

THE EFFECT OF TALENT MANAGEMENT, EMPLOYEE RECOGNITION AND COMPENSATION FAIRNESS ON ORGANIZATIONAL PERFORMANCE

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Abstract. The prime objective of the present study was to examine the impact of Human Resource (HR) practices, namely: employee recognition, compensation fairness and talent management on employee retention and organizational performance. The researchers also examined the mediating role of employee retention and moderating role of person job fit. The data was collected from the employees of Islamic banks of Indonesia through survey method. The data was collected through emails from the respondents. From the distributed questionnaires 359 questionnaires were received back. The results pointed out that employee recognition does not impact positively the organizational performance. Rest of the all direct and indirect proposed hypothesis were statistically significant. Moderating impact of person job fit on the path of employee retention and organizational performance was also confirmed. The study fills the gap of limited studies by examining the gap of limited studies conducted about HR practices in the Islamic banking sector. Conclusively, the findings of this study will be helpful for the practitioners and policy makers regarding the banking sector as well as help to retain employees by using different HR factors.

KEYWORDS: Talent Management, Employee Recognition, Organizational Performance, Employee Retention, Indonesia

1. Introduction

Organizations around the globe always compete with each other to gain competitive advantage. In order to achieve this, main source organizations have is their human resource. The efficiency and validity of organization is basically dependent upon the efficiency of the employee. The productivity of the employee impacts the organizational performance. the aim of organizations is to retain the employees who have skills and play important role to achieve their financial goals. For this purpose, talented employees need recognition (Inuwa, 2016).

Basically, employee recognition is the acknowledgement of an employee or set of employees for their accomplishment, efforts and hard work (Dalle & Hastuti, 2017). These efforts made by these employees are in line with the values and goals of organization. In past studies, the concept of employee recognition is not properly conceptualized. Employees need urgently to be recognized is the major challenge of HRM. The areas of work engagement and workplace life quality share employee recognition as an important contribution factor. Important nature of employee recognition is highlighted by employees. it is important factor for meaningful workplace. The factor of employee engagement works as the important factor for personal development. For the good mental health of a person, recognition is the important concept (Brun & Dugas, 2008).

Another important factor for employee retention and enhances the performance of the organizations is talent management. Talent management is the commitment of organization to recruit and retain the employee which is talented and skilled. It also shows commitment to retain such employees. Therefore, talent management is the term which

shows the commitment of organization to retain the employees who have skills to fulfil organizational goals. The recent shift on the concept of talent management is related to the its role to gain competitive advantage. The role of human resource management is important to gain competitive advantage. The concept of talent management is viewed as the basic human capital which have very important role to play in the success of organization (Vaiman, Scullion, & Collings, 2012). Therefore, there is need of proper talent management in order to compete in the market by all kind of companies.

The perception among employees that their salary reflects their efforts and quality of work is known as compensation fairness. This perception is mainly dependent upon a number of determinants and factors like responsibilities and skills which are needed for a job to be completed. It also includes the comparison of pay which are received by other workers for doing same kind of work. It is important to mention that compensation fairness do not mean that workers of any organization are being paid equally. In fact, it is the difference in the salary of employees according to the efforts, responsibilities and skills of an employee. The meaning of fair means that compensation was honest and impartial and determined as per the merit and justice. The outcome of the organization is dependent upon the factor that the amount of fairness for which they treat their employees (Hartmann & Slapničar, 2012).

One of the major problems in the management of workforce is the employee retention. It's been observed by researchers from the past trend that in future, those organizations will be successful which will be better able to retain their employees. these organizations will adapt strategies due to which creativity and innovation will be promoted which will have impact on employee's behaviour and organizational success. Thus, retention of employees is the complex concept and there exist no hard and fast rule which an organization can follow. Retention is basically the obligation on employee to continue the job with a specific organization. Basically, retention of employee is a cognitive construct which is basically the behavioural intention and plays very important role to create a permanent behaviour among employees. There are a number of important factors that plays important role to create retention among employees. these factors include system of career development, flexible work schedule, remuneration, salary, culture of organization and communication with colleagues and many more (Dutta & Banerjee, 2014).

All of the HRM efforts are done by organizations to improve their organizational performance. basically, organizational performance is based on actual result or output which are the intended goals and objectives. A number of specialists around the globe have shown their concern regarding their organizational performance. organizational performance is referred as the attitudes which can be assessed as their contribution to organizational goals (Cook & Hunsaker, 2001). Therefore, organizational performance is the overall picture of the organization in terms of achievement of their organizational goals and objectives (Abidemi, Halim, & Alshuaibi, 2017).

Employees are very important for service sector organizations (Dalle, Hairudinor, et al., 2020). One of the important service sectors is Islamic banking sector. Since last few years Islamic banking sector have grown rapidly since last few years (Rizvi, Narayan, Sakti, & Syarifuddin, 2019). It is important for banks to focus on their employees so they can improve their performance (Dalle, Siyoto, et al., 2020). therefore, the main objective of the present study was to examine the role of talent management, employee recognition, wage fairness on employee retention and organizational performance. Moreover, the mediating role of employee retention and moderating role of person job fit will be assessed as well.

2. Literature Review

Performance is basically a comparative term which is described in terms of referring to the outcome of some task. In a number of studies, a number of measures are developed to assess the performance of organization. Most of the times, performance of any organization is measured through financial achievement of organization. On the other hand, it can also be achieved through the task related outcomes of an individual. There are a number of factors that impacts the OP of the organization. One of these determinants is the role of HRM through which service sector organizations can achieve their financial goals and gain

competitive advantage over the other companies operating in same sector (Gondal & Shahbaz, 2012).

In order to achieve their goals, set by the organizations, it is crucial that these firms focus on ways by which they can achieve their target. In current decade, organizations have perception that they can achieve their goals by the skills and experience of their workforce. The factors which make the construct of OP are efficiency and effectivity of the organization in case of meeting the objectives of organization, the amount of resources used by the firm to meet the set objectives, the capacity developed by the firm to meet its objectives and challenges and innovation and quality of products being produced (Katou, 2008). Performance of banks is also very important for their survival. Number of banks are rising which include local and international banks. In this scenario, the performance of bank in terms of their market share and financial gain is very important to be measured regularly.

Employee Retention

Retention of employees is important for the survival of organizations. Basically, it is the process in which employees are encouraged to be the part of organization for maximum time period. In management terms ER reflects the efforts of the employer to retain the employee as the part of their workforce. In order to control the turnover of the employees, organizations must work on the strategies to retain the employees.

Researchers believed that employees are posing a number of challenges because the labour market is very tough in present era. Thus, it has become more difficult for employers to retain the employees for longer period of time. Since last decade, organizations are facing immense competition and facing complexity and difficulty to retain the employees. one of the targets set by the organizations is to keep the rate of turnover low and increase rate of retention of skilled employees. Among other challenges being faced by the organizations, one of the biggest unsolved issues is of employee turnover (Lewis & Sequeira, 2016).

Employee Retention and Organizational Performance

This is the age of commercialization and industrialization in which every organization is opting to achieve effectiveness and efficiency within organization which will impact the overall performance of organization. The basic challenge which organizations are facing are to retain the employees. as the present age is of globalization, the opportunities for employees are also on rise. Thus, for the development of the organizational competence, retention of employees has gained a lot of attention. The demands of employees are also changing in terms of their duties and jobs. A number of scholars in their studies have pointed out that biggest challenge employees are facing is the employee turnover. Moreover, different organizations use different ways to retain their employees. Thus, ER will have the positive impact on the performance of organization (Nasir & Mahmood, 2018).

On the other hand, it is pointed out that employees working in the organization are the most critical asset for that firm. For the survival of organizations, employees are the key because they hold the knowledge and skills. Moreover, organizations are competing with each other to acquire and retain the best challenge. Because of the complexity of business environment, management of employees is the biggest challenge being faced by the organization. Additionally, researchers noticed that the way of managing the people at the workplace is the main factor to improve the OP (Ibidunn, Osibanjo, Adeniji, Salau, & Falola, 2015). Thus, on the basis of above discussion, we can hypothesize that H1: ER and Employee performance are positively related to each other.

Employee Recognition: Relationship with Employee Retention and Organizational Performance

After reviewing the diverse literature regarding recognition of employees, it's been revealed that ERO is central for both individuals and organizations. Despite that the importance is given to the concept of recognition because of motivational reason but the other reason because of which researchers have acknowledged this concept because of

social capital, organizational health, TQM, reward, organizational engagement and identity. An extensive body of literature mentioned that noncash strategy is the best way for the recognition of employees. Basically, it is the best tool for the leadership in order to reduce absenteeism, apply safety compliances, improve health, improve quality, improve productivity and performance. Scholars defined recognition as the as the mechanism of giving special attention of acknowledgement to an employee who had good accomplishment or high performance. This recognition can be on the day-to-day basis or any other formal time decided by organization (Smith, 2014).

Retention of employees is positively impacted by the recognition system of organization. The basic purpose of recognition is to allow employees to understand and know that their contribution to organization is appreciated and valued. As a result, employee get sense of ownership, sense of belongingness, loyalty is developed, retention is increased and morale is improved as well (Mngomezulu, Challenor, Munapo, Mashau, & Chikandiwa, 2015).

ERO is basically the employee's acknowledgement for high performance. reinforcement of a certain behaviour is the main objective of ERO at the organization. Especially, the goal is to enforce the activities, practices and behaviour which can improve the performance of organization. In order to keep the self-esteem of employees high, organizations always try to recognize the employees. the performance of employees is very high who are recognized. Moreover, they are well motivated as well. It is because motivated employee's performance is good, and they can achieve the organizational goals effectively. Thus, there exist direct and positive relationship among job performance and ERO. Basically, recognition is the outcome of ability and motivation of the job which leads to good performance. the morale of employee is boosted because of ERO due to which the performance of employee is enhanced (Hussain, Khaliq, Nisar, Kamboh, & Ali, 2019). On the basis of these arguments, we can hypothesize that

H2: ERO positively impacts the ER.

H3: ERO positively impacts the OP.

Talent Management: Relationship with Employee Retention and Organizational Performance

Talent management in literature is defined as systematic deployment, retention, engagement, deployment, identification and attraction of person who can be beneficial for the organizations. They can take part to fulfil the operational roles or they can be important for some future goals and objectives. In other words, talent positioning is highlighting right person for the right time at the right place. The person having right competencies and have the capability to inspire everyone at organization. It is the responsibility of HR department working in the organization to find the right person and retain him for the maximum possible time period. The HR department must be able to do all this at every level of the firm. The systematic approaches being faced by the organizations include employee motivation and succession planning which must be aligned with the strategy of the organization to achieve organizational goals and objectives. In a study by Mensah (2015), a complete mechanism was provided to enhance the performance of employee through talent management. It's been revealed by researcher that employee performance is impacted a lot the organizational talent management system. In the same vein, it is pointed out that organizations are trying to retain the talent try compensating the effort of employees through monetary and non-monetary initiatives. The most critical issue being faced by organizations is to retain the talented employees within the organization. For this purpose, organizations have to take initiatives and pay salaries to employees in order to convince them to stay at the same organization (Chitsaz-Isfahani & Boustani, 2014; Mngomezulu et al., 2015).

As mentioned earlier, one of the major challenges being faced by every organization is to attract and retain the employees having skills and talent. If the employees are treated well through the implementation of effective talent management strategy, employees can be retained for the longer period of time. In the same vein, studies have conducted to assess the impact of ER and recruitment strategy on ER in hospitality industry. The researcher found that employee rate of retention is increased because of effective implementation of retention strategy of organization. As a result, the financial and operational performance of organization is improved as well (Chitsaz-Isfahani & Boustani, 2014).

In organizations, performance is viewed as ability of the employee to perform the tasks and achieve organizational goals and objectives. The basic elements through which performance can be evaluated is innovation, job performance, desire to work, work skills and work duties. According to the perspectives of authors the basic purpose of talent management is to manage, retain, identify, select and recruit the talented employee who have the ability to perform high (Chitsaz-Isfahani & Boustani, 2014).

H5: Talent management and ER are significantly related to each other.

H6: Talent management and OP are significantly related to each other.

H7: ER mediates the relationship between Talent management and OP.

Compensation Fairness: Relationship with Organizational Performance and Employee Retention

Compensation fairness is referred as the employee perception regarding the equality in the practices of firm regarding the benefits, compensation and salaries. In the same context, studies have referred compensation fairness as all kind of tangible and financial returns, received by the employee as employment relationship part. The employees who perceive that they are not being treated equally will not be satisfied with their jobs and will opt to find new jobs and opportunities where they can find equity (Sudin, 2011). Past studies conducted in this context have tried to examine compensation in a number of different settings. These findings reported fairness as the important component of recruitment process. This is important mean to retain the employees who are skilled and best for the organization and enhance the performance of organization as well (Das, Byadwal, & Singh, 2016).

Benefits and compensation provided to employees are the basic mean by which they can fulfil the basic necessities of life. For employees, there is a lot of importance of benefits and compensation. These are the only visible rewards during the recruitment process by which employees can be retained and motivated for achievements of goals and objectives (UWIMPUHWE, MUSHABE, & Bally, 2018).

The basic element of contract among employees and employer for the task to be achieved is the fair wage. It is the amount of money which can be provided to employee to persuade him/her for the achievement for organizational goals. Additionally, scholars reported that workers will prefer to be retained in the organization where they are treated well. If these employees are provided with poor rewards, they will prefer to leave the organization. It is more likely that employees will prefer to stay in a certain organization where their efforts will be encouraged, appreciated and rewarded in the form of fair compensation package. This is the best strategy to retain the employees. The study conducted by Aguenza and Som (2012) mentioned compensation fairness as the employee perception regarding the equity in the process of organization in terms of benefits and compensations. The findings of the study poised that if the employees are treated poorly by the management of the firm, they will prefer to leave the organization. Perception of equity among employees is mainly dependent upon the comparison among employees in terms of what they are being pay for the tasks they are performing as compare to other employees working in the firm (Tekleab, Bartol, & Liu, 2005). Despite the fact that the details of employees' compensation are not publicized, still they have perception that they are not being treated equally and fairly (Aguenza & Som, 2012).

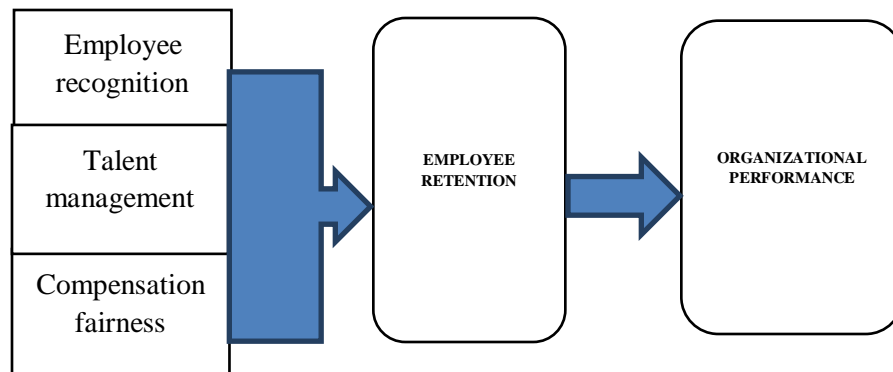


Figure 1. Research Framework

In any firm, if employees have perception that they are not treated equally, it can be harmful for the firm's overall recruitment process to retain the employees and impacts the overall performance of the firm (Tima & AK, 2011). It is important that sustainable and effective strategies should be formulated by the firms by which they can retain the employees for the longer period of time. On the basis of above discussion, it's been hypothesized that

H8: Compensation fairness and Employee Retention are significantly related to each other.

H9: Compensation fairness and Organizational Performance are significantly related to each other.

H10: Employee Retention mediates the relationship between Compensation fairness and OP.

3. Methodology

Research methodology is certain techniques/process for identifying, selecting, and analysing the information of research topic. Methodology section helps in evaluation of overall validity and reliability of study. Current study has utilized quantitative survey method to empirically test the hypotheses. For the collection of data, researcher designed questionnaires and adopted items from the past studies. Likert 7 scale was selected to design the questionnaire ranging from 1 to 7. Then, researcher gathered data from the employees of Islamic banking sector of Indonesia. The data was collected through emails and questionnaire was sent to 627 employees. 359 questionnaires were received back from the employees which were considered for further analysis of the data. The response rate of the study was 57.24%.

4. Results and Analysis

Present study has used PLS-SEM for the results and analysis of the data obtained during data collection process. The software used was PLS 3.2.9 (Henseler, Ringle, & Sarstedt, 2015). The basic purpose of using PLS-SEM instead of using CM-SEM was the basic purpose of this study was to check the moderation result which make the model of the study complex and PLS have the capability to handle the complex models. Moreover, PLS have the capability to handle non-normal data. In the end, the statistical power of PLS-SEM is more as compared to CB-SEM (Hair, Hult, Ringle, Sarstedt, & Thiele, 2017). As mentioned by Anderson and Gerbing (1988), two step approach was adopted by the scholar of the present study while using PLS i.e., structural Model and Measurement Model.

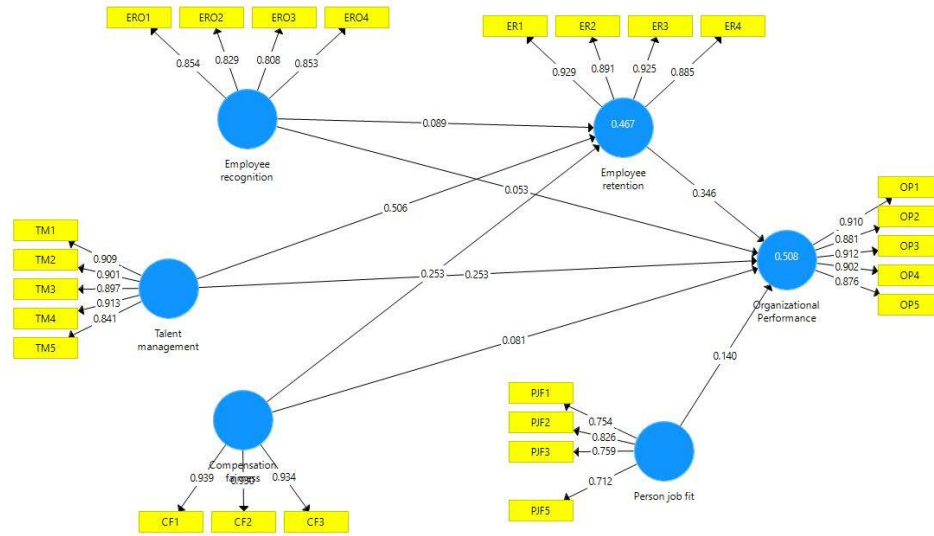


Figure 2. Measurement Model

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

The first step involves using PLSS is to assess the measurement model. To begin with PLS, we must check the factor loading of all the items involved which must be more than 0.70 as per the criteria recommended by Hair et al. (2017). The table 1 shows the factor loading of PJF and OP less than 0.70 were dropped and remaining were retained for further analysis.

Table 1. Factor loading

	CF	ER	ERO	Op	PJF	TM
CF1	0.939					
CF2	0.930					
CF3	0.934					
ER1		0.929				
ER2		0.891				
ER3		0.925				
ER4		0.885				
ERO1			0.854			
ERO2			0.829			
ERO3			0.808			
ERO4			0.853			
OP1				0.910		
OP2				0.881		
OP3				0.912		
OP4				0.902		
OP5				0.876		
PJF1					0.754	
PJF2					0.826	
PJF3					0.759	

PJF5					0.712	
TM1						0.909
TM2						0.901
TM3						0.897
TM4						0.913
TM5						0.841

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

One of the reasons to assess the measurement model is we can examine internal consistency of the items. This can be done through composite reliability and Cronbach Alpha of the constructs. As per recommendations of Hair et al. (2017) the minimum acceptable value of Cronbach Alpha and CR is 0.7. from the values of CR and Cronbach Alpha mentioned in table 2 this criterion is fulfilled by the author of the present study.

Table 2. Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
CF	0.927	0.929	0.954	0.873
ER	0.929	0.930	0.949	0.824
ER O	0.857	0.868	0.903	0.699
Op	0.939	0.940	0.953	0.803
PJF	0.762	0.770	0.848	0.584
TM	0.936	0.940	0.951	0.797

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

Table 2 shows the values of AVE obtained as well from the analysis of Measurement model. Average variance extracted known as AVE shows the variance among variables of the study. Minimum value of AVE is 0.50 as per the recommendations of Majeed, Ramayah, Mustamil, Nazri, and Jamshed (2017) values of AVE in table 2 shows the criteria fulfilled by the items involved in the study.

Table 3. Discriminant Validity

	CF	ER	ERO	Op	PJF	TM
CF	0.934					
ER	0.473	0.908				
ERO	0.240	0.306	0.836			
Op	0.440	0.643	0.303	0.896		
PJF	0.596	0.588	0.338	0.573	0.764	
TM	0.392	0.633	0.309	0.610	0.646	0.893

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

The next stage is to assess the discriminant validity of constructs involved in the study. For this purpose, AVE values were used for the discriminant validity and the criteria followed was as per the recommendations of (Fornell & Larcker, 1981). To fulfil the

criteria of Fornell and Larcker (1981), the square root of AVE was placed which must be higher than the correlational values of other items in remaining rows and columns. It's evident from highlighted diagonal values of table 3 that these values are higher than the remaining values. Thus, the discriminant validity of the data is not an issue in the present study.

The next phase is to evaluate the structural model of the present study after successful evaluation of measurement model. Structural model is used to evaluate the proposed hypothesis of the study. For this purpose, author adopted bootstrapping strategy and 359 cases were run at 5000 subsamples.

Table 4. Direct Results

	(O)	Sample Mean (M)	(STDEV)	T Statistics	P Values
CF -> ER	0.253	0.257	0.052	4.866	0.000
CF -> Op	0.101	0.098	0.056	1.810	0.035
ER -> Op	0.358	0.363	0.065	5.477	0.000
ER*PJF -> Op	0.147	0.136	0.043	3.436	0.000
ERO -> ER	0.089	0.089	0.043	2.089	0.019
ERO -> Op	0.056	0.057	0.044	1.262	0.104
TM -> ER	0.506	0.503	0.049	10.430	0.000
TM -> Op	0.276	0.268	0.068	4.050	0.000

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

The hypothesis proposed in the present study were one tailed, therefore the cut off value for t-test to prove the hypothesis is 1.645. From the figures obtained after running the bootstrapping procedure, most of the direct hypothesis proposed in the present study were supported. On the other hand, the impact of employee recognition on organizational performance is not proved positively significant. Therefore, this hypothesis was rejected. Whereas, rest of the all-remaining hypothesis were proved significantly related to each other positively.

Table 5. Mediation Results.

	(O)	(M)	(STDEV)	(O/STDEV)	P Values
CF -> ER -> Op	0.091	0.093	0.023	3.910	0.000
ERO -> ER -> Op	0.032	0.032	0.017	1.895	0.029
TM -> ER -> Op	0.181	0.183	0.039	4.658	0.000

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

Later, indirect or mediation results were obtained as well from the bootstrapping procedure. From the statistical figures obtained, its supported that ER has positively mediated between CF, ERO, TM and OP. these results are mentioned in table 5 above.

Table 6. Moderating Results

	(O)	Sample Mean (M)	(STDEV)	T Statistics	P Values
ER*PJF -> Op	0.147	0.136	0.043	3.436	0.000

Note: PJF= person job fit, OP= organizational performance, ER= employee retention

The study also proposed the moderating effect of PJF on the path of ER and OP. It's evident from the values obtained and mentioned in table 6 and figure 3 that PJF moderates positively and strengthen the relationship of ER and OP.

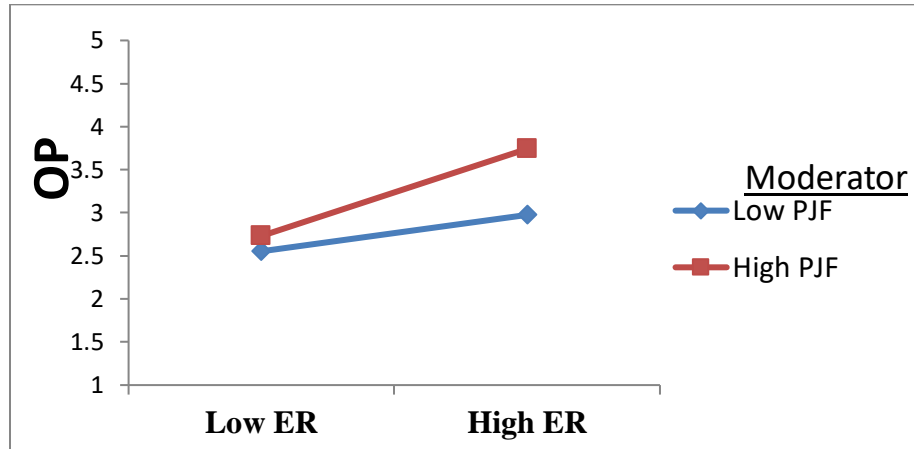


Figure 3. Showing Moderating Effect of PJF

Note: PJF= person job fit, OP= organizational performance, ER= employee retention

At the end of assessing structural model, it is key to evaluate R² of the proposed model which shows the impact of predicting variables on the outcome variables. The values of R square of the present study are mentioned in table 7 below showing the values to be substantial as the criteria proposed by researchers.

Table 7. R Square

	R Square
ER	0.467
Op	0.526

Note: PJF= person job fit, OP= organizational performance,

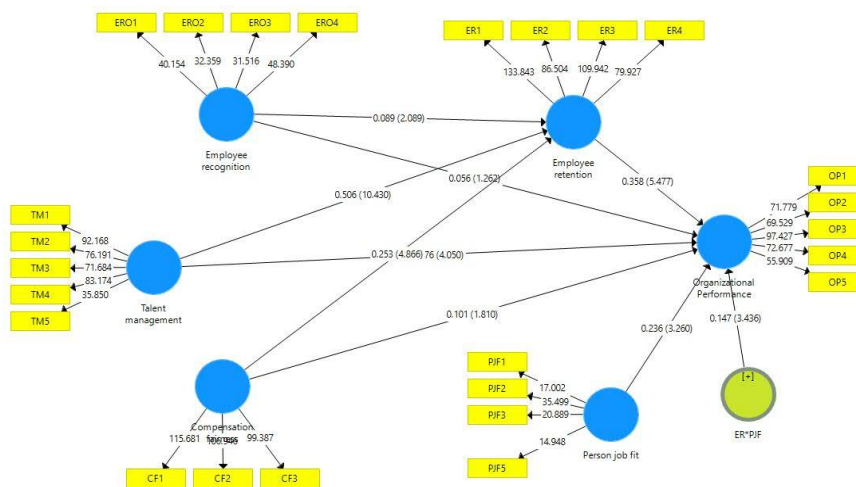


Figure 4. Structural Model

Note: PJF= person job fit, OP= organizational performance, CF= compensation fairness, TM= talent management, ERO= employee recognition, ER= employee retention

After assessing the structural model in the present study, researcher examined the predictive relevance as per the criteria proposed by Geisser (1974), that the values of Q square should be more than zero. The researcher adopted blindfolding procedure and found that the criteria is fulfilled as all values are non-zero as mentioned in table 8 and figure 4 below.

Table 8. Q square

	Q ² (=1-SSE/SSO)
ER	0.381
Op	0.411

Note: PJF= person job fit, OP= organizational performance,

There are certain limitations as well which should be overcome in the future studies. Employee retention strategies must also be assessed with other human resource dimensions and factors like training of the employees. Moreover, impact of retention of employees on creativity and innovation should be examined in future studies. The findings of the studies will be helpful for the policy makers to develop strategies by which they can retain the employees by using human resource strategies.

5. Conclusion

Competition among the banking sector is rising around the globe. Same is the situation of Islamic banking sector in Indonesia. In the time of intense competition, it has become really difficult for the banks to improve their Organizational Performance. In this scenario, the employees working in the banks are asset which plays very important role to reach the pre-decided organizational goals and objectives. Therefore, this study was conducted to find the relationship of Employee Retention, compensation fairness and talent management strategies on Employee Retention and Organizational Performance. Results of the study revealed that if banks adopt proper talent management strategies and look for the talented and skilled employee from the day one, they will be better able to retain them which will result in their Organizational Performance. On the other hand, Employee Retention is also an important strategy under Human Resource department of banks which is key to retain the employees. Employees must be recognized for their high achievements and good performance so they can give their best efforts to achieve the organizational goals and prefer to stay in the same bank. In the end, fairness in compensation packages also have the handfull role to retain the employee for the longer period of time.

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