

Talent management practice effectiveness: investigating employee perspective

Investigating
employee
perspective

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Abstract

Purpose – The purpose of this paper is to enhance the theoretical and empirical understanding of the process through which talent management (TM) practice effectiveness impacts high-potential employees' commitment to leadership competence development.

Design/methodology/approach – Structural equation modelling was utilized to analyse survey data representing a sample of 439 high-potential employees from 11 Finnish multinational corporations.

Findings – First, the authors found that the more high-potential employees perceived TM practices to be effective, the more they were committed towards leadership competence development. Next, the findings revealed that the association between TM practice effectiveness and commitment to leadership competence development operates by means of psychological contract fulfilment. Finally, the authors found that female employees possessed a stronger reaction to the effectiveness of TM practices by demonstrating higher levels of commitment to leadership competence development than male employees.

Originality/value – This study supports social exchange theory, which postulates that when organizations invest in their employees, the employees are likely to reciprocate these corporate investments in positive ways. The findings indicate that TM practices may help high-potential employees to make sense of their employment relationship and communicate to employees those attitudes and behaviours that organizations value. The authors thus advocate that in order to have the desired effect, such as for instance the increased commitment to leadership competence development, it is crucial for organizations to invest in those TM practices that are perceived as effective by employees.

Keywords Gender, Employee attitudes, Employee development, Human resource management, Employee participation, Psychological contracts

Paper type Research paper

Introduction

Academics and practitioners agree that talent management (TM) continues to be one of the priorities for organizations worldwide, since it can represent a source of sustainable competitive advantage in the highly dynamic and often uncertain market environment of the twenty-first century (Cascio and Boudreau, 2016; Meyers and van Woerkom, 2014; Vaiman *et al.*, 2012). Building on other existing definitions, we refer to TM as one of those HRM-related “activities and processes that involve the systematic identification of key positions that differentially contribute to the organization’s sustainable competitive advantage, the development of a talent pool of high-potential and high-performing incumbents to fill these roles, and the development of a differentiated human resource



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architecture to facilitate filling these positions with competent incumbents, and to ensure their continued commitment to the organization” (Collings and Mellahi, 2009, p. 305).

Notwithstanding the magnitude of TM, organizations continue to face severe difficulties in keeping high-potential employees committed and satisfied (Beamond *et al.*, 2016). It is not surprising thus that both academics and practitioners have become increasingly interested in studying the attitudes of this type of employee (Farndale *et al.*, 2014; Meyers and van Woerkom, 2014; Swailes and Blackburn, 2016). However, although the significance of TM practices has been widely acknowledged by both scholars and practitioners (Björkman and Mäkelä, 2013; Hartmann *et al.*, 2010; Thunnissen, 2016), there has been limited research on the association between the effectiveness of TM practices and high-potential employees’ attitudes and behaviours (Hartmann *et al.*, 2010). This may be a serious omission for several reasons.

First, TM practices (also sometimes referred to as developmental activities or leadership development activities) are priority practices widely used by many organizations for the development of high-potential employees (Hartmann *et al.*, 2010; Khoreva and Vaiman, 2015; Thunnissen, 2016). TM practices can be defined as demanding assignments that expand the capacity of high-potential employees to perform global leadership roles in the future (Björkman and Mäkelä, 2013). TM practices may fulfil high-potential employees’ needs and generate favourable attitudes and behaviours that can result in superior performance (Kuvaas, 2008). Second, TM practices can facilitate greater commitment by high-potential employees to the organization and increase their motivation to work hard to support organizational effectiveness (Lee and Bruvold, 2003). Next, TM practices allow high-potential employees to become more agile, which is necessary in order to compete in a modern unpredictable business world and expand high-potential employees’ capacity to be effective in leadership roles and processes. Finally, these practices fulfil the need for organizations to meet their future requirements for high-potential human capital (Collings and Mellahi, 2009). Yet, lack of effective TM practices may lead to failed assignments and significant financial costs (Yan *et al.*, 2002), or to high-potential employees shying away from developmental but high-risk activities (Björkman and Mäkelä, 2013). This may indicate missed opportunities for both high-potential employees and their employers.

Commitment to leadership competence development among high-potential employees is central to the overall competitiveness of organizations; it may also lead to better leadership and superior performance (Collings and Mellahi, 2009). With a commitment to leadership development, high-potential employees tend to compete for higher positions, develop their knowledge and skills and thus strengthen the overall organizational effectiveness (Björkman *et al.*, 2013). Even though commitment to leadership competence development has been found to be a vital antecedent of positive organizational outcomes in previous empirical research (Björkman *et al.*, 2013), there have not been any studies, to the best of our knowledge, which have focussed on the association between TM practice effectiveness and commitment to leadership competence development among talented employees.

Against a background of the discussion above, the aim of this study is to examine the association between TM practice effectiveness and high-potential employees’ commitment to leadership competence development. In line with other scholars (e.g. Nishii and Wright, 2008), we believe that the causal chain between TM practice effectiveness and high-potential employees’ attitudes may be more complex than previously thought simply because high-potential employees are likely to perceive, value, and react to these practices differently. Research models were thus encouraged to contain appropriate controls, perhaps going beyond those that are typically used and to consider more explicitly alternative explanations. Particularly, several studies have suggested that since psychological contract (Rousseau, 1995) between employers and employees is changing, and high-potential employees worldwide are becoming less loyal (e.g. Hartmann *et al.*, 2010), the role of psychological contract fulfilment needs to be investigated in TM research.

In addition, gender inequalities in recruitment, retention, and career development were suggested to prevent female high-potential employees from achieving equal outcomes at work as similarly to male high-potential employees (Tatli *et al.*, 2013). The interplay of TM and gender studies were recommended as a fruitful avenue for future studies (Böhmer and Schinnenburg, 2016; Tatli *et al.*, 2013). Thereby, in this study, in line with social exchange theory (Blau, 1964), we investigate the mediating role of psychological contract fulfilment in the association between TM practice effectiveness and high-potential employees' commitment to leadership competence development and the moderating role of gender in that association.

Building on social exchange theory (Blau, 1964), the study makes several contributions to TM literature. First, the study investigates high-potential employees' perceptions of TM practice effectiveness and their attitudes towards it. Rather than investigating TM practice effectiveness through the assertions made by supervisors, we focus on high-potential employees' perceptions of TM practice effectiveness (Boxall *et al.*, 2011; Paauwe, 2009). Second, rather than assuming that all employees are subject to the same HRM-related practices, we focus on identifying the target employee group in the examined organizations and on TM practices designed particularly for this employee group (Boxall *et al.*, 2011). The target group for this study is defined as high-potential employees that multinational corporations (MNCs) estimated to be potential top managers/management team members in the year 2020, based on an explicit formal talent review process. Finally, in this study, we investigate both mediators and moderators. We study the factors that connect TM practices to high-potential employees' attitudes that have largely remained a void (Chang, 2005). By highlighting the intervening function of these intermediary factors, we aim to provide a deeper understanding of the TM process.

Development of hypotheses

TM practice effectiveness

Social exchange theory provides a useful lens for understanding how perceived TM practice effectiveness may generate positive high-potential employees' attitudes. The theory suggests that when organizations invest in their employees, they are likely to reciprocate these corporate investments in positive ways (Björkman *et al.*, 2013; Cropanzano and Mitchell, 2005). The empirical evidence, based on the concept of social exchange and the norm of reciprocity, also suggests that inducements, such as positive and beneficial actions directed at employees by the organizations, create conditions for employees to reciprocate in positive ways (Settoon *et al.*, 1996).

In line with social exchange theory, we argue that TM practices provide an arena for high-potential employees to reciprocate in positive ways. TM practices may influence how high-potential employees perceive and react to organizational signals; they can, intentionally or unintentionally, send signals that high-potential employees interpret and make sense of to form an understanding of desired reactions (Collings and Mellahi, 2009). Overall, the goal of designing and implementing TM practices is to structure it in a way that leads to increased cognitive skills relevant to the job and/or the organization, increased task productivity, and increased contextual behaviours of high-potential employees (Collings and Mellahi, 2009). Hence, when organizations invest in their high-potential employees by getting them involved in TM practices, high-potential employees can reciprocate this investment by committing to leadership competence development. In order to do so, employees may look for TM practices which they perceive to be the most effective (De Pater *et al.*, 2009; Khoreva and Vaiman, 2015).

Since commitment to leadership competence development represents one of the desired high-potential employees' attitudes to TM (Björkman *et al.*, 2013), we suggest that when high-potential employees undertake TM practices offered by organizations and perceive them to be effective, they will return this organizational investment in a form of increased commitment towards leadership competence development. In other words, high-potential employees are unlikely to reciprocate in a form of increased commitment to

leadership competence development unless they perceive TM practices to be effective. Therefore, we expect:

H1. TM practice effectiveness is positively related to commitment to leadership competence development.

Psychological contract fulfilment

Although scholars agree that TM practice effectiveness is likely to be associated with positive high-potential employees' attitudes (Chang, 2005), the causal chain may be more complex than previously thought, since high-potential employees are likely to perceive, value, and react to TM practices differently. Within the psychological contracts literature, these dynamics have been studied in terms of employee perceived inducements and employee-felt obligations to contribute to the organization (Rousseau, 1995).

Psychological contract reflects employee perceptions of the rules of the exchange relationship between the employer and the employee, as well as the resources that are exchanged. Psychological contract describes what employees believe they owe to their employer and what they believe they are owed in return (Dulac *et al.*, 2008). In essence, psychological contract indicates the nature of organizational inducements and the behavioural criteria upon which they are provided (Shaw *et al.*, 2009). Psychological contract fulfilment can significantly impact an array of employee attitudes and behaviours such as job satisfaction, organizational commitment, turnover intentions, and actual turnover and performance (Rousseau *et al.*, 2011).

TM practices can convey the employer's future intentions, which suggest future opportunities for high-potential employees. High-potential employees who perceive that the organization has invested in the employment relationship may feel an obligation to repay the investment (Cole *et al.*, 2002). Furthermore, given the prevailing notion of reciprocity, such signals can impact the way high-potential employees feel about and behave towards the organization through the psychological contracts they create (Rousseau, 1995). To the extent that high-potential employees perceive that qualities and behaviours that reflect their development are valued and rewarded, they may have an incentive to align their behaviours and develop desired qualities.

Following the logic of social exchange theory, it seems reasonable to assume that TM practice effectiveness may not be enough for reciprocity. High-potential employees may need not only to perceive TM practices to be effective, but they also would need to agree with the values and logic behind those TM practices, namely, in terms of fairness and appropriateness (Chang, 2005). Psychological contract fulfilment may encompass this alignment in terms of TM practice fairness and appropriateness (King, 2016; McDermott *et al.*, 2013). Hence, the association between TM practice effectiveness and commitment to leadership competence development may depend on psychological contract fulfilment. In light of this discussion, we hypothesize:

H2. Psychological contract fulfilment mediates the association between TM practice effectiveness and commitment to leadership competence development.

Gender

Some attention has been paid to studying the moderators in TM (Paauwe, 2009). Moderated relationships, theoretically, assume that the impact of one variable on another variable differs depending upon the level of a third variable (e.g. employee background). Indeed, employee background may influence the way employees collect, process, store, and use information from their environments (Shaw, 1990). The association between TM practice effectiveness and high-potential employees' attitudes may also involve the concept of moderation.

Although we recognize that male and female employees are more similar than different, they may react differently to particular TM practices (Böhmer and Schinnenburg, 2016). Female employees continue to face greater barriers to advancement than their male counterparts (i.e. glass ceiling). In order to succeed in their careers, female employees may thus spend the same commitment (as male employees) on undertaking various TM practices, but they might expect fewer benefits from their efforts. In addition, earlier studies have shown that male employees tend to support HR practices to a greater extent than female employees, perhaps because on average, female employees work fewer hours than male employees (Altonji and Spletzer, 1991). In a similar vein, in a study of male and female executives, Lyness and Thompson (2000) found that mentoring was more strongly related to career success of male managers than of female managers. Likewise, Boatwright and Egidio (2003) revealed that female employees sought feedback to a lesser extent than their male colleagues, in part because of their own lack of confidence about the nature of the results likely to be obtained, and in part because of their unwillingness to impose on others' time. Finally, Brammer *et al.* (2007) suggested that HR practices were of a lower salience to female employees in their evaluations of the organization they worked for than for male employees.

Consistent with previous empirical research, we expect male and female high-potential employees to differ considerably in their perceptions of TM practice effectiveness. Male high-potential employees are suggested to show stronger reactions to TM practice effectiveness by demonstrating higher levels of commitment to leadership competence development than female high-potential employees:

- H3.* Gender moderates the association between TM practice effectiveness and commitment to leadership competence development, so that the relationship is stronger for male than for female high-potential employees.

Method

Participants and sample

The data for this study were obtained in the context of a large-scale project on TM entitled "Leadership 2020 Talent Survey". The project was designed and conducted in cooperation between Hanken and Stockholm School of Economics Executive Education. The largest Finnish MNCs were invited to participate in the project. The selected MNCs were required to exhibit superior business performance and reputation as employers. The selected MNCs also needed to have formal yearly corporate TM systems in place. Eight MNCs joined the project in 2012 and five joined in 2013. Two MNCs participated in the study in both years. Altogether, 11 Finnish MNCs took part in the survey and delivered a sample based on a target group definition: high-potential employees the corporations estimated would be potential top managers/management team members in the year 2020 based on an explicit formal talent review process.

The target group of high-potential employees received an invitation by e-mail to take part in the survey, which they completed online. A cover letter explaining the purpose and scope of the project accompanied the online survey, assuring respondents of anonymity and stating that participation in the project was voluntary. Two reminders were sent by e-mail during the data collection period. During the first year, the responses numbered 330 (response rate 56 per cent), and during the second year, they numbered 109 (response rate 69 per cent). We combined both measurements, creating a total sample of $n = 439$. We explored differences between the two years by adding time of measurement as a covariate in all analyses. The detailed statistics are reported in Table I.

Operationalization

TM practice effectiveness. Based on the previous empirical research of Björkman and Mäkelä (2013), we operationalized TM practice effectiveness by asking the respondents to indicate

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Category	%
<i>Organization size</i>	
< 5,000 employees	45.4
5-10,000 employees	27.3
> 10,000 employees	27.3
<i>Industry</i>	
Industrial machinery and services	45.5
Financial services	18.2
Pharmaceutics	9.05
Public-service provider	18.2
IT services	9.05
<i>Gender</i>	
Male	66.9
Female	20.8
<i>Age</i>	
1 ≤ 30	2.4
31-35	15
36-40	21.8
41-45	15
46-50	8.4
51+	4.2
<i>Organizational tenure</i>	
0-6 months	1.6
7-12 months	3.6
1-2 years	18.4
3-5 years	30.5
6-10 years	17.8
10+ years	15.2

Table I.

Descriptive statistics

Notes: $n = 439$, sums may not amount to 100 per cent due to missing values

how effective they believed the following TM practices were: “Moving to new positions (for at least one year) in other countries”, “Moving to new positions (for at least one year) in other division/business unit”, “Moving to new positions (for at least one year) in other functions (e.g. service, sales, HR, finance)”, “Doing shorter term job assignments in other countries (for 2-12 months)”, “Doing shorter term job assignments in another division/business unit (for 2-12 months)”, “Doing shorter term (for 2-12 months) job assignments in other functions (e.g. service, HR, finance)”, and “Working on cross-boundary (borders, functions, business units/division) project assignments alongside regular job”. The questions were rated on a seven-point Likert scale (from 1 = not at all to 7 = to a great extent).

To ensure that the respondents participated in the examined TM practices, they were given the option to check the appropriate column if they had personal experience of the examined practices. To be included in the study, the respondents needed to have personal experiences of at least half of the practices. No one was removed from the study using this criterion suggesting that they all participated in a substantial number of the examined TM practices.

Commitment to leadership competence development. Based on the previous research of Björkman *et al.* (2013), we operationalized the respondents’ commitment to leadership competence development by asking them to rate the extent to which they had made the following commitments to their employer: “To seek out developmental opportunities that enhance my value to my employer”, “To build skills to increase my value to my employer”,

and “To make myself increasingly valuable to my employer”. The questions were rated on a seven-point Likert scale (from 1 = not at all to 7 = to a great extent).

Psychological contract fulfilment. This was measured using three items taken from a six-item scale developed by Robinson and Morrison (2000) to capture a measure of high-potential employees’ perceptions of how well their psychological contracts had been fulfilled by their employer. Tekleab *et al.* (2005) reported Cronbach’s α of 0.83 for the three-item scale which was taken from the original scale of Robinson and Morrison (2000). Thus the same shortened measure was adopted in our study. Answers were provided on a seven-point Likert scale (from 1 = do not agree to 7 = agree entirely). The respondents were asked to indicate their level of agreement on how well their employer (corporation) had fulfilled the promises it had made to the employee. The following items were applied: “All the promises made by my employer during recruitment have been kept so far”; “I feel that my employer has fulfilled the promises communicated to me”; “So far my employer has done an excellent job of fulfilling its promises to me”. Cronbach’s α was 0.95.

Gender. This was measured as a dummy variable (1 = male, 0 = female) and controlled for in all analyses.

Control variables. Research has indicated that older employees, having built up more stable psychological contracts, may react differently to psychological contract fulfilment than younger employees (Epitropaki, 2013). Additional variance may be introduced by the respondent’s educational background and length of organizational tenure indicating differences in current capabilities, which can influence the need for further development. We thus added four control variables to our model: age (1 = ≤ 30 years, 2 = 31-35 years, 3 = 36-40 years, 4 = 41-45 years, 5 = 46-50 years, 6 = 51+years), education (1 = Bachelor, 2 = Master, 3 = Doctoral), organizational tenure (1 = 0-6 months, 2 = 7-12 months, 3 = 1-2 years, 4 = 3-5 years, 5 = 6-10 years, 6 = 10+years), and participation year (1 = 2012, 2 = 2013).

Strategy of analysis

Our main research questions concerned the direct and indirect effects between TM practice effectiveness, commitment to leadership competence development, psychological contract fulfilment, and gender. To examine these effects, we used the software programme Mplus. This programme allows modelling latent variables, which provide an estimate of the association without measurement error (Kline, 2005). We thus applied a latent model identification procedure suggested by Kline, where the sample was first divided in two random halves. We then performed an exploratory factor analysis (EFA) on one-half of the sample, and attempted to confirm the best solution with a confirmatory factor analysis (CFA) on the second half of the sample. In doing so, we establish the most robust solution while controlling for measurement error in the latent constructs (see Little, 2013, for a full discussion).

In the first EFA, we included all the items of TM practice effectiveness. The advantage of using EFA in Mplus is that missing data are estimated using full information maximum likelihood, which provides more robust estimates of missing data than list wise deletion or mean-supplementation methods (Muthén and Muthén, 1998/2012). We evaluated the solutions based on the four criteria given by Kline (2005): eigenvalues (solutions with values above 1 are preferred), low cross-loadings, significant and high (i.e. > 0.40) loadings to one latent factor per item, and model fit. The model fit was evaluated according to Little’s (2013) criteria, with the comparative fit index (CFI) > 0.90 , the root mean square error of approximation (RMSEA) < 0.05 , and the standardized root mean square residual < 0.05 . The solution provided with the acceptable result according to these criteria was subsequently modelled in the second half of the sample with the CFA using the effect coding method (Little, 2013). In effect coding, each indicator is constrained to be equal to other indicators giving them equal weight. We evaluated the CFA by using the model fit statistics specified above, and by judging the factor loading based on their significance and size of the

regression weights. In sum, we created a latent variable of TM practice effectiveness by first performing the EFA on the first half of the sample, followed by the CFA on the second half of the sample. We performed the same procedure for psychological contract fulfilment and commitment to leadership competence development, thus creating three latent variables.

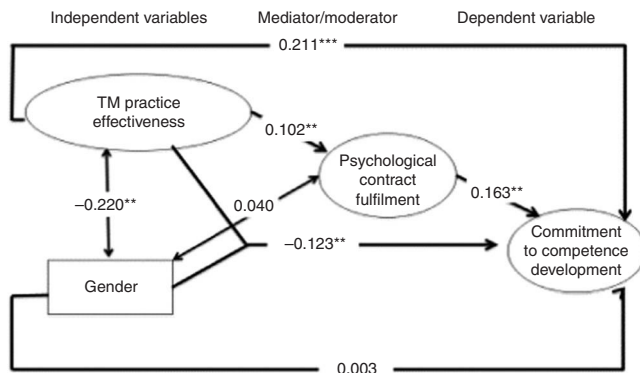
Next, we created a structural regression model (Kline, 2005) where the three latent variables were combined[1]. A graphical representation of the model we hypothesized and finally tested is shown in Figure 1. We used the entire sample for this step. *H1* concerned the positive association between TM practice effectiveness and commitment to leadership competence development. We thus specified a direct path from TM practice effectiveness to commitment to leadership competence development. In *H2*, we expected that psychological contract fulfilment would mediate the association between TM practice effectiveness and commitment to leadership competence development. To examine this hypothesis, we specified two additional paths: one from psychological contract fulfilment to commitment to leadership competence development, and another from TM practice effectiveness to psychological contract fulfilment. To be able to examine the indirect effects, we estimated bias-corrected bootstrapped intervals ($t = 10,000$) of the indirect effect of TM practice effectiveness on commitment to leadership competence development via psychological contract fulfilment.

Finally, according to *H3*, gender would moderate the association between TM practice effectiveness and commitment to leadership competence development, so that the association is stronger for male than for female employees. We examined this hypothesis by creating an interaction effect between gender and TM practice effectiveness. The interaction effect was then used to predict commitment to leadership competence development, while controlling for all main effects. All effects in the model were centred. We explored the interaction effect by plotting the effect using Aiken and West's (1991) procedure.

Results

Table II shows the descriptives of all variables used in this study. To keep consistent with the analyses used to test the specific hypotheses, the means, standard deviations, and correlations were estimated in Mplus.

In all solutions, the one-factor solution had the best model fit. Models with a two-factor solution did not have a significantly ($p > 0.10$) better model fit, supporting the one-factor model fit (Table III). Moreover, the eigenvalues were higher than 1.00, the cross-loadings were non-significant, and each item loaded significantly ($p < 0.001$) and highly ($p > 0.88$) on



Notes: The indirect effect of TM practice effectiveness on commitment to leadership competence development via psychological contract fulfilment was $\beta=0.012$, $p=0.01$. ** $p < 0.01$; *** $p < 0.001$

Figure 1. Final model results for structural regression model with standardized regression weights and correlations

Variables	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Organizational tenure	1.412	0.843							
2. Education	5.103	1.212	-0.037						
3. Age	3.834	1.412	0.287***	-0.083**					
4. Participation year	1.247	0.421	-0.340***	0.109**	-0.288***				
5. Commitment to competence development	2.984	1.109	-0.118**	-0.080*	-0.084**	-0.051			
6. Psychological contract fulfilment	5.086	1.138	-0.094**	0.004	-0.019	0.061	0.186**		
7. TM practice effectiveness	5.344	1.067	-0.100**	0.025	-0.032	-0.018	0.242**	0.099*	
8. Gender	0.763	0.419	-0.005	0.109**	0.055*	0.132*	-0.082*	0.040	-0.216***

Notes: All two-tailed tests. All means, standard deviation, and correlations were obtained by maximum likelihood estimation in Mplus. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table II. Estimated means, standard deviations, and correlations between latent and observed variables

	χ^2	df	CFI	RMSEA	SRSMR
EFA TM practice effectiveness	253.905	20	0.991	0.011	0.041
EFA psychological contract fulfilment	3.129	1	0.990	0.012	0.010
EFA commitment to competence development	1.932	1	0.990	0.031	0.031
CFA TM practice effectiveness	190.29	20	0.993	0.022	0.030
CFA psychological contract fulfilment	4.003	1	0.992	0.021	0.021
CFA commitment to competence development	2.821	1	0.991	0.032	0.034
Structural regression model	517.51	146	0.910	0.041	0.049

Table III. Model fit indices for exploratory factor analyses, confirmatory factor analyses and structural regression model

Notes: The EFA's were performed on one randomly selected half of the sample ($n = 220$) and the CFA's on the other half of the sample ($n = 219$). The structural regression model was performed on the entire sample

one latent factor. Thus, the one-factor solution received most empirical support. As this is also consistent with the theoretical expectations, we retained the one-factor solution. We subsequently examined the one-factor solution with CFA (Table III). All model fit indices supported the one-factor solution. Thus, we proceeded with the models where the items were used as indicators for a one-model fit.

We combined CFA in one single model using the entire sample to examine the three hypotheses. Results are shown in Table IV and Figure 1. According to *H1*, TM practice effectiveness was positively associated with commitment to leadership competence development. This hypothesis was supported, even when controlling for effects of gender, age, education, organizational tenure, and participation year.

According to *H2*, psychological contract fulfilment mediated the effects of TM practice effectiveness on commitment to leadership competence development. Table III shows that the indirect effect of TM practice effectiveness on commitment to leadership competence development was mediated by psychological contract fulfilment. *H2* was thus supported.

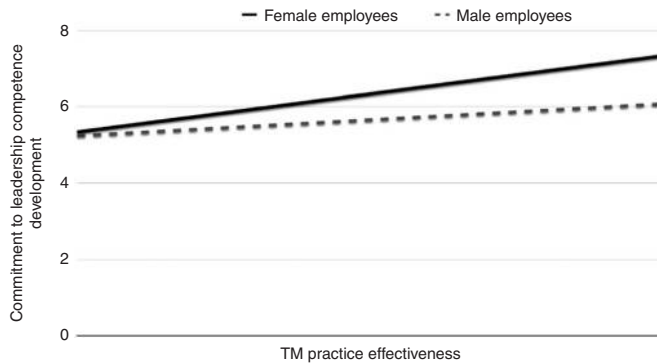
H3 posited that the effect of TM practice effectiveness on commitment to leadership competence development was moderated by gender. We tested this hypothesis by entering the interaction between gender and TM practice effectiveness while controlling for all main effects. Findings in Table IV show that this interaction effect was negative and significant. We explored the interaction effect by plotting it, as shown in Figure 2 (see Aiken and West, 1991, for details). A simple slope analysis showed that both slopes for male ($s = 2.01$) and female ($s = 0.84$) employees were significant ($p < 0.05$). However, in contrast to our

Table IV.
Structural regression
model with mediation
and moderation
effects

	Standardized parameters	SE	95% confidence intervals	
			Lower bound	Upper bound
Gender → Commitment to competence development	-0.003	0.048	-0.082	0.077
Age → Commitment to competence development	-0.100*	0.049	-0.298	-0.011
Organizational tenure → Commitment to competence development	-0.101*	0.043	-0.256	-0.021
Participation year → Commitment to competence development	-0.104*	0.042	-0.234	-0.012
Education → Commitment to competence development	-0.074	0.065	-0.263	0.043
TM practice effectiveness → Commitment to competence development	0.211***	0.043	0.043	0.452
Psychological contract fulfilment → Commitment to competence development	0.163***	0.012	0.021	0.215
TM practice effectiveness → Psychological contract fulfilment	0.102*	0.049	0.012	0.481
Indirect effects mediation				
TM practice effectiveness → Psychological contract fulfilment → Commitment to competence development	0.012**	0.002	0.002	0.060
Moderation				
Gender × TM practice effectiveness → Commitment to competence development	-0.123***	0.019	-0.223	-0.060

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Figure 2.
Interaction effects
between TM practice
effectiveness with
gender on
commitment to
leadership competence
development



expectations, the effects of TM practice effectiveness on commitment to leadership competence development were significantly stronger ($p < 0.05$) for female employees than for male employees. $H3$ was thus not supported.

Finally, we explored whether the effects we found depended on the corporation the respondents belonged to, as it might be conceivable that in some MNCs TM practice effectiveness has a larger impact on commitment to leadership competence development than in other MNCs. The same may hold true for the mediation and moderation effects. We tested this assumption by examining the interaction effects between MNC on the one hand, and both independent variables, the interaction term, and the mediating variable, on the other. All interaction effects were non-significant ($\beta < 0.01, p > 0.10$).

Discussion

The global economy generates a competitive environment that is becoming progressively more dynamic and uncertain for organizations in general and MNCs in particular.

Employees who can cope effectively with this complex, vibrant, and often uncertain global environment are crucial for future organizational effectiveness and sustainable growth (Caligiuri and Tarique, 2009). These employees are commonly known as high-potential employees. In line with calls for literature and empirical studies in the field of TM to pay specific attention to high-potential employees, this study examines the antecedents of commitment to competence development among this group of employees. Specifically, by applying social exchange theory, we investigated whether TM practice effectiveness resulted in increased levels of commitment to competence development among high-potential employees. Additionally, we analysed whether psychological contract fulfilment had a mediating role, and gender – a moderating role, in this association. The model was tested on a data set comprised of 439 high-potential employees from eleven Finnish MNCs.

Our findings suggest that the more high-potential employees perceived TM practices to be effective the more they were committed to leadership competence development. This finding is in line with social exchange theory, according to which, inducements such as positive and beneficial actions directed at employees by the organization create conditions for employees to reciprocate in positive ways. This finding also indicates that TM practices may help high-potential employees to make sense of their employment relationship and to communicate to employees those attitudes and behaviours that organizations value.

Our results also reveal that the association between TM practice effectiveness and high-potential employees' attitudes is more complex than typically assumed. Specifically, in line with social exchange theory, our findings demonstrate that it is through the fulfilment of psychological contract that high-potential employees become more committed to leadership competence development in response to TM practice effectiveness. This finding leads to the conclusion that TM practice effectiveness shapes high-potential employees' interpretations of the terms of their psychological contract, and signals the kinds of attitude that are desired and rewarded within the organization. High-potential employees may not only need to perceive TM practices as effective but they may also need to align with the values and logic behind those TM practices, whereas psychological contract fulfilment may embody this alignment in terms of TM practice fairness and appropriateness (King, 2016).

Finally, we found that female high-potential employees possess a stronger reaction to TM practice effectiveness by demonstrating higher levels of commitment to leadership competence development than male high-potential employees. As Tatli *et al.* (2013) pointed out, female employees are less likely than male employees to compete for higher status roles as female employees shy away from competition and male employees embrace it. Female high-potential employees might thus consider that their talent remains less visible and under-valued (Acker, 2006), and thus express a stronger reaction to TM practice effectiveness. This finding also validates the argument made by both Nishii and Wright (2008) and Nishii *et al.* (2008) that a meaningful variability exists within organizations in terms of employee perceptions of and reactions to HR practices, and that ignoring the differences among employees and generalizing all types of employees may damage our ability to understand the process through which HR practices become associated with employees' attitudes.

Practical implications

The results of this empirical study should be of interest to practitioners. Perceived TM practice effectiveness was found to positively relate to high-potential employees' commitment to leadership competence development. We thus advocate that in order to have the desired effect, such as for instance, the increased commitment to leadership competence development, it is crucial for organizations to invest in those TM practices that are perceived as effective by employees. Organizations should keep communicating the availability and effectiveness of TM practices.

Since the degree of psychological contract fulfilment was found to be a good predictor of such an essential attitude as the commitment to leadership competence development, it can provide valuable insights into why TM practices achieve (or do not achieve) organizational goals. Organizations should pay closer attention to the fulfilment of psychological contract as well as focussing on TM practices themselves. Doing so may help organizations to shed some light on the problematic areas that are not viewed as problematic by organizations but are perceived as such by high-potential employees.

Finally, we also found that female high-potential employees possess a stronger reaction to TM practice effectiveness by demonstrating higher levels of commitment to leadership competence development than male high-potential employees. In practical terms, this finding indicates that female high-potential employees might be more sensitive to opportunities for professional development offered by organizations than their male counterparts. Although the intuitive explanation of this finding can be that female high-potential employees have a greater appreciation for the availability of developmental opportunities than male high-potential employees, we assume that organizations should not take it for granted that male and female high-potential employees differ in their attitudes. Instead, organizations should minimize the difference in the perceptions of male and female high-potential employees towards TM practice effectiveness in order to increase commitment towards leadership competence development among both male and female high-potential employees. By communicating more thoroughly the value of TM practices to both male and female high-potential employees and encouraging them to undertake developmental initiatives, organizations can make best use of the talent available to them. To do this, they need to encourage, motivate, and develop their high-potential employees regardless of gender.

Limitations and future research

Employees, and especially high-potential employees, play a central role in organizations. Uncovering mediators, moderators, and outcomes in the management of these employees may enable us to identify the current trends within TM, and hopefully, avoid tension in the future. Our study provides foremost insights into the underlying process by which TM by means of TM practices becomes reflected in desired high-potential employees' attitudes.

The results of this study must be interpreted cautiously. It is possible that some of the reported results are inflated by single-source response bias. However, there are several reasons to suggest that response bias may not be a significant concern here. First, the construct of TM practice effectiveness was conceptually distinct from the construct of commitment to leadership competence development. Second, this was supported by the results of both EFA and CFA, which were reported previously. Next, recent literature has suggested that single-source response bias is not as prevalent as scholars assumed (e.g. Nishii *et al.*, 2008) and is seldom a severe enough issue to invalidate research findings. The seemingly frequent criticism of self-reported data are somewhat exaggerated, since there is rather little evidence that single-source response method alone is sufficient to produce biases (Spector, 2006). Finally, our study examined high-potential employees' perceptions of TM practice effectiveness and their attitudes towards it. We thus questioned high-potential employees themselves and considered them a relevant source for the information targeted. Nevertheless, future research may consider applying other measures of high-potential employees' perceptions and attitudes in order to overcome the risk of single-source response bias.

Another limitation refers to the question of causality. A frequently cited problem with most of the research on HRM and TM and its outcomes is that it is difficult to be confident about the cause and effect relationship (Guest, 2011). For instance, the longitudinal study by Schneider *et al.* (2003) challenged the standard assumption that satisfaction, perhaps resulting from good HRM, leads to higher performance and concluded that the opposite direction of causality is

also feasible. In a similar vein, high-potential employees who are committed to leadership competence development may be provided with further developmental opportunities. Future longitudinal research designed to examine the evolving nature of TM practices over time may thus be beneficial. In addition, future research may investigate other mediators (e.g. perceived organizational support, perceived status, organizational identity), and other high-potential employees' attitudes (e.g. citizenship behaviour, turnover intentions, absenteeism) in order to provide a more profound understanding of the TM process.

Finally, considering the external validity of the findings of our study, it should be mentioned that our sample consisted of only Finnish MNCs, and the employee group in question were high-potential employees. We call for future research on organizations from other countries and on other categories of employees to examine whether there are any contextual limitations to the generalizability of our results.

Note

1. We also tested an alternative mediation model, as suggested by Kline (2005). Specifically, when using TM practice effectiveness as mediator, with psychological contract fulfilment as independent variable and commitment to leadership competence development as dependent variable, the model fit was unacceptable and worse ($\chi^2 = 1245.31$, $df = 146$, $p > 0.0001$; CFA = 0.67, RMSEA = 0.235, SRMR = 0.321).

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