The Impact of Talent Management Practices on Employee Retention: An Empirical Study on the SME Industry of Bangladesh

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ABSTRACT

Small and Medium Size Enterprises (SMEs) are considered major contributor in the overall development of an economy and Bangladesh is no different. But in case of retaining talent management SMEs are struggling with their limited resources, poor employee branding and formal human resource management practices within their organizations. This article investigated how the Talent Management Practices (TMP) influence the Employee Retention (ER) in SME sector where the mediating variables were identified as Workplace Culture (WC) and Employee Engagement (EE). TMP construct included identification of critical positions, compensation practices, training and development and talent recruitment. Coupling with Resource-Based View Theory, the study had taken seven hypotheses which examined the direct and mediated effect of TMP, WC, EE, and ER.

In order to examine the hypothesis the study conducted a survey on 425 employees and managers of SMEs of the manufacturing, services, trading, and technology industries in Bangladesh. Smart PLS 4 was used to analyse the data in order to measure model and structural model. All the offered hypotheses are confirmed in the results demonstrating that TMP has a positive impact on ER but not only directly, but also indirectly through WC and EE. The results of the analysis indicated that well-formulated talent practices and positive work environment play constructive roles in employee engagement and retention, which eventually can ensure the attainment of SMEs competitive advantage and corporate sustainability.

The theoretical contribution of the study is the contextualisation of TMP, WC and EE in the context of SMEs in developing economy, and its contribution to the body of empirical evidence of mediating mechanism of engagement and culture. The study suggested several recommendations for SME managers and policymakers that can be used in developing effective low-cost methods of retaining talents. This study also highlights the need of incorporating HR interventions to reflect their alignment with organizational culture and enhance workforce stability, and organizational performance in resource-poor settings.

Keywords: Talent Management Practices, Employee Retention, Employee Engagement, Workplace Culture, Small and Medium Enterprises (SMEs), Human Resource Management, Developing Economy, Bangladesh

INTRODUCTION

The recognition of Small and Medium-sized Enterprises (SMEs) as the mainstays of national economies due to their contributions towards generation of employment, value addition, entrepreneurship, regional balance, and socio-economic inclusiveness, is well acknowledged. Not only are SMEs the preferred mechanism of structural transformation everywhere in the world, with approximately 90 percent of total firms, and over 50 percent of total employment, they are the cornerstone of development and competitiveness in emerging economies, generating up to 40 percent of the GDP (Armeanu et al., 2015; Dhar et al., 2024; Hossin et al., 2023; Payambarpour & Hooi, 2015). In Bangladesh, SMEs have been put on the same status with a strategic priority sector. As the competition in business grows and the markets change at a fast rate, SMEs success and survival at the long run largely rely on the success of the firms in drawing, nurturing and maintaining a competent workforce. So organizational leaders in Bangladesh are under great pressure in ensuring that they have a competent and motivated workforce. But these businesses have continued to experience a challenge of

retaining talented employees. Employee turnover among the staff has become an acute problem to the SMEs leading to higher costs in hiring, loss in organizational knowledge as well as impaired continuity in the business (Abdullahi et al., 2022). As compared to large organizations, SMEs have little financial and non-financial resources and thus they are limited in terms of providing competitive compensation, structured career development, and employer branding programs. Such lack of ability to retain competent employees weakens the performance of the organization, lowers its competitiveness and jeopardizes long term sustainability of the SMEs in Bangladesh. To tackle this acute issue, it is important to have a comprehensive insight into talent management practices in resource-scarce SME settings (Saleh & Atan, 2021). The approach of talent management has been emerging as a strategic option in combating this problem incorporating recruiting, training and developing, performance management, career development, and succession planning and aligning human capital with the aims of the organization (Jayaraman, Talib, & Khan, 2018; Kontoghiorghes, 2016).

So this paper tried to answer some questions like (Q1) what is the impact of talent management practices on employee retention mediated by workplace culture and employee engagement based on the evidence from SME Industry of Bangladesh? (Q2) What will be the recommendations for enhancing talent management approaches to improve employee retention?

Correspondingly, the objectives are to explore the impact of talent management practices on employee retention mediated by workplace culture and employee engagement based on the evidence from SME Industry of Bangladesh and propose practical recommendations for enhancing talent management approaches to improve employee retention.

Despite the universal recognition of the significance of talent management the majority of the literature is based on the analysis of the large businesses in the developed nations, creating a gap in the research on developing and underdeveloped nations and resource-challenged industries like SMEs (Jayaraman et al., 2018; Kontoghiorghes, 2016; Payambarpour & Hooi, 2015). The existence of this gap shows the necessity to investigate the role of talent management practices (TMP) aimed at helping SMEs to retain people despite financial, structural and operational limitations for carrying out such practices. So the significance of this research is substantial for both theory and practice. Academically, it contributes to the literature on talent management and employee retention in SMEs within a developing country context, offering localized insights into effective HR strategies. Practically, the study provides SME owners, managers, and HR professionals with evidence-based guidance for designing cost-efficient and impactful retention practices, even under limited financial and structural resources (Abdullahi et al., 2022; Saleh & Atan, 2021).

In spite of these contributions, the study has its own limitations. First, it has used self-reported questionnaire and therefore limits the applicability of findings to other SMEs sectors or contexts in Bangladesh. Second, cross-sectional design limits the possibility to determine causal relationships between talent management practices and employee retention. Finally qualitative insights lacks in this study.

In this paper chapter 1 has covered the introduction part. Chapter 2 covers literature review part, where the conceptual background, hypothesis development, theoretical and conceptual frame work have been showed. Chapter 3 covers the methodology where the research design, population parameter, sampling design, measurement items, data collection technique and biasness test have been showed. In chapter 4 the Analysis & the findings part have been discussed. This chapter has been divided into some important parts like measurement method discussion and confirmatory factor analysis part. In chapter 5 insights about the overall analysis and paper has been given in the discussion part. In chapter 6 the limitations and future directions have been showed. And in chapter 7 the conclusion has been drawn.

LITERATURE REVIEW

Underpinning Theory

The research is also based purely on the Resource-Based View (RBV) of the firm. RBV assumes that competitive advantage is attained and maintained when organizations create and utilize internal resources which are not only valuable, but also rare, inimitable, and non-substitutable (Barney, 1991). Human capital has

also been regarded as among the most important strategic resources as it is hard to imitate and comes with long term organizational benefits (Wright, Dunford, and Snell, 2001).

The selective recruitment, talent training and development, performance management, career planning and employee recognition are all the examples of Talent Management Practices (TMP) that can be viewed as strategic resources in the context of SMEs in Bangladesh. Such practices strengthen the skills, knowledge and commitment of employees, thus developing a special human capital base that does not easily get duplicated by the competitors (Boxall and Purcell, 2016). Through such practices, SMEs create a pool of engaged and committed employees and this enhances employee retention (ER).

RBV as well describes the indirect routes that were posited in this work. In cases where employees enjoy good TMP, they become more work committed (WC) and engaged (EE), and both are intangible yet ascribed to have great organizational value. The moods enhance the desire to stay in the organization among employees hence the retention results. Based on this, WC and EE can be regarded as mediating variables in which TMP are transformed into sustainable retention benefits.

Thus, RBV represents an overall strategic stance as to why SMEs are to invest in TMP. According to nurture and retention of their workforce as an asset, not only do they minimize the turnover, but also they are competent in the long term, and even survival of their organization.

Small & Medium Enterprise

According to the definition formulated by the central Bank of Bangladesh and National Industrial Policy 2016, the SMEs are defined in terms of the size of fixed assets and employees. Small and Medium Enterprises (SMEs) in Bangladesh are defined based on two main criteria: the value of fixed assets (excluding land and buildings) and the number of employees. In the manufacturing sector, a small enterprise typically has fixed assets ranging from BDT 75 lakh to BDT 15 crore or employs between 26 and 120 workers, while a medium enterprise possesses assets between BDT 15 crore and BDT 50 crore or employs 121 to 300 workers. In the services sector, small enterprises generally have 16 to 50 employees and fixed assets of approximately BDT 10 lakh to 2 crore, whereas medium enterprises employ 51 to 120 workers with fixed assets ranging from BDT 2 crore to 30 crore. If an enterprise meets the threshold of a larger category in either assets or number of employees, it is classified in that larger category (Bangladesh Bank, 2016; Dhaka Tribune, 2019).

Talent Management Practices

Talent Management Practices (TMP) are strategic measures adopted by organizations to attract, develop, and retain skilled employees essential for achieving organizational objectives (Payambarpour & Hooi, 2015). SMEs in Bangladesh face particular challenges due to limited financial and structural resources, which constrain formal human resource systems and long-term talent retention (Abdullahi et al., 2022). TMP encompasses critical components such as Talent Recruitment Practices (TRP), Training and Development (TD), Identification of Critical Positions (ICP), and Compensation Practices (CP) (Jayaraman, Talib, & Khan, 2018). Recruitment aims to attract candidates whose skills and values align with organizational goals; however, SMEs often struggle with weaker employer branding and financial limitations compared to larger firms (Poocharoen & Lee, 2013). Training and development (TD) strengthen employee competencies, yet SMEs frequently rely on informal or on-the-job programs due to cost and time constraints (Saleh & Atan, 2021). Performance evaluations attempt to link learning outcomes to organizational objectives, but structured appraisal systems are often absent (Kontoghiorghes, 2016). Identifying critical positions and succession planning is also limited by flat hierarchies, creating a need for innovative career development initiatives to retain high-potential employees (Tanton, 2007). Compensation and a supportive work environment remain key retention factors, though SMEs frequently face difficulties matching larger firms' financial offerings, increasing turnover risk (Abdullahi et al., 2022; Payambarpour & Hooi, 2015). Given dynamic market and technological pressures, SMEs require cost-efficient TMP solutions. Constructive workplace cultures, flexible arrangements, and individualized development programs foster engagement and retention without heavy financial dependency (Kontoghiorghes, 2016). Additionally, digital tools in recruitment, training, and performance management enhance competitiveness despite resource constraints (Abdullahi et al., 2022).

Overall, implementing effective TMP—including recruitment, training, role identification, and fair compensation—enables SMEs to mitigate inherent limitations and sustain long-term organizational success.

Employee Retention

Employee retention refers to an organization's ability to retain skilled employees and minimize turnover, which is crucial for sustaining operational continuity and competitive advantage (Hausknecht & Trevor, 2011). Turnover incurs costs such as recruitment, productivity loss, and disrupted team dynamics. Effective retention strategies include competitive pay, career growth, supportive work conditions, and work-life balance (Abdullahi et al., 2022). Psychological contracts, reflecting mutual expectations between employer and employee, strengthen loyalty when perceived as fulfilled (Bal, de Cooman, & Mol, 2013; Meyer & Allen, 1997). In SMEs, limited resources constrain financial incentives and structured career paths, increasing turnover risk (Payambarpour & Hooi, 2015; Tanton, 2007). Non-monetary mechanisms—engagement programs, positive culture, and flexible arrangements—enhance retention, particularly when integrated with talent management practices (Kontoghiorghes, 2016; Abdullahi et al., 2022).

Workplace Culture

Workplace culture encompasses common values, beliefs, and norms that influence the conduct of the employees (Schein, 2010). Positive culture also promotes belonging, motivation, and performance (Schneider, Ehrhart, and Macey, 2013), which is especially essential in SMEs due to their loose structure and proximity to each other (Saleh and Atan, 2021).

There is an impact of culture on engagement, retention, and job satisfaction (Kontoghiorghes, 2016). Positive climates of communication, acknowledgement and equity foster trust and psychological safety (May, Gilson, and Harter, 2004) and unfavorable ones lead to disengagement and turnover. Culture can be a major point of differentiation in SMEs which typically do not have formal HR systems because such companies rely on informal practices that include flexible work, team building and feedback in their efforts to counterbalance minimal incentives (Poocharoen and Lee, 2013; Payambarpour and Hooi, 2015).

Employee Engagement

Employee engagement (EE) is a work-related psychological state characterized by vigour, dedication, and absorption in one's tasks (Schaufeli et al., 2002). Engaged employees demonstrate higher commitment, discretionary effort, and performance, making EE crucial for organizational success (Albrecht et al., 2015). Talent management practices, including training, career development, performance recognition, and supportive leadership, enhance engagement by providing employees with growth opportunities and fostering fairness (Abdullahi et al., 2022; Collings & Mellahi, 2009). Workplace culture also shapes engagement by promoting trust, open communication, and shared values (Schneider et al., 2013). In SMEs, where resources are limited, flexible work arrangements and participative practices can significantly strengthen engagement, improving retention and overall productivity (Payambarpour & Hooi, 2015; Kontoghiorghes, 2016).

Hypothesis Development

TMP boost ER improving firm-specific human capital and mutual employment relations. Existing studies indicate that selective staffing, training, career development and performance recognition have been linked with reduced turnover and greater retention intentions in any industry (Narayanan et al., 2019; Pandita & Ray, 2018; Amushila & Bussin, 2021). Empirical research also supports that TMP leads to support, commitment, and fairness at the organizational level which have a direct negative impact on turnover intention. The beneficial impact of TMP on ER is supported by evidence in a variety of settings (Batt, 2002; Sun et al., 2007; Hausknecht and Trevor, 2011).

Therefore, drawing on accumulated empirical findings and theory, we advance the following hypothesis:

H1: TMP are positively related to ER.

Job resources are offered by TMP that facilitate EE in terms of vigor, dedication, and absorption (Bakker and Demerouti, 2017; Pandita & Ray, 2018; Ogbonnaya & Messersmith, 2019; Ismail et al., 2021). The literature indicates that higher engagement rates are linked to developmental HR practices, career advancement, and recognition, which are all positively related (Bailey et al., 2017; Ogbonnaya and Messersmith, 2019; Peccei et al., 2021). The testimony in industries and culturally specific settings can be attested to the fact that structured TMPs create greater engagement through fairness, support, and growth opportunities (Singh et al., 2020).

Accordingly, the hypothesis is the following:

H2: EE has a positive relationship with TMP.

EE among employees in terms of energy, commitment, and absorption has been associated with ER at a higher level of affective commitment and organizational attachment (Bakker and Demerouti, 2017; Saks, 2019). Based on the idea of Social Exchange Theory, by assigning employees meaningful work and supportive work practices that encourage engagement, employees would in turn give back in terms of loyalty and less turnover intentions (Cropanzano et al., 2017). The recent empirical data in industries show that employees who are engaged are much less prone to turnover and more likely to become long-term members (Kim and Hyun, 2017; Lee et al., 2019; Peccei et al., 2021).

So it can be hypothesized that,

H3: EE is positively related to ER.

The WC includes the common values and norms of behaviour that determine the interaction of employees within organizations. TMP are considered the main actors of the development of positive cultures because they introduce the culture of trust, learning, and collaboration into HR systems and procedures (De Boeck et al., 2018; Thunnissen et al., 2018). Resource-Based View has it that TMPs improve human and social resources, which helps to strengthen the cultural norms that are in line with the organizational goals (Afiouni et al., 2017). Another empirical piece of evidence is that well-organized TMPs promote inclusive, innovative, and high-performance cultures, even in resource-restricted SMEs (Gallardo-Gallardo & Thunnissen, 2016; Mensah, 2019).

H4: TMP are positively related to WC.

WC gives the social and psychological background under which employees operate influencing their motivation and behaviours. A supportive and inclusive WC has been established as a contributor to EE, as it leads to trust, sense of belonging, and shared organizational and personal values (Albrecht & Marty, 2020; Shuck et al., 2017). Based on the JD -R model, culture is a work resource that provokes a sense of vigor, commitment, and absorption, whereas Social Exchange Theory argues that positive cultural characteristics stimulate a mutual commitment (Bakker & Demerouti, 2017; Saks, 2019). It is confirmed that collaborative, innovative, and service-oriented cultures have positive relationships with increased engagement regardless of industries and context (Keyko et al., 2016; Mensah, 2019).

H5: WC is positively related to EE.

The practices of TMP do not just create competence and motivation in employees but also impact WC which, in its turn, affects ER. By the means of the Social Exchange Theory, TMPs indicate fairness, support, and value, which become internalised within WC, creating loyalty and trust that lead to decreased turnover (Saks, 2019). In terms of JD-R, WC is a situational resource that creates better attachment and retention (Bakker and Demerouti, 2017).

Recent empirical research proves the mediating role of WC. According to De Boeck et al. (2018), talent development was only effective in developing ER with the help of learning-oriented cultures. Thunnissen and Buttiens (2017) demonstrated that WC moderated the correlation between TMPs and retention in public

organizations, whereas Keyko et al. (2016) emphasized that supportive WC minimized attrition in healthcare. In a broader sense, according to Albrecht and Marty (2020), when the HR practices are aligned with the culture, the employee commitment and retention are reinforced.

H6: WC mediates the relationship between TMP and ER.

Job resources include TMP including recruitment, training, career opportunities, and recognition and are known to improve EE, and this practice further enhances ER. Based on JD -R and the Social Exchange Theory, TMPs indicate organizational support that positively increases engagement and decreases turnover intentions (Saks, 2019; Bakker and Demerouti, 2017).

Recent research attests to the mediating effect of EE. Ogbonnaya and Messersmith (2019) discovered that HRM systems enhanced retention indirectly via involvement by increasing the capacity of employees, their motivation, and chance. Keyko et al. (2016) established that supportive leadership and development chances increased nurse retention through engagement, and that Albrecht and Marty (2020) found that alignment between Hr practices and employee requirements created engagement that predicted greater retention rates. The evidence provided by cross-cultural researchers also demonstrates that EE mediates the impact of TMPs on ER in a variety of industries and context (Lee et al., 2019).

H7: EE mediates the relationship between TMP and ER.

Conceptual Framework

From previous studies it was learned that TRP, TD, ICP and CP are the four most prominent TMP practices that organizations generally performs (Abdullahi et al., 2022; Jayaraman et al., 2018). And it has also been showed that these activities help to cultivate good WC. When these activities are performed employees feel more connected with the organization EE also flourish (Payambarpour & Hooi, 2015; Kontoghiorghes, 2016; Tanton, 2007). It means that each of the four TMP practices is correlated with WC and EE, which has also been seen in previous paper distinctively. So in this study the relationships have been showed at once. In the figure below, it can be seen that in the first phase the connection between TMP and the 2 mediators have been showed. After that the connection of these two mediators with the dependent variable ER has been presented. Last of all a direct relation of TMP and ER has been showed. So this research framework presents a strong base that can contribute in the TMP field. Especially due to its context, as the study has been conducted on the employees of SME industry.

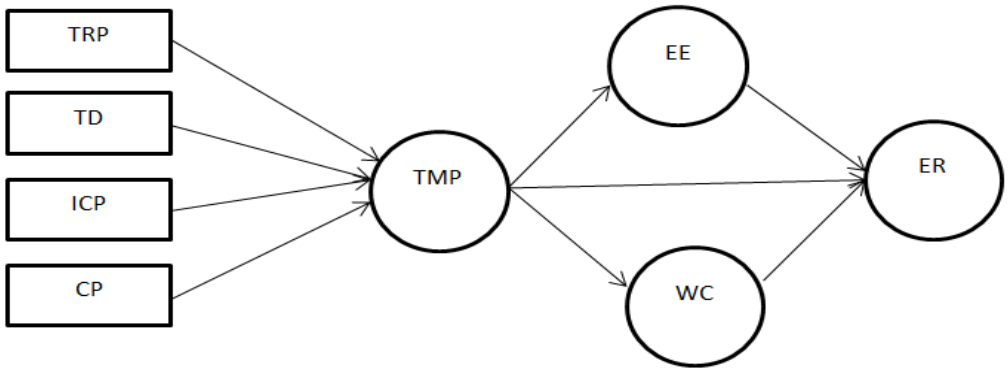

Figure 1: Conceptual Framework

METHODOLOGY

Research Design

The given research is based on the quantitative research design, which aims at investigating how talent management practices contribute to employee retention at SMEs in Bangladesh. Primary data was sought through a structure survey designed to measure the primary data among employees and the managers in the

identified SMEs through which the organizational practices and engagement of the employees and employee retention could be evaluated in a systematic manner.

Population Parameters

The Ministry of Industries (2016) notes that there are approximately 7.8 million SMEs that add about 25% of the country GDP and employ close to 31 million people accounting 40% of the workforce. The participants who have been approached in the research are employees and managers in SMEs that are operating in Bangladesh in the manufacturing, services, trading, and technology industries within Bangladesh.

Sample Size

The sample of this research was 425 individuals. This sample size will be sufficient, and appropriate in a quantitative research especially in structural equation modeling (SEM) techniques e.g., SmartPLS. By this Hair et al. (2019), it is recommended that the sample size should be at least 10 times more than the highest structural paths aimed at a construct in the research model, so that it is possible to have robust statistical analysis. The sample size of 425 is considerably more than that recommended, and this proves the validity of results due to the high level of complexity of the model.

Also at a 95% confidence level but with a margin of error of 5%, Krejcie and Morgan (1970) give a commonly used sample size determination table, indicating that a sample size of around 384 is good when the population size exceeds 1 million. As such, the sample size of 425, which has been chosen, is more than sufficient as far as ensuring this criterion is concerned; thus, further enhancing the ability of the results to be generalized to the target population in Bangladesh.

Sampling Technique

The selection method used to pick SME and respondents is a purposive sampling technique. The specified characteristics of the criteria the study should meet made such a non-probability approach the right choice: the employees should serve at least half a year or rent the organization to give valuable insights into the organizational practices, and the managers and the HR employees should be directly related to HR and talent management functions. By doing so, the researchers will guarantee that subjects obtain enough exposure to organizational policies and can offer valid and subjective ideas concerning the quality of talent management practices in shaping employee retention (Etikan, Musa, & Alkassim, 2016).

Instrument Development

The scales used to construct the questionnaire were validated and had been employed in previous studies with the dependence of TMP, ER, EE, and WC all being estimates on a five-point Likert scale. EE elements were taken with modifications of Payambarpour and Hooi (2015) and focused on commitment and discretionary effort whereas the items on ERewere taken with modifications of Tanton (2007) that valued intention to remain and perceived organizational support. TMP sub constructs included TRP, TD, CP and ICP adapted and borrowed roof Abdullahi et al. (2022) and Jayaraman et al. (2018) that measured the effectiveness of the hiring process, developing skills, compensation fairness, and succession planning. Culture items in the work place were fished out of Kontoghiorghes (2016) which cantered on support, recognition, and alignment at the organizational values. The instrument was reviewed by experts and pilot tested (n = 30) which gave Cronbach alpha of over 0.70, validating reliability and usefulness to measure talent management and its contribution to SMEs in Bangladesh context.

Data Collection Technique

Survey questionnaires in hard and soft copy were used to encourage as many of them as possible to give their opinions. The employees were informed of the essence of the study, and the fact that it was absolutely voluntary. Questions were specifically addressed to the managers and HR professionals to obtain organizational- level information on policy implementation, issues, and strategic HR responses. The other methodological issues were timing and the availability of respondents. The surveys were sent out at times of

normal work activity to reduce inconvenience and the survey was followed up with reminders to increase the response rates.

Ethical Consideration

During research, ethical issues were strictly adhered to. Before the collection of data, the institutional ethics committee gave approval so that ethical research standards were observed. All participants signed an informed consent and had the choice of leaving the study with no penalty whatsoever. In order to ensure confidentiality, each respondent was characterized with different codes and no identifiably personal data was taken. Data and records were kept on password secured files which could only be accessed by the research team. The respondents would be told that their answers would be collected only to conduct the research, and the information would be reported in aggregate, hence being anonymous and eliminating the likelihood of a biased answer (Bryman & Bell, 2015).

Analytical Procedure

The results of the data gathered among SME employees and managers will be analysed with the use of a variance-based structural equation modelling (SEM) software SmartPLS 4 that fits complex models with various constructs (Hair et al., 2022). The analysis will be carried out in two steps, measurement model check and structural model test. Such aspects as the reliability and validity of constructs to be investigated in the measurement model will include Cronbach alpha question measure, composite reliability, as well as average variance extracted (AVE), whereas discriminant validity will be determined in terms of the FornellLarcker criterion and HTMT ratios. Path coefficients, t-values and R 2 values will be used to test the hypothesized relationships between the Talent Management Practices, Workplace Culture, Employee Engagement and Employee Retention supported by bootstrapping of 5000 resamples as the structure model of the analysis. This method will advance the quality discussions on the measurement characteristics and the forecasting correlations and will permit a powerful test of direct and mediating impacts in the SME situation.

Common Method Bias

All of the data was collected in a single instant of time. In order to reduce common method bias (CMB), the research employed various procedural and statistical techniques. Information was gathered from various sources and guaranteed the privacy of the participants' responses. A pre-test was conducted with 25 academicians and professionals from SME sector to ensure a cleaner understanding of the items and to adapt the questionnaire to the context in which it was to be applied. Their insightful opinions and insights were carefully considered, and the questionnaire was further improved based on that. Each and every item was used in a single-factor Harman's test (Eichhorn, 2014). The first component (or factor), which refers to the highest eigenvalue, in Harman's single factor test has a percentage of variance that is compared to a threshold of 0.5. The variance value, according to the result, is 31.679%, which is less than the 0.5 threshold value. Thus, it has been demonstrated that this paper is free of common method bias. In line with the suggestions of Fischer and Fick, and as per Podsakoff et al. (2003), numerous methods have been used to evaluate the possible impact of common method bias. The single-factor test presented by Harman showed that no single factor explained over 50 percent of the variance. Moreover, full collinearity VIF scores were all less than the 3.3 limit and the ULMC strategy indicated method factor loading was weak (<0.20) and did not significantly raise the explained variance ($\Delta R\ 2 < 0.03$). All these findings prove that a common method bias is not a significant issue in this research.

Analysis & Findings

Measurement Model (Reliability and Validity)

We tested the validity of our theoretical model by using PLS-SEM 4. Initially, the validity and reliability of the measures has been assessed and then a structural model was employed to evaluate the strength of the hypothesized relationships among the variables. So at first here all the construct has been examined through the lens of construct reliability and validity. To test reliability Factor loadings, Indicator multicollinearity (VIF), Internal consistency (Cronbach alpha, RHO-A, Composite reliability) has been measured. Many

scholars have provided some rules of thumb for explaining the measurement model results (Chin et al., 2003; Gujarati, 1970). Based on the data in the table-1 and figure 2, it is clear that the factor loadings are more than the threshold value of.708 (Chin et al., 2003; Gujarati, 1970). All the factor loadings are in between value .748 to .936.

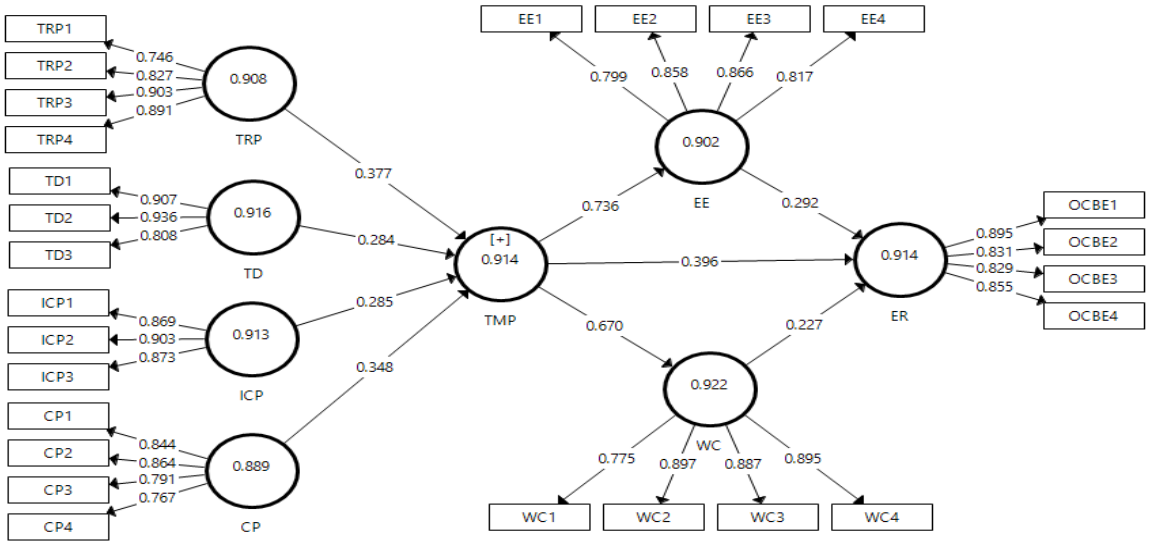

Figure 2: Measurement Model

According to Hair et al. (2022), a common method for evaluating the formative collinearity of indicators is the Variance Inflation Factor (VIF). VIF values greater than 5 suggest that there may be issues with predictor construct collinearity (Hair & Alamer, 2022). From Table-1, it can be seen that the value of VIF for each and every items is here below 5. It is in between 1.434 to 3.803. It means that there is no collinearity issue. To measure the internal consistency Cronbach's Alpha, composite reliability and rho_A value are measured that ensures that the items generate consistent result.

Table 1: Internal Consistency (Measurements of the constructs)

Constructs	Items	Factor Loadings	Cronbach's Alpha	rho_A	Composite Reliability	AVE	VIF
Talent Recruitment Practices	TRP1	.844	0.825	0.832	0.884	0.668	2.254
	TRP2	.864					2.302
	TRP3	.793					1.591
	TRP4	.766					1.592
Training & Development	TD1	.865	0.855	0.859	0.911	0.777	2.16
	TD2	.903					2.662
	TD3	.873					1.967
Compensation practices	CP1	.748	0.782	0.789	0.872	0.713	1.434
	CP2	.827					2.063
	CP3	.902					3.203
	CP4	.891					3.217

Identifying Critical Position	ICP1	.908	0.863	0.889	0.916	0.784	2.707
	ICP2	.936					3.2
	ICP3	.808					1.837
Employee Engagement	EE1	.799	0.849	0.849	0.908	0.698	2.171
	EE2	.858					2.428
	EE3	.866					2.228
	EE4	.817					2.049
Workplace Culture	WC1	.776	0.789	0.789	0.864	0.748	1.617
	WC2	.897					3.113
	WC3	.887					3.108
	WC4	.895					2.839
Employee Retention	ER1	.896	0.878	0.880	0.917	0.728	2.981
	ER2	.831					2.436
	ER3	.828					2.263
	ER4	.855					2.342

+ AVE=Average variance extracted; ± VIF: Variance Inflation Factor

Here the result of Table-1 shows that in this study all the value of Cronbach's Alpha, composite reliability and rhoA are higher than the cut-off value of 0.70. These data demonstrate that the measurement model is repeatable and dependable.

Discriminant validity and convergent validity are the two most important analysis of verifying whether measuring items effectively reflect the corresponding measured constructs (MacKenzie et al., 2011). This study measures the AVE (average variance extracted) to ensure convergent validity and cross loadings, Fornell-Larcker Criterion and Heterotrait-Monotrait Ratio (HTMT) to measure discriminant validity. The threshold value for AVE is 0.50 or higher (Hair et al., 2019; Bagozzi & Yi, 1988). Table-1 shows that the AVE of the constructs falls in between 0.668 to 0.784 that are higher than the commended value of 0.50. Issues with discriminant validity arise when an item performs better on a separate construct than its own parent construct. If the item's loading difference is smaller than .10, it indicates that discriminant validity may be at risk. The items are legitimate and appropriate for measuring the dimensions, since all factor loadings have exceeded the value of cross-loadings, as shown in table-2.

	CP	EE	WC	ICP	TD	TRP	ER
CP1	0.748	0.856	0.406	0.322	0.637	0.476	0.643
CP2	0.827	0.49	0.27	0.305	0.353	0.354	0.419
CP3	0.902	0.567	0.385	0.381	0.486	0.427	0.511
CP4	0.891	0.538	0.336	0.342	0.486	0.4	0.486
EE1	0.536	0.799	0.34	0.232	0.432	0.34	0.466

EE2	0.589	0.858	0.315	0.216	0.613	0.285	0.583
EE3	0.724	0.866	0.415	0.31	0.662	0.453	0.655
EE4	0.581	0.817	0.455	0.366	0.657	0.389	0.571
WC1	0.296	0.457	0.776	0.456	0.413	0.495	0.609
WC2	0.372	0.343	0.897	0.707	0.26	0.45	0.495
WC3	0.375	0.365	0.887	0.777	0.243	0.488	0.485
WC4	0.403	0.419	0.895	0.661	0.27	0.54	0.567
ICP1	0.434	0.321	0.643	0.908	0.288	0.637	0.481
ICP2	0.354	0.337	0.785	0.936	0.228	0.6	0.509
ICP3	0.259	0.236	0.553	0.808	0.091	0.477	0.341
TD1	0.555	0.646	0.357	0.209	0.869	0.22	0.512
TD2	0.484	0.625	0.262	0.163	0.903	0.223	0.491
TD3	0.515	0.627	0.292	0.256	0.873	0.412	0.619
TRP1	0.364	0.327	0.445	0.486	0.192	0.844	0.383
TRP2	0.465	0.328	0.556	0.709	0.206	0.864	0.492
TRP3	0.442	0.504	0.415	0.383	0.498	0.793	0.66
TRP4	0.33	0.28	0.452	0.546	0.157	0.766	0.403
ER1	0.607	0.659	0.537	0.449	0.595	0.491	0.896
ER2	0.524	0.623	0.463	0.362	0.54	0.482	0.831
ER3	0.507	0.55	0.615	0.466	0.467	0.488	0.828
ER4	0.458	0.509	0.522	0.458	0.5	0.593	0.855

According to Fornell & Larcker (1981), discriminant validity may be shown by taking the "square root" of the AVE of each latent variable (Fornell & Larcker, 1981). Each latent variable's "square root" of AVE should be larger than the correlations between them.

Table 3: Fornell-Larcker Criterion

	CP	EE	WC	ICP	TD	TRP	ER
CP	0.844						
EE	0.735	0.835					
WC	0.419	0.46	0.865				
ICP	0.403	0.341	0.751	0.885			
TD	0.589	0.718	0.345	0.24	0.882		

TRP	0.495	0.445	0.573	0.652	0.329	0.818	
ER	0.616	0.688	0.627	0.509	0.617	0.6	0.853

The result indicates that discriminant validity is well established. From the table it can be seen that the square root of AVE for each latent construct is greater than its correlation with all other constructs, which is the main condition of discriminant validity in case of Fornell-Larcker Criterion.

Table 4 : Heterotrait-Monotrait Ratio (HTMT

	CP	EE	WC	ICP	TD	TRP	ER
CP							
EE	0.838						
WC	0.474	0.521					
ICP	0.455	0.387	0.855				
TD	0.675	0.825	0.393	0.263			
TRP	0.574	0.514	0.662	0.758	0.373		
ER	0.701	0.784	0.709	0.577	0.706	0.697	

In 2015, Henseler et al. put up the idea of a heterotrait-monotrait ratio (HTMT) association (Henseler & Fassott, 2010). Henseler et al. (2010) suggested a cut-off value of 0.90. In this study all of the constructs' HTMT values are below the .90 threshold that can be shown from table 4.

Structural Model

Higher order validity table/ construct:

Table 5: Higher order validity table:

HOC	LOC	Outer Loadings	Outer Weights	VIF
TMP	CP	0.815	0.312	1.84
	ICP	0.715	0.349	1.767
	TD	0.778	0.442	1.537
	TRP	0.734	0.207	1.966

+ HOC=Higher order construct; ± LOC=Lower order construct; § VIF: Variance Inflation Factor

To see the validity and reliability of higher order value two values should be checked. They are the outer loadings and outer weights. Here in this paper we can see that the outer loadings for all the paths are positive and greater than .70. And the outer weights are also in between the threshold value, which indicated there is no issue related to the higher order value of our model. And VIF value is less than 5, which means there is no multicollinearity issue.

R-Square Value

Table 6: R-Square Value

	R Square	R Square Adjusted
TMP	1	1
EE	0.553	0.552
WC	0.445	0.444
ER	0.647	0.644

In the absence of collinearity problem, Hair et al. (2019), state that one should proceed to examine the R Square value of the endogenous construct (Hair et al., 2019). As stated in each endogenous component, R Square quantifies variance, which is a measure of the model's predictive ability (Hair et al., 2019). R Square is another term for the sample's analytical capacity (Ringle et al., 2009). Greater explanatory power is shown by higher R Square values. There is a 0–1 range for the R Square. According to Chin (1998), there are three levels of R square criteria: significant (0.67), moderate (0.33), and weak (0.19) (Chin, 1998). According to the data in the table (Table-6), WC has a moderate R square value of 0.434, EE has a significant R square value of 0.726, and ER has a moderate R square value of 0.571.

Hypothesis Testing

Path Coefficients (Direct Effect):

Table 7: Path Coefficients

Hypothesis	Path	Beta Value (β)	Standard Deviation (STDEV)	T Statistics	P Values	Result
H1	TMP -> EE	0.758	0.03	24.93	0.00***	Supported
H2	TMP -> WC	0.664	0.054	12.2	0.00***	Supported
H3	EE -> ER	0.275	0.042	6.576	0.00***	Supported
H4	WC -> ER	0.231	0.058	3.952	0.00***	Supported
H5	TMP -> ER	0.405	0.069	5.856	0.00***	Supported

*Significant at $p < 0.05$; ** significant at $p < 0.005$; *** significant at $p < 0.001$

The direct effects of the hypotheses are shown in table-7, along with the beta and the accompanying t-values, which are important in the context of the two-tailed t-test. The t-values were obtained via bootstrapping with 500 resamples.

As displayed in the Table-7, the relationships between GHRM bundle practices (which are Green Training, green reward & compensation, green employee involvement and green performance measurement) and EE and WC were positive, hence supporting H1 and H2. Next the relationship between EE and ER and the relationship between WC and ER were also positive, hence, supporting H3 & H4. H5 has also been proved as significant relationship has been found between TMP and ER.

Total Effect

Table 8: Total Effect

Hypothesis	Path	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Result
H5	TMP -> ER	0.767	0.029	26.787	0.00***	Supported

*Significant at p < 0.05; ** significant at p < 0.005; *** significant at p < 0.001

And from table 8 represents the path, t-statistics and P values for H5 keeping consideration the effect of mediator. All hypotheses we constructed have been supported here.

Analysis of Mediating Effect:

Specific Indirect Effect

Table 9: Specific Indirect Effects

Hypothesis	Path	Beta Value (β)	Standard Deviation (STDEV)	T Statistics	P Values	Result
H6	TMP -> EE -> ER	0.208	0.032	6.444	0.00	Supported
H7	TMP -> WC -> ER	0.153	0.043	3.531	0.00	Supported

*Significant at p < 0.05; ** significant at p < 0.005; *** significant at p < 0.001

Mediation analysis was performed to assess the mediating role of EE and WC in the relationship between the independent variables (TRP, TD, ICP, and CP) and the dependent variable (ER). The direct effect of TMP on EE (β=0.758, t=24.93, p = 0.000) and EE & ER (β=0. 0.275, t=6.576, p = 0.00) is significant. The results (Table-9) revealed a significant indirect effect of TMP on ER through EE (H11: β=.208, t=6.444, p = 0.000). With the inclusion of the mediator (EE & WC) the total effect of TMP on ER is also significant (β=0.767, t=26.787, p = 0.000). This shows a complementary partial mediating role EE in the relationship between TMP and ER. Hence, H6 has been supported.

The direct effect of TMP on WC (β=0.664, t=12.2, p = 0.000) and WC & ER (β=0.418, t=3.952, p = 0.00) is significant. The results (Table-9) revealed a significant indirect effect of TMP on ER through WC (H11: β=0.153, t=3.531, p = 0.000). With the inclusion of the mediator the total effect of TMP on ER is also significant (β=0.767, t=26.787, p = 0.000). This shows a complementary partial mediating role EE in the relationship between TMP and ER. Hence, H7 has been supported.

DISCUSSION

All the hypotheses given in the context of this study are strongly supported by the results in this study with a positive association between TMP and ER either directly or indirectly through mediators consisting of WC and EE. In particular, H1 and H2 show that effective TMP, such as talent recruitment, training and development, determination of crucial positions and compensation practices provide positive impact on ER. This follows research done by Abdullahi et al. (2022) and Tanton (2007) who also noted that structured talent management improves the desire of employees to perform and minimize turnover. The SMEs in Bangladesh are having small resources yet the application of strategic TMP helps them in having a promised and competent labour force.

H3 is supported as ER has positive correlation with EE, meaning that active staffs have an increased tendency to stay. This observation backs up Payambarpour and Hooi (2015) who were highlighting that engagement, creates emotional and cognitive attachment that curbs voluntary turnover. On the same note, H4 and H5

indicate a positive influence of TMP on WC and WC on EE. These findings confirm Kontoghiorghes (2016) that an organizational culture that is conducive mediates the effect of the HR practices on employee outcome, including motivation and commitment.

The meditating consequence of WC (H6) and EE (H7) further highlights the importance of the mechanisms in which TMP has critical influence on ER. SMEs that foster desirable culture at the workplace and motivate workers through their engagement record higher retention results. This result builds on previous study by Sun et al. (2007) and Jiang et al. (2012) which stressed the importance of mediating organizational factors e.g. culture and engagement in enhancing the power of HR practices on retention. The findings also indicate that the priority of TMP over resources can contribute to the HR interventions in a way that SMEs become competitive and stable, proving that such solutions can be relevant even though designed to meet their needs in the context of the developing economies.

Further, the study presents contextual evidence on Bangladesh which is a developing economy where SMEs have specific challenges to meet like financial constraints, lack of talents and higher turnover. In contrast to the previous studies on the developed countries context (Abdullahi et al., 2022; Kontoghiorghes, 2016), the current study demonstrates that, even in restricted setting of SMEs, a combination of strategic TMP with favourable culture and engagement procedures results in the significant improvement of retention. In combination, these results corroborate the theoretical arguments supported by Social Exchange Theory, Resource-Based View, and Job Demands Relative of Job Resources Theory because it is possible to conclude that investments in human capital (and those on the work environment) will generate mutual benefits between employees and companies.

Theoretical Implications

This research has a number of theoretical implications as it places Resource-Based View (RBV) at the core of a development in explaining the concept of employee retention with reference to TMP in SMEs working within a developing economy. Conventionally, RBV insists that competitive sustainable advantage occurs within the organizational assets that are both valuable, rare, inimitable and non-substitutable (Barney, 1991). Most of the previous studies have focused on physical or financial resources, or analyzed human capital in resource endowed large firms. Comparatively, this paper shows that in the SME environment of Bangladesh, TMP per se i.e., selective recruitment, systematic development, career planning, and equitable payment are essential strategic assets. This increases the application of RBV by demonstrating that intangible HR practices can be resource based drivers of retention and long term competitiveness despite resource limitation.

The second theoretical implication relates to how resources are converted to sustained advantage. RBV has been accused of being too vague on how the linkages between resources and outcomes take place. The current research considers this gap by empirically confirming the mediating effects of WC and EE. Both WC and EE turn out to be intangible, firm-specific capabilities that reflect the value of TMP and enhance their retention impacts. By so doing, the study narrows down the explanatory ability of RBV, and it is implied that human capital resources are not enough unless they are incorporated in the cultural and psychological environment that renders them inimitable and durable. Therefore, the results are relevant to the current theoretical discussion of the mechanisms of resources activation and exploitation in organizations.

Third, the RBV contextualization in SMEs of a developing economy enhances its boundary conditions. RBV has been criticized in many occasions because it assumes that resources are available in large quantities and also because it ignores institutional and cultural limitations. This study demonstrates that, despite its small resources, SMEs can transform comparatively small investments in TMP into long-term benefits by creating a positive culture and an active workforce. This demonstrates that RBV is a flexible and useful model in various organizational and national contexts, as well as shows that the channels through which resources provide retention benefits is dependent on the context.

Collectively, this study is beneficial to RBV in the sense that, it does not just show that human capital is a strategic resource, but rather that its worth depends upon cultural and engagement-based processes in resource-constrained settings. It answers the question of why theory by demonstrating why RBV is a suitable frame to

use to explain retention in SMEs as well as why intangible resources related to HR are relevant to competitive advantage and that the context is the key determinant of how resources are brought to bear.

Practical Implications

The results of the research in question can be used to improve the employment retention of workers based on TMP directly by SME managers, HR professionals, and policymakers in this sector. To begin with, the SMEs need to understand that planned TMP (in terms of the recruitment of talent, fall and development, gaps analysis, and remuneration policies) is directly related to employee retention. It is possible to control the turnover and ensure the stable workforce of SMEs preventing the loss of employees and enhancing the organization outcomes through the systematic application of these practices (Abdullahi et al., 2022; Tanton, 2007).

Second, the importance of developing an effective WC should be discussed. Sub-cultures within organizations which promote open communication, appreciation and an understanding of convergence between employee/organizational values engender a culture of participation and commitment. Starting to incorporate engagement activities like opportunities to build a career, mentorship, and participatory decision-making reinforces the TMP-Employee Retention connection (Payambarpour & Hooi, 2015; Kontoghiorghes, 2016).

Third, the paper points out those low-cost, high impact HR interventions can be applied even by resource-constrained SMEs. Example cross-employee training, flexible work schedules, and rewards through recognition are just some examples of ways to significantly increase engagement and retention without large monetary costs. Technology-enabled solutions may also be used to optimize the efficiency and consistency in HR functions through their ability to support elements of recruiting processes, performance tracking and employee feedback.

Moreover, based on these findings, policymakers may develop supportive policies and incentives to SMEs that would allow smaller companies to implement a structured approach to talent management, including subsidized training, HR consultancy services and workforce training initiatives. The use of these insights allows SMEs to gain some continuous competitive advantages by using human capital in its optimal form so as to increase productivity, lower turnover costs and satisfaction levels of employees. Finally, the research indicates that the direct involvement in evidence-based TMP and engagement-driven approaches may do not only help employees but also increase organizational resilience, thereby, allowing SMEs to succeed and survive in unfavourable economic conditions.

Limitations and Future Research Directions

Despite the above contributions, this study has a couple of methodical and contextual limitations that must be taken into consideration during interpretation of findings. The first reason is that the study used a cross-sectional design that measures employee perception at only one time. Though this method offers some useful information regarding the correlation between TMP and WC, EE and ER, it restricts our capacity to test the cause-and-effect relationships and the degree to which these connections change over time. The future research directions may involve the application of longitudinal designs to measure temporal dynamics and to set up firmer causal inferences.

Second, in context of the study, the research specifically considers SMEs in Bangladesh, specifically those in manufacturing, services, trading and technology sectors. Even though the present context imparts specific knowledge on small and medium-sized businesses in developing economies, it is still possible that the same study is not generalizable to large corporations, multinational corporations, and SMEs in other countries with dissimilar culture levels and regulatory practices. Industry differences across countries: Future study may spread the model to other areas or assess cross-country context situations to test TMP impact strength in various economies and business models.

Third, the identified was based on employee/manager self-reported surveys, which can give rise to social desirability bias or perceptual distortion. In spite of ensuring confidentiality and anonymity, it is possible that the respondents would give positive responses that would not actually identify true claims by organizations.

One way that future studies could enhance the validity of a self-reported survey is to triangulate results with data collected by an organization, HR reports, or observation. Moreover, the role of mediators was typically central: Workplace Culture and Employee Engagement were included, but there was a lack of mediating and moderating variables (various leadership's styles, organizational climate or technological readiness) among others. These factors could help understand mechanisms of TMP-induced retention in more detail. Finally, the paper concentrated on generic TMP structures such as recruitment, training and development, compensation and identification of critical positions. The next step in the research would be to focus on the role of niche talent practices (i.e., digital HR interventions, performance-based incentives, and talent mobility programs) to determine their subtle impact, on employee engagement and retention. In overcoming these limitations, later research will be able to extend this study in an attempt to further deepen these theories, increase generalizability, and come up with more practical findings useful to SMEs in rapidly-changing business environments.

CONCLUSION

This study demonstrates that Talent Management Practices (TMP) represent a critical source of sustained competitive advantage for SMEs when viewed through the lens of the Resource-Based View (RBV). By showing that the strategic value of TMP is realized through intangible mechanisms such as workplace culture and employee engagement, the research establishes that human capital is not merely a resource but a capability whose impact depends on how it is embedded and enacted within organizational contexts. In doing so, the study addresses longstanding critiques of RBV by evidencing its relevance in resource-constrained environments and highlighting the contingent role of institutional and cultural conditions. Ultimately, the findings strengthen RBV's explanatory power by clarifying why intangible, people-based resources are central to talent retention, and by demonstrating that even small-scale investments in human capital can yield durable competitive advantages for SMEs in developing economies.

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