

Mediation Effect of Employee Engagement on Talent Management Practices and Perceived Sustainable Competitive Advantage Nexus of Kenya's Commercial Banks in Nairobi County

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ABSTRACT

The inability of commercial banks to attain sustainable competitive advantage that can be defended over time and that which competitors are unable to imitate have exposed banks to survival challenges in their operating environment. The main aim of the study was to investigate the mediating effect of employee engagement in the relationship between talent management practices and perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. The study was buttressed by both resource based view and equity theory, positivist research philosophy and explanatory research design. A total of 3,098 employees from 329 branches of 42 commercial banks were targeted but only 354 were sampled given Yamane Formula. Questionnaires led to collection of primary data that was subjected to correlation, Pearson correlation and mediation analysis. There was a positive and significant effect of talent management practices on perceived sustainable competitive advantage as indicated by $\beta=.447$ and $p=.000$ respectively. Moreover, the effect of talent management practices on employee engagement was positive and significant relationship ($\beta=.541$, $p=.000$). Likewise, the effect of employee engagement on perceived sustainable competitive advantage was positive and significant ($\beta=.218$, $p=.000$). Finally, the findings (t-statistic $4.069 > 1.96$) showed that there was significant partial mediation effect of employee engagement on the relationship between talent management practices and the perceived sustainable competitive advantage. To sum up, commercial banks via employee engagement have a direct effect of talent management practice on perceived sustainable competitive advantage. The study recommends to the management of commercial banks to attract and retain talented employees other than promoting a conducive working environment for employees to be satisfied and emotionally connected. Future study to be conducted in other sectors with the use of structural equation modeling given a number of dimensions of talent management and employee engagement.

Keywords: Talent Management Practices; Employee Engagement; Perceived Sustainable Competitive Advantage

INTRODUCTION

The goal and the objective of a profit making organization is not only to achieve a competitive advantage in the short run, but to also achieve sustainable competitive advantage enabling the organization to continue to compete strongly as a going concern into unforeseeable future or eternity under enormous pressure and rapid changes in the external environment. Sustainable competitive advantage is achieved through the identification and the use of selected superior competitive strategies to outdo competitors in the market. According to Collis and Montgomery (2009), the only way to sustain a competitive advantage is to upgrade it or to make it sophisticated. Sustainable Competitive Advantage provides many benefits such as attainment

of superior performance, consistent profitability, growth of market shares and creating value for the organizations (Evelyn, Ann, & Martin, 2014). The strategy used to achieve the long-term benefits should not just be a superior strategy than that of the current and the potential competitors, but it should also have the potential not to be easily replicated by competitors (Roulin & Bangerter, 2013).

The analysis of the internal environment aims at identifying the areas of core competencies in such a way that the organization can use them effectively to achieve sustainable competitive advantage and to achieve superior performance over competitors (Garry & Bruce, 2003). By identifying the internal capabilities, it makes the organization to identify the strengths of their resources and their capabilities to enable them to attain Sustainable Competitive Advantage (Srivannaboon, 2009). Human capital is such a resource and especially the resource and knowledge based views recognizes the firm's knowledge resources as its tool for achieving a sustainable competitive advantage (Ordonez de Pablos, 2004). In order to get competitive advantage and sustainable performance there is need to align all the departments of the organizations to the organizational performance and improve their functional capacity (Wandia, 2013). Heinen and O'Neill (2004) argue that talent management can be the best way to create a long term competitive advantage which usually stems from the valuable, company-specific resources that cannot be imitated or substituted by competitors. According to Sharma and Raval (2016), talent management practices serve a critical purpose when it comes to attracting and recruiting future employees. Thus, talent management practices is synonymous with the human resource management, implying that companies must be strategic and deliberate in their efforts to source, attract, select, develop, promote and move employees through the organization ladder (Ingham, 2006). Lewis and Heckman (2006) avers that talent management involves identifying mission critical values, competencies and talents needed in the current and the future work force; clarifying the methods that will be used to recruit, hire, develop, manage and retain high performing workforce.

The focus on talent is forcing organizations to adapt their business models in order to empower and engage their employees (Bakker & Demerouti, 2008; Mendes & Stander, 2011). Retaining and attracting the talent will require renewed focus and energy on employee value propositions, with greater flexibility to attract increasingly diverse talent (Cheese, 2010). As a result, employee engagement comprises of amount of discretionary effort exhibited by employees in their job (Frank, Finnegan, & Taylor, 2004), emotional and intellectual commitment to the organization (Baumark, 2004; Sundaray, 2011). Through employee engagement, organization can improve employee performance, reduce turnover and improve the well-being of employees (Griffiths & Karanika-Murray, 2012; Padhi, Panda, & Kumar, 2015). Furthermore, Nienaber (2022) asserts that creating an atmosphere that encourages participation from employees guarantees high levels of commitment, loyalty and dedication from employees to the firm. Employee engagement is about the means to achieve the organizations strategic goals by building the conditions for employees to thrive and each employee to 'fully switched on in their best efforts in the best interest of the business' (Hellevig, 2012; Lindholm, 2013). This justified the choice of variables for the study that sought to establish the mediating effect of employee engagement in the relationship between talent management practices and the perceived sustainable competitive advantage in commercial banks in Nairobi County in Kenya.

The Kenya's Banking Sector

The Kenya's banking sector has undergone through tremendous changes in their operating environment. The revolution has changed the traditional brick and mortar banking halls where customers get their financial services. The cutting-edge technology and the changing economic conditions have created impetus for this change. Commercial banks in Kenya have adopted alternative banking channels as well as innovating new delivery channels at a high rate providing customers with options to obtain financial services. The commercial banks currently use internet banking, automated teller machines (ATMs) for both

cash dispensing and for cash deposits (CDMs), point of sale (POS) devices, Electronic Funds Transfer (EFT) and mobile banking phones as technologies to deliver its banking services. In essence, commercial banks operate through a combination of distribution channels including stationary bank branches, mobile bank branches, ATMs, bank agents and merchants, Online banking, and mobile banking. The industry is well capitalized and the performance of the commercial banks is steadily picking up momentum since the market shock of 2016 when the government introduced interest rates capping that discouraged savings, reduced private sector and SME access to credit and impeded banking sector competition by reducing profitability.

Statement of the Problem

The stability of commercial banks through the ability to attain sustainable competitive advantage is of great interest to the stakeholders such as employees, suppliers, competitors, customers, government, correspondent banks in other countries and the whole world. Competition among commercial banks determines the level of entrepreneurial activities in the country, access to finance, allocation of capital, development of the productive sectors of the economy, the level of economic growth in the country, improvement of the gross domestic product (GDP) in the country and the banking sector stability (Chronopoulos, Liu, McMillan, & Wilson, 2015). Despite this tremendous contributions by commercial banks, there has been a decline of profitability by 29.5% alongside rise of bad debts to Kenyan Shilling (Kshs.) 423 billion (Central Bank of Kenya, CBK, 2020). In addition, the CBK annual supervision report of the year 2021 painted a negative trend on the violations to the Banking Act by some banks. These violations relates to the maintenance of minimum core capital of Kshs.1 billion, adherence to the capital adequacy guidelines ratio of 14.5% of the total capital to total risk weighted assets, minimum statutory ratio for core capital to total risk weighted assets of 10.5% and the statutory minimum ratio of core capital to deposit ratio of 8 percent.

To date, diverse studies have shed light on talent management practices since firms are expected to apply strategies as far as employees' sourcing, attraction, selection, development and promotion is concerned (Ingham, 2006). Ibrahim and Daniel (2018) assert that talented employees are able to innovate and make right decisions to enable the organization attain competitive advantage. Studies that have positively linked talent management and sustainable competitive advantage have been done in relation to emerging firms in Russia (Latukha, 2018), education sector in South Africa (Abiwu & Martins, 2022), small and medium enterprises operating in United States of America (Ramadan, 2012), Jordan's Insurance sector (Al-Haraisa, Al-Ma'aitah, Al-Tarawneh, & Abuzaid, 2021) as well as telecommunication sector (Al-Hadid, 2017). Under banking sector, findings have been recorded in Jordan (Al Nsour & Tayeh, 2018) and Nigeria (Otoide, 2014). In Kenya, study by Gitonga, Kilika, and Obere (2016) focused on generation Y talent management strategies in view of commercial banks' competitive advantage. On the other hand, findings have pointed out that employees are considered to be human assets whose behavior, perception and dedication enables the organization to attaining competitive advantage (Mathur, 2015). Schaufeli and Bakker (2004) found that engaged employees are likely to have greater attachment to their organizations and thus have a lower tendency to leave the organization. Therefore lack of employee engagement would weaken the worker's long-term commitment to the organization making it even more difficult to attract, develop, align and retain highly talented employees (White, 2009). Employee engagement is therefore of vital importance to successful retention of talented employees and attainment of sustainable competitive advantage. Other studies have reported positive relationship between talent management and employee engagement (FakhrEldin, 2013; Mohammed, 2015). To fill the gap, the study analyzed the mediating effect of employee engagement on the talent management practices and perceived sustainable competitive advantage of commercial banks in Kenya.

THEORETICAL FRAMEWORK

As was suggested by Barney (1991) resource based view (RBV) theory affirms that firm's resources which are valuable, rare, inimitable, and non-substitutable have the potential to provide firms with a sustainable competitive advantage. Thus, a set of resources that seem to match the above criteria are talent emanating from the employees who are considered as assets of organizations. The RBV thus relates the talent management practices and perceived sustainable competitive advantage. Equity theory (Carrell & Dittrich, 1978; Goodman, 1977) postulates that people are motivated by a desire for fairness. When they believe they are being treated unfairly, they will behave in ways that they believe will restore their sense of equity. Equity theory can therefore be used to explain employee behaviors caused by perceptions of unfairness (Adams, 1965). Equity theory asserts that employees compare their inputs and outcomes with the inputs and outcomes received by other employees. Inputs are what employees invest into their job and the outcomes are what they receive in return (McFarlin & Sweeney, 1992). The equity theory asserts that employees will weigh their input into a job against the output they receive from it (Naveed, Ahmad, & Bushra, 2011). Hence, given talented employees with more rewards, their satisfaction will be high which by extension enables the organization achieve its success. Basing on equity theory, the study links employee engagement as a mediator between talent management practices and perceived sustainable competitive advantage.

TALENT MANAGEMENT PRACTICES AND PERCEIVED SUSTAINABLE COMPETITIVE ADVANTAGE

Talent management practices comprises several key aspects as attraction, development, deployment, management of employee performance, retaining talent as well as career management aimed at getting the right employees in the right job (Cappelli & Keller, 2014). Many organizations are today facing the challenge of retaining their talent in the global markets (Tarique & Schuler, 2010); (Schuler, Jackson, & Tarique, 2011); (Scullion & Collings, 2011). Thus, firms need to invest in talent and intellectual capital since it is the most important asset in the current highly competitive environment (Al-Hadid, 2017). Talent Management allows the organization to prepare for succession planning with a view to achieving Business Continuity Plans (BCP), attain stability in the market and to achieve sustainable competitive advantage (Ng'ethe, Namusonge, & Iravo, 2012). Hence, talent management plays a key role in improving performance (Lyria, Namusonge, & Karanja, 2017) and organizational efficiency (Otoide, 2014). From the empirical review, talent management practices was found as a basis for sustainable competitive advantage among emerging firms in Russia (Latukha, 2018). Given the positive effect of talent management on competitive advantage, Al-Haraisa et al. (2021) in their study affirms the importance of selecting the right staff. In India, talent management significantly relate to competitive advantage (Bhatnagar, 2008; Mathew, 2015). A study by Khurshid and Darzi (2016) found out that talent management is important given competitive advantage of the firm as promotes retaining and development of employees who are the most valuable assets. From these, the study hypothesized that;

H_{01} ; Talent management practices have no significant effect on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya.

MEDIATING EFFECT OF EMPLOYEE ENGAGEMENT

Employee engagement is a dominant source of competitive advantage and thus it has been drawn to its reported ability to solve organizational challenges such as increasing turnover rates and decreasing productivity (Kular, Gatenby, Rees, Soane, & Truss, 2008). According to Andrew and Sofian (2012) the individual factors of employee engagement are key success factors for organizational performance,

employee loyalty, productivity and employee retention. Andrew, Sofian, and sciences (2012) asserted that a high number of engaged employees will help an organization to attract more talented people while disengaged employees will cost the organization with negative outcomes such as lower productivity, higher absenteeism, recruitment and training costs. More importantly, Joo and Mclean (2006) accentuates that continuous engagement of talented employee within an organization provides a competitive advantage. Study by Mohammed (2015) found a positive impact between talent management and employee engagement, retention and value addition that seeks to achieve firm’s performance. Mathur (2015) throws much weight on employee’s needs, welfare and work atmosphere given the current highly competitive environment. From the study findings, firm achieve competitive advantage through the retaining of the right employees with right skills and attitude in the right job.

Organizations with a good talent management practices backed up or supported with a high level of employee engagement report positive organizational outcomes and hence achievement of sustainable competitive advantage(Kular et al., 2008).Therefore, without employee engagement, it becomes difficult for organizations to obtain employee commitment, employee buy in and involvement, support and employee retention hence there will be no sustainable competitive advantage. In the end, talent management practices will be a mere company activity or routine without a value add. With employee engagement, talent management increases the perceived sustainable competitive advantage of organizations and the absence results in the failure to achieve the desired perceived sustainable competitive advantage. This means that employee engagement is a critical bridge between talent management practices and the perceived sustainable competitive advantage. The study thus hypothesized that;

H_{02a} ; Talent Management practices has no significant effect on employee engagement of commercial banks in Nairobi County, Kenya.

H_{02b} ; Employee engagement has no significant effect on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya.

H_{02c} ; Employee engagement has a significant mediating effect in the relationship between talent management practices and perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya.

CONCEPTUAL FRAMEWORK

The relationship talent management practices, employee engagement and perceived sustainable competitive advantage is shown in Figure 1.

Independent Variable Mediating Variable Dependent Variable

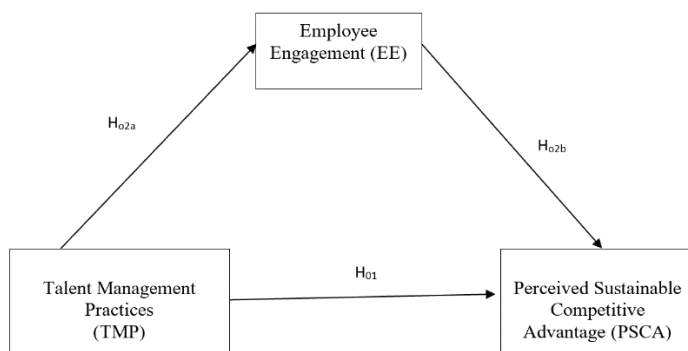


Figure 1: Conceptual Framework

Source: Researchers (2022)

RESEARCH DESIGN AND METHODOLOGY

The study was of a cause-effect nature that sought to explain the effect of talent management practices and employee engagement on perceived sustainable competitive advantage hence justifying the choice of positivist research paradigm. As pointed out by Holden and Lynch (2004), positivism is used when the concepts have been operationalized in a way which enabled facts to be measured quantitatively and generalizations made based on samples of sufficient size. Using explanatory research design, the study was able to establish the causal relationship between variables. The target population was 3098 employees from 42 commercial banks having a total of 329 branches in Nairobi County which is a home to all the commercial banks in Kenya regulated by the CBK. The unit of analysis in the study were the employees who were the respondents for each bank. Ideally, the managers who are the supervisors of commercial banks use talent management practices and employee engagement in directing and controlling the efforts of their employees to achieve both superior performance and perceived sustainable competitive advantage. From the target population of 3098 employees, a sample size of 354 was derived using Taro Yamane's formula. To measure the study variables, 5 point Likert scale items were adopted from previous research studies, that is, talent management practices (Amstrong, 2008; Nyanjom, 2013; Rabbi, Ahad, Kousar, & Ali, 2015) employee engagement (Dernovsek, 2008; Markos & Sridevi, 2010; Shrotryia & Dhanda, 2020) and perceived sustainable competitive advantage (Hesterly & Barney, 2008; Vanpoucke, Vereecke, & Wetzels, 2014).

Descriptive analysis was presented using mean, standard deviation, skewness and kurtosis. The determinant of correlation matrix was generated to provide the information on the multi-collinearity. Factor analysis is a statistical analysis reduction technique that explains correlation between multiple outcomes due to one or multiple underlying explanations or factors. Factor analysis attempts to discover the unexplained factor that influences the covariance among multiple observations (Matsunaga, 2010). According to Kaiser (1974) those factors with Eigen values equal or greater than 1 (one) should be retained. The study therefore extracted factors using factor analysis techniques which done after confirmation from KMO in which the study found that KMO values for each variable were above 0.70 (Kaiser, 1974; Field, 2005). The main objective of the study was to test the mediating effect of employee engagement on the relationship between talent management practices and the perceived sustainable competitive advantage. This was explained on how or by what means an independent variable (X = Talent Management Practices, TMP) affects the dependent variable (Y = Perceived sustainable competitive advantage, PSCA) through the mediating variable (M = employee engagement, EE) as shown in Figure 2;

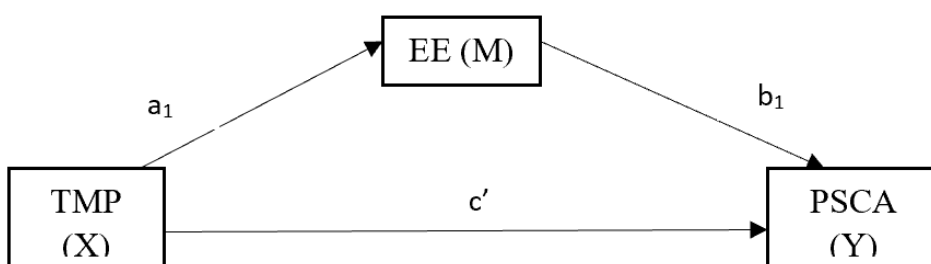


Figure 2: Testing of mediation effect

Source: Hayes (2018)

In order to test for mediation effect, the following models were used as guided by MacKinnon, Cheong, and Pirlott (2012);

Model 1; Test for relationship between the independent variable (X = Talent Management Practices, TMP) and the mediating variable (M= Employee Engagement, EE) as indicated by path a₁ in Figure 2.

$$M = a_0 + C + a_1X + \varepsilon \dots \dots \dots \text{path } a_1(1)$$

X must influence M

Model 2; Test for relationship between the mediating variable (M= Employee Engagement, EE) and the dependent variable (Y= Perceived sustainable competitive advantage, PSCA) as indicated by path b₁ in Figure 2.

$$Y = b_0 + C + b_1M + \varepsilon \dots \dots \dots \text{path } b_1(2)$$

M must influence Y

Model 3; Test for relationship between the independent variable (X = Talent Management Practices, TMP) and the dependent variable (Y= Perceived sustainable competitive advantage, PSCA) as indicated by path c' in Figure 2.

$$Y = C_0 + C + b_1M + c'X + \varepsilon \dots \dots \dots 3$$

RESEARCH FINDINGS AND DISCUSSIONS

The findings were based on the 323 questionnaires returned out of the 354 thus accounting for 91.24%. Out of the 31 accessible surveys, 19 were only partially completed, while 12 were erroneously completed or had inconsistent information, making them unusable for data analysis and requiring removal from the study.

PEARSON CORRELATION ANALYSIS

In statistical analysis, correlation analysis indicates the direction, strength of association and to which variables are related to one another. Correlation coefficient ranges from -1 and +1. When the coefficient is +1, it means that variables have perfect positive association, -1 implies perfect negative association. Values close to zero are said to have weak correlation and those away from zero have strong correlation. In table 1, there is a significant association between the study variables.

Table 1: Pearson Correlation Coefficients

		PSCA	TMP	EE
PSCA	Pearson Correlation	1		
TMP	Pearson Correlation	.728 **	1	
EE	Pearson Correlation	.592 **	.496 **	1

Source: Researcher, 2022

TESTING OF THE REGRESSION MODEL ASSUMPTIONS

Table 1; Diagnostic Tests Summary

Assumption	Test	Result	Conclusion
Normality	JarqueBera	0.102(Probability = 0.950)	Data as normally distributed
Linearity	Normal PP-Plot	Observed and expected values located along diagonal line	Linearity assumption met
Multicollinearity	Tolerance and VIF values	Employee Engagement and Talent Management Practices tolerance was 0.870 and 0.586 respectively	There was no collinear relationship between independent variables
Homoscedasticity	Scatter Plot	Most residuals fall below the proposed threshold of between -2 and or +2	Homoscedasticity assumption met

Source; Researchers (2022)

FACTOR ANALYSIS

The constructs used to measure perceived sustainable competitive advantage, talent management practices and employee were unobserved and therefore factor analysis is conducted to reduce large set of variables into few composite variables. To do this, principal component analysis (PCA) which is a statistical method was used to extract factors from the data is estimated. According to Kaiser (1974), KMO values ranges between 0 and 1. Values close to zero show that there are large partial correlations in comparison to sum of correlation. In other words, there is a widespread correlation and it implies that there are problems for factor analysis. The study extracted factors using factor analysis techniques; this was done after confirmation from KMO in which the study found that KMO values for each variable were above 0.70 (Field, 2005; Kaiser, 1974). The recommended loading for an item according to Hair Jr, Sarstedt, Hopkins, and Kuppelwieser (2014) is a factor loading of 0.50 and above. Factor dimensionality is relevant when the factor loading is higher. A negative value indicates an inverse impact on the factor. In this study, KMO values for all the constructs used in defining the variables should be above 0.7 according to Kaiser (1974) are acceptable for factor analysis.

In Table 2, 10 items resulted to KMO measure of sampling adequacy of 0.868 > 0.70 and significant Bartlett's Test of sphericity ($p = 0.000$) hence data was adequate for extraction using PCA. Each of the constructs had factor loaded above the threshold of 0.5 hence whereby all these constructs were included for measuring the perceived sustainable competitive advantage.

Table 2: Loadings on Perceived Sustainable Competitive Advantage (Dependent Variable)

	Unrotated Component Extraction		Rotated Component Matrix ^a	
	1	2	1	2
Our Profitability has been growing consistently for the last 5 years	.820		.789	
We have superior competitive strategies that are not easily replicated by competitors	.654		.710	
Our products are superior and unique in the market	.904		.944	

Our organization has been able to defend its competitive position	.889		.935	
There has been a consistent growth of our market share	.901		.929	
Our internal resources & capabilities are unique, rare and not easily duplicated	.908		.907	
Our organization proactively responds to threats in the operating environment	.619	.606		.847
Employees are the most valued resource in this organization	.694			.782
We are preferred by customers compared to other banks	.596	.706		.918
Talented employees enables your organization to reduce challenges of bad debts and frauds	.681	.560		.843
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization				
a. Rotation converged in 3 iterations.				
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.868
Bartlett's Test of Sphericity	Approx. Chi-Square			3760.676
	Df			45
	Sig.			.000

Source: Researchers (2022)

Table 3 indicates that the KMO value for talent management practices was $0.878 > 0.70$ indicating that factor analysis could proceed and that the sample is adequate (Kaiser, 1974). Bartlett's Test of Sphericity had a chi-square of 2535.73 and significant at p-value of 0.000. All loadings were greater than .50 and as per Hair et al. (2014), all were retained.

Table 3: Loadings on Talent Management Practices (Independent Variable)

	Unrotated Component Extraction		Rotated Component Matrix ^a	
	1	2	1	2
Talent attraction				
Wages and salaries are competitive attracting the right talent	.626		.771	
All employees are treated as talented workers	.606		.690	
Consistently High performers are selected for talent management program are	.660		.781	
In our organization new employees are sourced & recruited through a competitive process	.670		.638	
New employees are well trained before being deployed to work	.717		.600	
Talent Retention				
Our compensation & reward system is more attractive in the industry				

We have an internal employee recognition policy that builds employee loyalty and morale	.702		.720	
My company has flexible working hours & work /life balance motivating our employees	.773		.720	
Employees do not leave the company due to bad managers	.779		.767	
In our company, we have a career path for all employees	.751		.650	
Learning and Development				
Coaching & mentorship is carried out in this company	.755		.694	
Promotion of employees is strictly done on merit				
The organization supports private studies to develop employees	.561	.606		.813
Performance Management				
Performance appraisals are carried out transparently and objectively	.594	.571		.801
Poor performers are supported, coached & mentored to improve their performance	.605	.556		.794
High performers are recognized and rewarded	.558	.545		.760
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization				
a. Rotation converged in 3 iterations.				
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.878
Bartlett's Test of Sphericity				2535.738
				120
				.000

Source: Researchers (2022)

From the findings in Table 4, KMO measure of sampling adequacy was $0.876 > 0.70$ and that Bartlett's Test of Sphericity was significant (.000). As a result, all the items were retained because they met the criteria of having loadings more than 50 percent.

Table 4: Loadings on Employee Engagement (Mediating Variable)

	Unrotated Component Extraction		Rotated Component Matrix ^a	
	1	2	1	2
We have a good and conducive working environment	.663		.660	
We have freedom to air our concerns and issues freely		.719		.841
We are empowered to make business decisions without fear	.804		.762	
Generally, employees are satisfied with their jobs	.828		.775	
Employees are loyal, committed & emotionally connected to the company	.851		.778	

Committed employees support talent management practices	.716		.611	
Committed employees are high performers	.531		.678	
There is participation and involvement of employees in decision making	.618			.647
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization				
a. Rotation converged in 3 iterations.				
KMO and Bartlett's Test				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.876	
Bartlett's Test of Sphericity			919.927	
			28	
			.000	

Source: Researchers (2022)

HYPOTHESES TESTING

The study used Hayes model 4 in Process-Macro to analyze the mediation of employee engagements of the commercial banks in Nairobi County, Kenya. Under this model, it was hypothesized that employee engagement can transmit the causal effect of talent management practices influencing the perceived sustainable competitive advantage. In mediation analysis according to Baron and Kenny (1986) the effect of independent variable (talent management practice) on the dependent variable (perceived sustainable competitive advantage) is referred to as total effect and that effect is then partitioned into a combination of a direct effect of independent variable on dependent and an indirect effect of independent variable on dependent variable via mediating variable (employee engagement).

Table 5: Mediation Analysis (Hayes Model 4)

	Y(Employee Engagement)		Y(Perceived Sustainable Competitive Advantage)	
Variables		Coef. (SE)	Coef. (SE)	
Talent management practices (X)	β_1	.541***(.053)	.447*** (.032)	
Employee Engagement (M)	β_2		.218***(.029)	
Constant	α_0	2.014***(.207)	1.760***(.122)	
		$R^2 = .5404$ F=104.487 P> F= .000	$R^2 = .6013$ F=241.340 P> F= .000	
	Index	SE (Boot)	Boot 95% CI	
Mediation	.118	.029	.069 .179	

Note: Coef.. = coefficient, SE = standard error, CI = confidence interval.

95% confidence interval for conditional direct and indirect effect using bootstrap.

*p <0.05; **p <0.01; ***p <0.001.

Source: Researchers (2022)

The first hypothesis was tested, that is, H_{01} ; Talent management practices have no significant effect on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. In Table 5, the relationship between talent management practices and perceived sustainable competitive advantage was positive and significant ($\beta=.447, p=.000$) and it is referred to path 'c' in mediation analysis suggested by Zhao, Lynch Jr, and Chen (2010). The findings are at par with those by Al Hadid (2017), Al Mannai et al (2017) and Al Nsour et al (2018). This led to rejection of H_{01} and concluded that talent management practices have a significant effect on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. Secondly, the study tested H_{02a} ; Talent management practices has no significant effect on employee engagement of commercial banks in Nairobi County, Kenya (path a_1). It is evident from the findings that the relationship between the talent management practices and the employee engagement is positive and significant relationship ($\beta=.541, p=.000$). This finding supports those by Mohammed (2015) who reported a positive impact between talent management practices and employee engagement. This led to rejection of H_{02a} and concluded that talent management practices has a significant effect on employee engagement of commercial banks in Nairobi County in Kenya. Thirdly, there was a test of H_{02b} ; Employee engagement has no significant effect on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. In line with Mathur (2015), the effect of employee engagement on perceived sustainable competitive advantage was positive and significant ($\beta=.218, p=.000$) which was the path 'b' according to Baron and Kenny (1986) and Zhao et.al. (2010).

Lastly, H_{02c} that state that employee engagement has a significant mediating effect in the relationship between talent management practices and perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya was tested. Ideally, the significance of path $a*b$ indicates mediation effect exist (Zhao et.al. 2010). In this study, the coefficient is .118 was significant because the bootstraps confidence interval does not contain zero that is the bootstrap lower limit confidence interval (bootLLCI) was positive (.069) and bootstrap upper limit confidence interval (bootULCI) was positive (.179). The bootstrapping method is a resampling technique used to estimate statistics on a population by sampling a dataset with replacement. It can be used to estimate summary statistics such as the mean or standard deviation (Hesterberg, 2011). Bootstrap methods can be remarkably be more accurate than the classical inferences based on Normal or t distributions. Since the bootstrap standard error was .029, and the coefficient is .118 and by conventional method, t-statistic can be calculated by dividing coefficient with standard error; $.118/.029 = 4.069 > 1.96$. The study therefore failed to reject the H_{02c} and concludes by stating that partial mediation effect was realized. Therefore, since the mediation coefficient was positive, employee engagement is a key factor in enhancing the perceived sustainable competitive advantage among the commercial banks in Nairobi County in Kenya. The findings supports the views by Kular et al (2008) who found out that good talent management practices lead to sustainable competitive advantage through a high level of employee engagement.

CONCLUSION

Companies that have different traits and strategic values than their competitors can establish a sustainable competitive edge. Organizations acquire a competitive advantage for their resources and competencies that are valued, uncommon, non-substitutable, and inimitable (Kehinde, 2012). These resources and capabilities derived from the internal company consists of tangible and intangible assets. This means that the company has a sustainable competitive advantage given its human resources as one of the one of the intangible assets. Human resources are the most important internal factors in determining competitive advantage (Sheokand & Verma, 2015). Talent management practices entails the execution of integrated methods or systems meant to promote workplace productivity by building superior processes for attracting, developing, retaining, and employing people with talent. Talent management develops the potential of its human resources so that they

become unique capabilities (distinctive capabilities) that competitors cannot readily copy. More importantly, companies are realizing that the capacity to attract, engage, develop, and retain employees is more important than ever. Therefore, understanding the key to employee engagement and utilizing methods to increase engagement will be a key differentiator for companies looking to achieve long-term success and sustainable competitive advantage.

In the first place, the study investigated the effects of talent management practices on the perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. Results showed that talent management practices positively and significantly affect the perceived sustainable competitive advantage. Before testing the mediation effect, the study determined the effect of talent management practices and employee engagement which turned out to be positive and statistically significant. In addition, the relationship between employee engagement on sustainable competitive advantage was established. The results indicated a significant positive influence of employee engagement on the perceived sustainable competitive advantage. This indicates that any effort put to boost the employee engagement will ultimately improve the bank's perceived sustainable competitive advantage. Finally, the findings showed that there significant partial mediation effect of employee engagement on the relationship between talent management practices and the perceived sustainable competitive advantage. As a result, it is clear through employee engagement, talent management practice is the implementation of integrated strategies designed to improve the recruitment, development, performance and retention of highly skilled people and the willingness to meet current and future organizational needs aimed at achieving perceived sustainable competitive advantage.

RECOMMENDATIONS

Theoretically, the study findings implicates the resource based view theory by recognizing that human resource and capability traits as summed up by the talent management practices and employee engagement are important in determining a firm's perceived competitive advantage. Further, study supports equity theory that people are driven by a desire for justice. They will act in ways that they believe will restore their sense of equity if they perceive they are being treated unfairly. As a result, equity theory can be utilized to explain employee behaviors driven by unfairness perceptions. To the management of commercial banks, it is evident that employees need a good and conducive working environment, they need freedom to air their concerns, grievances and issues freely, employees need empowered to make business decisions without fear, to be treated with respect and to be involved in decision making. Employees need to be satisfied with their jobs for them to be loyal, committed and emotionally connected to the bank. Through employee engagement, talent management practices will enhance the achievement of the long-term competitive advantage. Since the current study dwelled on the mediating effect of employee engagement on the relationship between talent management practices and perceived sustainable competitive advantage in the banking sector, similar study need to be conducted in future in other sectors. Future studies could analyze various dimensions of talent management and employee engagement in enhancing firms' sustainable competitive advantage by applying structural equation modeling (SEM).

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