection to fulfill current and future skill requirements to succeed in the competitive business environment (Mensah et al., 2016; Stahl et al., 2007). A competitive advantage would be acquired through the performance of exceptional employees (Bibi, 2018). Employee performance is determined by efficiency in completing assigned tasks and fulfilling organizational goals (Shaikh et al., 2017). Simultaneously, recruitment is integral to discovering qualified employees from a pool of candidates for a particular position (Mkamburi & Kamaara, 2017). The HR department must implement appropriate recruitment strategies with sufficient policy considerations to fill a vacancy within the company or without. Resultantly, highly efficient service delivery and resource usage are observed when talented employees are successfully recruited. MacDuffie (1995) regarded the continual cycle of procedures involved in attracting, locating, employing, and assigning workers to specific positions within a business as talent acquisition.

Employee development highly relies on training activities (Kravariti et al., 2023). Corporate management must undertake a planned and continuous employee training program to improve employee performance and competence. Aside from boosting revenue, reducing expenses, and promoting employee engagement and productivity, training is an instrumental investment for employers (Mkamburi & Kamaara, 2017). According to Somaya and Williamson (2008), training provides employees with a sense of purpose, inculcates suitable processes to adhere to, and fully utilizes work hours. During training, all knowledge is imparted and can be applied to existing and future assigned tasks. Moreover, training increases employee capability to complete organizationally mandated tasks while allowing more autonomy at work to ensure an efficient workforce (Gandossy & Kao, 2004). A professional development plan consists of completing tasks that improve performance in the current or another related job position. Employees, who receive on-the-job training, would be closely supervised, which could significantly enhance knowledge and skills by observing the performance of experienced workers (Chiang et al., 2005). On-the-job training also ensures a higher skill transfer rate for immediate application. Concurrently, training quality is determined by the experienced employees’ managerial and leadership skills.

A talent management process involves searching, nurturing, retaining, and assigning employees to appropriate positions, as talent management practices might affect performance and engagement levels (Sopiah et al., 2020). Mensah et al. (2016) proposed several variables, including employee attachment, job engagement, and a sense of business identity, significantly influencing talent management and employee performance in a workplace. According to Kamel (2019), talent management is a corporate approach to accomplishing organizational goals by recruiting an employee who possesses a sophisticated skill challenging to be acquired by other individuals and providing the company with a competitive advantage. As such, talent management practices generate a talent pool to elevate organizational competitiveness, which talented employees must maintain under challenging circumstances (Mkamburi & Kamaara, 2017). Taha et al. (2015) recommended that corporations could achieve organizational success by harnessing employees’ skills via efficient talent management processes, including recruitment, selection, training, and retention (Alsakarneh & Hong, 2015; Baharuddin et al., 2022; Obedgiu et al., 2022).

Arpiani and Mulyana (2023) suggested that talent management significantly influences employee performance. Obedgiu et al. (2022) affirmed that talent management policies, practices, and activities would also significantly impact organizational employee productivity. Accordingly, Sakineh et al. (2012) posited that a more detailed study is required to determine whether talent management is linked to organizational success. Performance is generally attributed to talent management, while transparency in talent management is expected to elevate employee performance. Nevertheless, the influence of talent management on employee performance in Jordanian service organizations remains un-
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clear. Wherefore, the present study aims to examine the influence of talent management practices on employee retention and performance. It considers employee retention and performance as dependent variables (Figure 1). From the earlier discussion, the hypotheses are developed as follows:

H1: Recruitment and selection positively affect employee retention.

H2: Training and development positively affect employee retention.

H3: Rewards and compensation positively affect employee retention.

H4: Recruitment and selection positively affect employee performance.

H5: Training and development positively affect employee performance.

H6: Rewards and compensation positively affect employee performance.

3. RESULTS

Partial least squares (PLS) modeling was conducted through the SmartPLS 3 software in the current study to examine the measurement and structural model (Ringle et al., 2005). The measurement model was investigated on both convergent validity and discriminant validity. Sufficient convergent validity was confirmed when the factor loading was equal to or greater than 0.7, with the average variance extracted (AVE) value equal to or greater than 0.5 and composite reliability (CR) equal to or greater than 0.7 (Hair et al., 2019). Table 1 and Figure 2 illustrate the factor loading values, while Table 2 depicts Cronbach’s alpha, AVE, and CR values.
Table 1. Factor loading values

<table>
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<tr>
<th>Items</th>
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<th>RC</th>
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Note: EP = employee performance; ER = employee retention; RC = rewards and compensation; RS = recruitment and selection; TD = training and development.

Table 2. Cronbach’s alpha, composite reliability, and average variance extracted values

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<th>AVE</th>
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Note: EP = employee performance; ER = employee retention; RC = rewards and compensation; RS = recruitment and selection; TD = training and development.

Table 3. Discriminant validity (HTMT)

<table>
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<th>TD</th>
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</table>

Note: EP = employee performance; ER = employee retention; RC = rewards and compensation; RS = recruitment and selection; TD = training and development.

The subsequent step in examining the measurement model was determining the discriminant validity by ensuring HTMT values lower or equal to 0.85 (Franke & Sarstedt, 2019). Table 3 portrays that all HTMT values are under 0.85, which suggests that the discriminant validity is fulfilled in the current study. Simultaneously, the bootstrapping technique was performed to assess the standard beta values, t-values, and p-values of the structural model (Hair et al., 2019), as illustrated in Table 4 and Figure 3. Specifically, the variables of rewards and compensation significantly and positively affected employee performance ($t = 2.558$) and employee retention ($t = 5.336$). Similarly, recruitment and selection significantly and positively influenced employee performance ($t = 2.208$) and employee retention ($t = 5.822$). Training and development also significantly and positively affected employee performance ($t = 2.288$) and employee retention ($t = 2.699$).

Figure 2. Factor loadings

Note: EP = employee performance; ER = employee retention; RC = rewards and compensation; RS = recruitment and selection; TD = training and development.
Based on the current comprehensive literature review, talent management practices are conceptually correlated to employee retention and performance. Accordingly, talent management practices were significantly correlated to employee retention and performance, which posited that talent management practices serve as a pivotal indicator of employee performance and retention. The present study analyzed three types of talent management practices: recruitment and selection, training and development, and rewards and compensation. As such, talent management practices are crucial to attracting, developing, and retaining personnel (Thunnissen & Buttiens, 2017). Previous studies also discovered similar findings, in which satisfied employees would tend to remain with the same company for a longer period (Fan et al., 2023; Deng & Wu, 2023). In addition, recruitment and selection are the first vital steps in searching for and retaining talent (Nazari et al., 2014; Zhang & Stewart, 2017). The findings indicated that reward and compensation significantly and positively affect employee performance (beta= 0.181; T-value = 2.558 and P-value= 0.011) and employee retention (beta= 0.362; T-value = 5.336 and P-value= 0.000). These results are consistent with previous studies (Chitsaz-Isfahani & Boustani, 2014; Arasanmi & Krishna, 2019; Wang & Sun, 2020; Ebrahim et al., 2020; Obedgiu et al., 2022; Arpiani & Mulyana, 2023). Organizational reward and compensation policies are significant in recruiting, motivating, and retaining employees (Llorens & Stazyk, 2011; Misra et al., 2013). Monetary and non-monetary benefits are crucial when designing a salary structure, as employees who perceive sufficient benefits and compensation would be more inclined to remain at the same corporation for extended periods (Korsakiene et al., 2014; Hendriks et al., 2023).
Hence, rewarding and compensating employees could effectively increase employee retention (Walsh & Taylor, 2007; Khatun et al., 2023).

The study also indicated that training and development significantly and positively affect employee performance (beta= 0.167; T-value = 2.288 and P-value= 0.022) and employee retention (beta= 0.175; T-value = 2.699 and P-value= 0.007). The findings are consistent with previous studies (Osman-Gani & Paik, 2016; Mkamburi & Kamaara, 2017; Wijnmaalen et al., 2016; Fogarassy et al., 2017; Ambrosius, 2018). Employees who receive regular training and development opportunities supporting personal careers would have a lower turnover intention level (Wijnmaalen et al., 2016; Fogarassy et al., 2017; Ambrosius, 2018). Similarly, Biron and Boon (2013) emphasized that organizations should offer employees adequate training and development opportunities to develop job competency and improve performance.

Finally, the findings indicated that recruitment and selection significantly and positively affect employee performance (beta= 0.161; T-value = 2.208 and P-value= 0.027) and employee retention (beta= 0.334; T-value = 5.822 and P-value= 0.000). The findings are consistent with previous studies (Alsakarneh & Hong, 2015; Baharuddin et al., 2022; Obedgiu et al., 2022). Therefore, when the human resource department implements appropriate strategies in recruitment and selection, this will help the firms get qualified employees and help in employee retention and performance.

The current study supported the argument that talent management practices could significantly improve employee retention and performance in enterprises. By highlighting the factors employees consider when deciding personal career paths, the integral elements to elevate employee performance and retention would be sufficiently concentrated. The most optimal talent management strategies could be implemented to retain critical employees according to organizational needs and objectives. As talent management strategies were positively correlated to employee retention, managers could employ the current findings to assist in selecting the most effective approach to improve performance while reducing the turnover rate. Recruiting and selecting talent should also be conducted consistently and systematically, as recruitment is the initial step to attracting loyal, dedicated, and contented employees. Although the most effective recruitment strategies could significantly reduce employee turnover, the strategies do not ensure that all employees would continuously remain with the same corporation.

CONCLUSION

This study aimed to determine the influence of talent management practices (recruitment and selection, training and development, and rewards and compensation) on employee retention and employee performance in Jordanian service organizations. The findings of the study indicated that talent management practices (recruitment and selection, training and development, and rewards and compensation) significantly and positively affect employee retention and performance in service organizations. Thus, talent recruitment and selection are the critical components to retaining talent, as an effective recruitment process ensures hiring the most talented employees and assists in providing an incentive for higher employee retention. Training and development are also crucial for employees to acquire additional job skills and develop personal career paths within the company. Moreover, salary is a primary motive for employees to seek employment, which postulates that rewards and compensation are integral to attracting and retaining talent. Employee retention could also be aided by effective management assistance and team development in fostering a conducive work atmosphere. Summarily, the current study corroborated the positive outcomes of talent management practices. While higher employee retention could be attributed to each talent management practice, a more significant positive impact would be observed when different practices are implemented jointly.

In short, service organizations must implement and develop their practices, such as recruitment and selection, training and development, and rewards and compensation, to achieve high employee per-
formance and retain employees. Failing the service organizations to retain employees will be costly because of the costs associated with high turnover. Thus, implementing talent management practices will help organizations to keep high-performing employees. In addition, service organizations must enhance their talent management practices to attain complete and positive employee performance.

**AUTHOR CONTRIBUTIONS**

Conceptualization: Abdelwahhab Issa Allozi, Bilal Eneizan.
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Formal analysis: Asaad Alsakarneh, Abdelwahhab Issa Allozi, Bilal Eneizan.
Funding acquisition: Shehadeh Mofleh Al-gharaibeh.
Investigation: Shehadeh Mofleh Al-gharaibeh.
Methodology: Asaad Alsakarneh, Bilal Eneizan.
Project administration: Shehadeh Mofleh Al-gharaibeh.
Resources: Hayel Tallga Ababneh.
Software: Hayel Tallga Ababneh.
Supervision: Abdelwahhab Issa Allozi, Bilal Eneizan.
Visualization: Asaad Alsakarneh, Shehadeh Mofleh Al-gharaibeh, Abdelwahhab Issa Allozi, Hayel Tallga Ababneh.
Writing – original draft: Asaad Alsakarneh, Hayel Tallga Ababneh.
Writing – review & editing: Asaad Alsakarneh, Shehadeh Mofleh Al-gharaibeh, Abdelwahhab Issa Allozi, Bilal Eneizan.

**REFERENCES**


