

The effect of Talent Management Practices on Employee Performance: The Mediating Role of Employee Engagement among selected private Banks in Addis Ababa Ethiopia.

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Declaration

I, **Zeleke Tora**, solemnly declare that the research titled "***The effect of Talent Management Practices on Employee Performance: The Mediating Role of Employee Engagement among selected private Banks in Addis Ababa Ethiopia*"** is my original work prepared under the guidance of Asres Abtie (PhD). All sources of information used in this study have been duly acknowledged and cited. I further affirm that this research has not been submitted for any other degree or qualification at any other institution.

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CERTIFICATION

This is to Certify that the thesis prepared by Zeleke Tora, entitled: "The effect of Talent Management Practices on Employee Performance: The Mediating Role of Employee Engagement among selected private Banks in Addis Ababa Ethiopia" submitted as a partial fulfillment of the requirements for the Master in Art Degree in Business Administaration (MBA) that complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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ACRONYMS

CBE	Commercial Bank of Ethiopia
CT	Competency Training
DBE	Development Bank of Ethiopia
DP	Development Practice
EE	Employee Engagement
EP	Employee Performance
HRM	Human Resource Management
ICP	Identifying Critical Position
RBV	Resource Based View
RM	Reward Management
TM	Talent Management

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Abstract

Background - Talent management has become a crucial factor for organizations aiming to maintain a competitive edge, especially in the banking sector, where human capital plays a pivotal role in achieving organizational objectives. This study examines the effect of talent management practices (TMP) on employee performance, with a focus on the mediating role of Employee Engagement in selected private banks in Addis Ababa, Ethiopia.

Methods - A quantitative, cross-sectional survey design was employed. Data were collected via questionnaires administered to employees of three private banks in Addis Ababa selected randomly. In total, 386 valid responses were obtained from 406 questionnaire distributed. The study measured respondents' perceptions of the four talent management practices, their own engagement levels, and performance outcomes. Structural equation modeling (SEM) was used to analyze the data and test the hypothesized paths.

Result: The analysis showed that all four talent management practices had positive effects on employee engagement and performance with varying size. Among the components of talent management, competency-based training had strong effect on both employee engagement and employee performance. Additionally, career development practice showed positive effect on engagement and revealed largest direct effect on employee performance. By contrast, RM showed the weakest positive direct effect on employee performance. Mediation tests confirmed engagement's key role: all indirect effects of the talent practices on performance through engagement were statistically significant. In other words, engagement partially mediated the talent management–performance relationship, indicating that practices like training and development boost performance largely by fostering a more engaged workforce.

Conclusion: This study contributed to theory by validating the mediating role of employee engagement in relationship between talent management practice and employee performance in

the context of private banking sector in Ethiopia. Therefore, the bank managers shall prioritize measures that can improve employee engagement and performance.

Keywords: Talent Management, Employee Performance, Employee Engagement, Private Banks, Addis Ababa, Ethiopia

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

In the contemporary organizational landscape, competitions among business become more intense. To deal with this, talent management (TM) is used as a critical strategic function for companies aiming to enhance their competitive advantage. It helps organizations to ensure long-term sustainability, and drive overall business success (Collings et al., 2015). In today's organizational environment, organizations realize that their human resource is considered as valuable asset to deal with intense business competitions (Groenewald et al., 2024).

Talent Management involves developing and implementing strategies and processes used to attract, develop, engage, retain, and effectively utilize skilled individuals within the organization (Tanış, 2024). Talent management is not one time process. It starts with workforce planning and talent acquisition. TM is a cyclical process that begins with planning and acquisition, moves through development and deployment of talent, incorporates effective retention strategies to maintain engagement, and culminates in evaluation to inform future needs, ultimately reducing attrition rates (Pandita & Ray, 2018).

Human resource management techniques are only one aspect of talent management. It is a strategic driver that aids businesses in developing, utilizing, and maintaining the human capital necessary for sustained success. Organizations can establish and preserve a competitive edge that is hard for rivals to replicate. (Groenewald et al., 2024). Businesses must leverage the performance of their talented workforce if they want to obtain a competitive advantage in the marketplace. Employee performance is the result of a person's efforts over a predetermined time period, focused on finishing tasks and helping the organization reach its goals (Bibi, 2019).

The researches across the world sated that talent management plays a significant role in improving employee engagement. It is also stated that employee engagement has a measurable impact on key organizational outcomes. It is stated that employees that are engaged and motivated leading to higher productivity and increased profitability (Yuniati et al., 2021). Engaged employees show higher levels of productivity, demonstrate improved job

satisfaction, and have a greater sense of ownership over their work (Macey & Schneider, 2008).

When talent management aligned with fostering employee engagement, it can significantly boost employee performance. This is because engaged employees are typically more motivated and committed to organizational goals (Harter et al., 2002; Lewis & Heckman, 2006). Currently organizations globally face talent shortages and high turnover rates and understanding how strategic TM practices influence employee engagement becomes increasingly important (Cascio & Boudreau, 2016). Studies showed that effective TM practices help to attract and retain talented employees. It is also stated that talent management practices help to create an environment where employees feel valued and invested. As result the overall performance of employees surely enhanced (Aon Hewitt, 2018). Research has shown that when employees perceive strong talent management initiatives, they are more likely to become engaged with their work. This engagement which in turn enhances their performance (Ekhsan et al., 2023; Pandita & Ray, 2018). These findings suggest that well-designed talent management initiatives can improve employee engagement and engaged employees help organizations with increased productivity.

The study on the relationship between talent management practices, employee engagement, and employee performance has multifaceted importance. A deeper understanding of how effective talent management (TM) practices can be leveraged to maximize employee engagement is important. Talent management practice is also widely acknowledged as a critical factor and key driver of performance outcomes (Saks, 2006). Research also indicated employee engagement is linked to increased productivity, higher job satisfaction, and improved organizational commitment (Rich et al., 2010). Organizations across the globe are facing challenges such as talent shortages and difficulty in workforce retention and the constantly evolving workforce. This reality urges the need to study how strategic talent management (TM) practices are able to enhance employee engagement and consequently employee performance (Boxall & Purcell, 2022). These realities are true for both developed and developing countries, and understanding the relation between TM practices and engagement within different contexts would help improve performance in a variety of settings (Turner & Turner, 2020).

The relevance of this study in Ethiopian context is due to the rapid growth of the economy, the expansion of private sector, and increasing focus on organizational development (Ayele et

al., 2024). The banking sector is foundational to this growth as it finances businesses, stimulates investments, and promotes overall economic activity (Yu & Zhao, 2024). Even though the sector is vital to the economy, it continues to grapple with difficulties such as high employee turnover, gaps in training, and relentless rivalry to attract highly skilled employees (GIRMA, 2017). These challenges, however, can be alleviated through addressing TM practices that support organizations in employee retention with engagement and productivity (Theodorsson et al., 2022). This study intends to explore the impact of TM practices on employee performance in the sector, focusing on private banks in Addis Ababa, and helping organizations address the challenges of a rapidly evolving labor market in this sector.

1.2. Statement of the Problem

Due to the global shortage of skilled labor resources, talent management has emerged as one of the most important issues for organizations (Sopiah et al., 2020b). Organizations, then, respond to the scarcity of qualified personnel by implementing aggressive strategies around talent acquisition and talent retention(Pandita & Ray, 2018). Consequently, companies have positioned talent management as one of their most important strategic priorities (Yuniati et al., 2021). This challenge is observed in the banking industry where the direct impact of employee performance on success is profound (Ekhsan et al., 2023).

Across fields, the literature reiterates the favorable effects that talent management practices bring on employee performance (Pandita & Ray, 2018). Research conducted in different organizational contexts shows that organizations with talent management systems in place and functioning increased employee engagement, job satisfaction, and, ultimately, performance (Baharin & Hanafi, 2018; Bibi, 2019; Mohammed, 2015; Pandita & Ray, 2018; Sopiah et al., 2020b; Tanış, 2024). This is because the work environments created by such sophisticated policies allow employees to determine their own motivation, strengthen their competencies, and channel their efforts toward commitment to the organization (Mohammed, 2015; Nagi & Mohammed Ali, 2020; Nugroho, 2017). Improving individual employees means organizations build a more engaged workforce, one that organizational employees will collaborate with to attain their goals (Yuniati et al., 2021). This will in turn boost organizational productivity and sustained effectiveness.

Empirical findings showed that employee engagement mediates the relationship between talent management practices and performance outcomes(Abdullahi, Raman, et al., 2022;

Sopiah et al., 2020b). Employees who are engaged fully in their work, positively and productively strengthen the organization overall performance (Ekhsan et al., 2023). Organizations are in a better position to achieve their strategic goals when they implement talent management practices, designed to build employee engagement, while meeting the employee support psychological and professional needs. Organizational support employee engagement performance (Nugroho, 2017). Employees, who are engaged in their work, contribute toward to the organization in a motivated way and, to a significant extent, determine the performance and success of the organization overall (Abdullahi, Raman, et al., 2022).

Understanding the impact of employee engagement on the link between talent management practices and employee performance is especially important in industries due to strong competition for skilled talent and rapidly changing business environments. Studies indicate that engaged employees are more likely to stretch themselves and exceed more of their baseline job requirements (Albrecht et al., 2015; Macey & Schneider, 2008). Engaged employees exhibit a greater level of discretionary effort which improves performance, and more importantly, helps the organization to respond and adapt to the realities of the business environment (Sopiah et al., 2020b). For this reason, employee engagement is important in making sure that talent management activities positioned as attracting and retaining talent focus enhancing organizational performance (Pandita & Ray, 2018). Well-crafted engagement driven talent management practices provide organizations with improved profitability, improved organizational performance, and sustained organizational success (Yuniati et al., 2021).

Although many studies have analyzed the relationship between talent management practices and employee performance, with employee engagement as a mediator, few studies have done so in Ethiopia. While the studies that do exist generally focus on economies that are more developed, and to a lesser extent on emerging economies, even less attention has been paid to the organizational context and challenges faced in developing countries like Ethiopia. This is especially so in sectors that have a growing demand for professional employees. Though studies exist on talent management practices and their relations with employee engagement and performance, research on those constructs focusing on employee engagement and performance management still remains limited.

This is true for the Ethiopian banking sector, where research on talent management practices and employee engagement and employee performance is absent. As the Ethiopian banking sector continues expanding and modernizing, research on the effects of talent management practices on employee engagement and performance within Ethiopian banks has been very limited. Consequently, no research has assessed the effects of talent management practices on employee performance within the banking sector. Filling this knowledge gap is crucial because the understanding of talent management and employee engagement within the Ethiopian banking sector can greatly enhance organizational effectiveness in a competitive and changing business environment.

Therefore, this research is intended to answer the following questions.

1. Is identifying critical positions affect employee performance in selected private banks in Addis Ababa, Ethiopia?
2. What is the effect of competency-based training on employee performance in selected private banks in Addis Ababa, Ethiopia?
3. How does development practice influence employee performance in selected private banks in Addis Ababa, Ethiopia?
4. What is the impact of reward management practices on employee performance in selected private banks in Addis Ababa, Ethiopia?
5. Does employee engagement mediate the relationship between identifying critical positions and employee performance?
6. Does employee engagement mediate the relationship between competency-based training and employee performance?
7. Does employee engagement mediate the relationship between development practice and employee performance?
8. Does employee engagement mediate the relationship between reward management practices and employee performance?

1.3. Objective of the study

1.3.1. General Objective

- The general objective of this study is to examine the effect of talent management practices on employee performance with focus on the mediating influence of employee engagement in selected private banks in Addis Ababa, Ethiopia.

1.3.2. Specific Objectives

- To determine the effect of identifying critical position practice on employee performance in selected private banks in Addis Ababa.
- To explore the influence of competence training practice on employee performance in selected private banks in Addis Ababa.
- To examine the effect of development practice on employee performance in selected private banks in Addis Ababa.
- To determine the effect of reward management practice on employee performance in selected private banks in Addis Ababa.
- To determine the mediating effect of employee engagement in relation between identifying critical position practice and employee performance in selected private banks in Addis Ababa.
- To explore the mediating effect of employee engagement in relation between influence of competence training practice and employee performance in selected private banks in Addis Ababa.
- To examine the mediating effect of employee engagement in relation between development practice on employee performance in selected private banks in Addis Ababa.
- To determine the mediating effect of employee engagement in relation between reward management practice on employee performance in selected private banks in Addis Ababa.

1.4. Scope of the Study

The study focuses on exploring the impact of Talent Management (TM) practices on employee performance with emphasis on the mediating role of employee engagement private banks located in Addis Ababa. The assessment of talent management scope includes identifying critical position, competency-based training, development practice and reward management. The dimensions of employee engagement focused on cognitive engagement, emotional engagement and behavioral engagement scales. Performance of employees measured through task performance, adaptive performance and contextual performance.

The study is limited to Addis Ababa, which is the primary hub for private banking institutions. The study focuses on private banks rather than public banks considering distinct organizational culture that private institutions exhibit. The high competition for skilled man power and emphases on employee's performance outcomes in private banks attracted the focus of this research. Therefore, this study is limited to privately owned and managed banks.

1.5. Significance of the Study.

The significance of this study is multifaceted. First, this study will contribute to existing literature by assessing the relationship between talent management and employee performance focusing of the mediating role of employee engagement. Particularly this study is new in Ethiopian context and its importance is considered to be great. Therefore, this study will add valuable insights to both academic and practical understanding of how talent management affect employee performance through employee engagement in developing countries set up particularly Ethiopia.

Second, managers and policy makers will use the findings of this study for strategy formulation for HR practices in private banks. This research will help bank managers and HR professionals identify and implement talent management strategies that foster greater employee engagement that lead to enhanced employee performance.

Lastly, the finding of this research may serve as a baseline for future studies that focus on mediating role of employee engagement between the effect of talent management on employee performance.

1.6. Limitations of the Study

It is important to recognize limitations that may affect the scope and generalizability of the findings of this study. Firstly, this study limited to private banks in Addis Ababa, Ethiopia, the geographic limitation means that the findings may not fully reflect the effect of talent management practices on employee performance through the mediating role of employee engagement. Therefore, the dynamics in other regions regarding these concepts in other areas of Ethiopia or in rural areas might be differ. In addition, the selected private banks may not be representative of entire private banks in Ethiopia.

Data for this study is collected through self-reports from employees. Due to this it may introduce biases such as social desirability bias. That is respondents may provide answers

that they perceive to be more acceptable or favorable. The accuracy of the responses may also be affected by individual interpretations of the survey questions although the survey instrument was tested for reliability and validity. The respondents' personal experiences and the level of engagement or/and performance the employees believe they should display in their current roles. Therefore, this reliance on self-reported data could affect the objectivity of the findings.

This research adopted a cross-sectional design. This means that data is collected at a single point in time. This limits its ability to establish causal relationships between talent management practices, employee engagement, and employee performance. It is believed that longitudinal approach could provide more reliable evidence on the effect of talent management practices and employee engagement on employee performance over time.

In this study, other important internal and external environmental factors were not explored. They may play significant roles in shaping employee performance and their exclusion from the study limits the comprehensive understanding of all potential influences.

1.7. Operational Definitions

Talent management (TM) is described as a process of targeting key roles for organizational success, competence-based training, career growth and recognize and reward performance in line with organizational goals (Jayaraman et al., 2018).

Employee Engagement - for the purpose of this study employee engagement is defined as work-related positive psychological state of cognitive, emotional, and behavioral energy (Shuck et al., 2017).

Employee performance - can be defined as a cumulative result of how well an individual performs their job duties, adapts to new challenges and changes, and contributes supportive and proactive behaviors (Pradhan & Jena, 2017).

1.8. Organization of the Study

This study is organized in 5 chapters. Chapter one briefly discusses about foundation of this research. It includes the background of the study, statement of the problem, objective of the study, scope and significance of the study. The chapter also outlines limitations and operational definitions identified for the purpose of this study. Chapter two of this study provides a comprehensive review of theoretical and empirical literature. Chapter three deals

with research design and methodology of the study and details the technical roadmap of the study. Chapter four of this study presents the empirical results. The final chapter provides theoretical and policy implications specifically tailored for the Ethiopian banking sector

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical Literature Review

2.1.1. The Concept of Talent Management

Talent management refers to the planning of required human capital for an organization and the planning to meet potential needs. Talent management is the process identifying critical roles in the organization, providing competency-based training, developing, and rewarding employees who have the potential to contribute significantly to an organization's success (Abdullahi, Adeiza, et al., 2022). The principle of talent management to ensure that organizations have the right people, with the right skills, at the right time, to achieve their strategic goals (Collings & Mellahi, 2009). The focus of human resource management has now shifted to recruiting talented employees and retaining them for long period of business life (Ansar & Baloch, 2018)

Talent Management is designed to meet business strategic objectives and simultaneously organizational performance and long-term success (Gallardo-Gallardo et al., 2020). Maximizing the potential of employees is at the core of talent management and is what is intended to achieve through development, retention, and motivational strategies to enhance organizational performance (Baharin & Hanafi, 2018; Ngozi & Edwinah, 2022). In addition to recruiting, strengthening and evaluating talent, talent management lead to employee's personal growth, employee satisfaction and that also lead to improved employee performance (Sopiah et al., 2020a). to reach on advanced market share and increase profits, organizations compete with skilled and talented man power (Aliesmaeili & Fallah, 2019).

In the Banking sector, the members of each working unit engage in the daily service interaction, deal directly with clients, and take real-time decisions. Consequently, any negligence in talent management directly correlates with the service quality, the degree of customer satisfaction, and the financial performance of the institution (Theodorsson et al., 2022). The Banking sector has seen an increase in the need for managerial positions, as the

recruitment and placement of new talent is complex and costly. The loss of an employee can cost an organization thousands of dollars, up to 1.5 times their annual salary. The value of talent management lies in the importance of ensuring that the organization's employees are proficient and willing to deliver the services at the appropriate levels.

Talent management is the integrated 'strategic approach to managing employees. The focus of this approach is to 'leverage' employee capabilities and gain an edge over the competitors in the market (Ashton & Morton, 2005; Barney, 1991; Chan et al., 2004). It includes recruitment, but also analyzes how an employee can contribute in excess of what they are hired for, and tailoring the rest of their responsibilities to properly utilize the employee. Organizations that have adopted talent management are known to skillfully allocate their human capital in various units. This is in alignment with employee capabilities and resource availability, which in turn, improves the efficiency in service delivery and national productivity.

Talent management involves having a well-developed human resource system that manages recruiting, developing, and maintaining high-value people (Tanış, 2024). It goes beyond just recruiting; it involves talent assignment to roles that are pivotal to an organization's success (Wright et al., 1994). Such roles are usually associated with key resources or with a core strategy that fuels the growth of the business. This involves making sure that movement and placement of talent is done with the goals of the organization in mind. Talent management encompasses and integrates the entire employee lifecycle, through recruitment, development, and even succession planning (Thunnissen, 2016). While companies are competition for premier talent, they are also seeking to match the newly recruited talent to the organization's top strategic goals to boost productivity, drive innovation, and gain a competitive edge. This explains why talent management is a critical organizational strategy and not just an HR function (Thanh et al., 2020).

2.1.2. Talent Management Components

Although the concept of talent management shares similar ideas across different literatures, the dimensions described by various authors differs. The study conducted by Abdullahi, Adeiza, et al. (2022) showed the dimensions of talent management as talent recruitment practice, talent development practice and compensation practice. The components of talent management, while described in various ways across different literatures, generally share a similar core concept. In one way or another, they concentrate on identifying, hiring,

nurturing, promoting and retaining talented individuals in line with organizations increased productivity (Aliesmaeili & Fallah, 2019; Cappelli, 2008; Coculova et al., 2020; Egerová et al., 2013; Pandita & Ray, 2018; Sopiah et al., 2020a) For the purpose of this study, Jayaraman et al. (2018) provide a framework that highlights four key components: identifying critical positions, competence training, development practices, and reward management.

2.1.2.1. Identifying Critical Positions

From the components of talent management practice, identifying critical positions is considered as critical. These positions are not just leadership roles but also those that drive operational performance and strategic outcomes (Collings & Mellahi, 2009). According to Ansar & Baloch (2018), the identification of critical positions requires a clear understanding of an organization's business strategy and long-term goals. The role of companies must assess which roles have the greatest impact on organizational success and align talent management resources accordingly. (Ansar & Baloch, 2018).

When considering human resource as competitive advantage in increased organizational competition, identifying strategic roles for accomplishment of organizational mission is far important (Ashton & Morton, 2005). These roles or positions influence the competitive advantage that a firm has over other organizations (Ansar & Baloch, 2018). These key positions not restricted to top management, lower level positions might be equally critical depending on the activity of organizations (Collings & Mellahi, 2009). Scullion and Collings (2011) stated that the idea of pivotal positions is core to the fundamental understanding of talent management. These pivotal positions are often individual contributor roles and are not limited to leadership roles.

The popular definition of talent management which is stated by the work of Collings and Mellahi (2009) was TM is “activities and processes that involve the systematic identification of key positions which 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 architecture to facilitate filling these positions with competent incumbents and to ensure their continued commitment to the organization.”

Strategic talent management starts with the roles that matters most rather than identifying talented individuals. Roles that matter most includes critical jobs, tasks or responsibilities that have greatest impact on achieving organizational goals. After determining these roles, does the organization look for who will fill these positions. When these positions are filled with top performers, it results in a champion in business competition.(Schreuder & Noorman, 2019).

De La Calle-Duran et al. (2021) stated that talent is only related with an employee assigned in key position in organization. The identification of critical positions has a direct influence on employee engagement and motivation. Once critical positions have been identified correctly, the second step is the strategic talent manager will know which talents in the organization will be able to form the driver for a desired strategic ability and result (Schreuder & Noorman, 2019). When employees understand that their roles are critical to the success of the organization, it cultivate work motivation, organizational commitment and extra role performance (Al Ariss et al., 2014).

2.1.2.2. Competence Training

Competence training is defined as continuous investment of money and time for talents to enable employees to acquire required competencies for current and future jobs (Jayaraman et al., 2018). Competencies are the observable or measurable knowledge, skills, abilities and behaviors critical to successful job performance (Wuim-Pam, 2014). When knowledge of employees is key factor on winning business competition, organizations should invest in training and development (Jayaraman et al., 2018). Training helps employees to advance in their career and aligned with changing business needs in a dynamic business environment. Training aimed at bridging the gap between the current performance and the standard desired performance (Elnaga & Imran, 2013). Competence training equips employees with the necessary skills and knowledge to perform effectively in their roles. Therefore, it is a key component in talent management that includes both technical skills and soft skills (Wuim-Pam, 2014). Study conducted by Arora et al. (2024) showed the importance of continuous competence training to maintain a competitive edge in the fast-evolving business environment.

Having knowledgeable employees is a huge edge for companies now. That's why lots of them are really focusing on training and helping their people grow. They see it as a smart way to get better at what they do (Barney, 1991; Wright et al., 1994). If companies build skills that

make them stand out, they can get their employees to act in ways that help them reach their big goals (Ulrich, 1996). Training helps people do their jobs better today and gets them ready for better jobs down the road. It teaches them how to deal with shifts in their jobs and use new tech. Also, it keeps companies quick and able to react when things change fast in the business world. This way, their people can change and help out as the business changes (Noe, 2020; Schuler et al., 2011).

2.1.2.3. Development Practices

To ensure the organization has both the current and future supply of talent to meet strategic objectives, Organizations plan, select, and implement developmental strategies for the entire talent pool (Rezaei & Beyerlein, 2018). Talent development include includes career and organization development, and individual training and learning for the benefit of employees and organizations (Rezaei & Beyerlein, 2018). In the everchanging business environment it is important for every organization, large or small, multinational or local, to retain and develop talented employees in today's competitive age (Fajčíková et al., 2016).

Dealing with modern concept of human resource management, employee development is important for development of potential and competencies of employees to achieve a competitive advantage (Fajčíková et al., 2016). In today's changing labour market, it is important to retain and develop talented employees to enhance organizational productivity. Competency training is focused on improving skills on the current job, the importance for development is to meet future requirements necessitated by the ever-changing business environment and the need. Development involves feedback, creating clear multiple career paths to meet the identified talent expectations according to their capability and performance for organizations to align with them (Jayaraman et al., 2018).

Training and development represent two signs of the advancement process to enhance individuals' skills and standards of work-life in pursuit of reaching organizational objectives. Training is related to enhancing the physical and particular abilities within a restricted timeframe. On the other hand, development is an ongoing process, procedure and linked to enhancing the comprehension, mindset, actions, and principles of possible candidates. Additionally, development encompasses a wider scope than training. It exists better to assert

that training is an aspect of development and if the development strategy is correctly matched with talent, it has played an important part in realizing companies' tactical goals (Mujtaba et al., 2022).

2.1.2.4. Reward Management

A key function within human resource management is called reward management. Its main target is to develop and implement reward systems that can encourage, keep, and recruit employees (Bolatito & Mohamoud, 2024). Armstrong and Taylor (2023) stated that reward management is a crucial aspect of talent management that helps motivate employees and drive organizational performance that both financial and non-financial rewards. It is also stated that the effective management of reward can play a significant role on the performance of the organization by to attract and retain high-quality people. Retention of experienced and skilled staff is important to create competitive advantage and organizational success by rewarding high performance (Murphy, 2015).

Reward management approaches may waste resources both money and effort, and may be ineffective in attracting, retaining, and motivating target employee, if not based on relevant evidence (Antoni et al., 2017). A motivated employee will result in a better performance as the employees expects there is a reward at the end of every performance. Reward systems have a great role on organizations to motivate and retain the talented employees and that leads to achieving high levels of performance (Noorazem et al., 2021).

2.1.3. Overview of Talent Management in the Banking Sector

Financial sectors facing challenges, such as a lack of talent and suitable academics, as well as aggressive competition from within the banking and from other sectors (Theodorsson et al., 2022). The demand for banks to implement dependable techniques to recruit competent managers and ensure a high retention of talented workers in the future has increased (Jelena et al., 2013). Talent management considered as an integral part of strategic human resource management (Bist & Srivastava, 2013).

Today's banking environment requires competitive strategies developed with the help of knowledgeable capital. It will help the banks to better perform than their competitors. In this case attraction, engagement and retention of the competent employee is a critical factor. Therefore, talent management plays an important role by placing the competent employees according to their competency (Anwar et al., 2014).

The rapidly evolving banking sector demands a highly skilled and adaptive workforce (Jac, 2010). Talent management is particularly significant in the banking sector due technological advancements and evolving customer expectation (Barney & Wright, 1998). Banks are paying close attention to gaining a competitive edge through skilled workers in both local and global contexts. They are implementing several creative strategies to improve the skills of their staff (Anwar et al., 2014). Talent management in banking is about staffing and developing a highly skilled workforce that can lead to organizational effectiveness (Barney & Wright, 1998).

The long-term success of banks is directly impacted by their capacity to draw in, nurture, and retain skilled workers. Financial institutions can better respond to external developments, such the emergence of digital banking and regulatory reforms, with the support of talent management. Banks run the danger of losing their competitive edge if they don't have a well-managed workforce because employees' ability to innovate and carry out plans successfully frequently determines the success of strategic projects (Theodorsson et al., 2022).

The national bank of Ethiopia report showed that there are 31 domestic banks operating in Ethiopia. Development Bank of Ethiopia (DBE) accounts for nearly five percent of the sector’s assets. There are also three interest-free banks, five microfinance institutions (MFIs) that have graduated to commercial banking, and 22 conventional commercial banks. Commercial Bank of Ethiopia (CBE) being the largest bank in Ethiopia. It is well known that DBE and CBE are governmental or state-owned banks. The remaining banks are privately owned. (National Bank of Ethiopia, 2023). In Ethiopia, the banking sector showed significant growth and transformation recently. Majority of banks congested in Addis Ababa, capital city of Ethiopia (National Bank of Ethiopia, 2023).

2.1.4. Theoretical Foundation

Assessing the effect of talent management practices on employee performance has been attracting many studies in human resource management (HRM). Resource-Based View (RBV), suggests that human resources are a critical source of sustainable competitive advantage for organizations (Barney, 1991). According to RBV, organizations can achieve and maintain competitive advantage when they manage their human capital effectively. In this regard, the human capital should be unique and difficult for competitors to replicate. RBV in Human resource management focuses in providing justification for attaching importance to especially talent management and aid in enhancing the value of the HR

contribution in achieving competitive advantage by strategically fitting and bundling as HR best practices (Mweru & Maina, 2016).

The talent-based perspective of the firm is a more contemporary philosophy of businesses that emphasizes the need of developing and improving employee competency through a methodical process of talent acquisition, transfer, and sharing in order to obtain a competitive edge. Rival firms compete based on the diversity and immobility of their resources and competencies, according to the resource-based approach.(Rabbi et al., 2015)

2.1.5. Employee Engagement

One of the first concerns brought up by the literature is the lack of a standard definition for employee engagement (Kular et al., 2008). Employee engagement concept gained attentions of organizations in recent years due to its association with improved organizational outcomes. Saks (2006) stated that employee engagement is the emotional commitment employees have toward their organization. An engaged employee is high performer and doesn't switch job frequently. An engaged employee is also considered as ambassador of the firm (Chandani et al., 2016). Employee engagement drives employees to exert extra effort and go above and beyond the standard expectations of their job. According to Shuck et al. (2017) the dimensions of employee engagement are cognitive engagement, emotional engagement, and behavioral engagement.

2.1.5.1. Cognitive Engagement

Cognitive engagement refers to the intellectual aspect of engagement. It is intensity of mental energy expressed toward positive organizational outcomes where employees invest in their work mentally, focusing on tasks and the cognitive effort required to meet job expectations. According to Shuck et al. (2017), cognitive engagement involves being fully attentive and focused on work tasks. It is related with the level of mental effort employees put into their work. study by Macey & Schneider (2008) showed that cognitively engaged employees tend to exhibit higher levels of concentration and improved performance. Employees that are cognitively engaged are focused and attentive at work, and they devote mental energy to tasks that are relevant to their jobs.

2.1.5.2. Emotional Engagement

Emotional engagement is defined as the employee's intensity and willingness to invest emotionally towards their work and the organization. Study showed that emotionally engaged

employees believe in the mission and purpose of their organization (Shuck et al., 2017). Offering emotionally related, personal resources, such as having faith in, feeling a sense of personal significance toward, and being emotionally connected to a situation, person, or setting within the entirety of the work experience, is a tangible form of emotional involvement. This subdimension shows a strong emotional, active, and profound bond with the active working experience. Employees that are emotionally engaged show affect toward a range of work-related goals related to the current moment (Shuck et al., 2017).

2.1.5.3. Behavioral Engagement

Behavioral engagement related with employee's active participation in their work roles (Shuck et al., 2017). Behaviorally engaged employees are seeking opportunities proactively to contribute, and apply beyond what is, within reference of specific frames, typically expected or required (Macey & Schneider, 2008). It is also described as adaptive actions with an organizational purpose in mind. Behavioral engagement is seen as clearly observable behavior in the work context and includes innovative behaviors, initiative, proactive behaviors and going above and beyond what might often expected (Ngozi & Edwinah, 2022).

2.2. Employee Performance

Employee performance is described as totality of output by employee. It is also described as accomplishment of assigned jobs to individual or it is the total amount of quantitative and qualitative contributions of an individual or a group (Atatsi et al., 2019). The main aim of organizations is improvement of productivity. Organizational performance or productivity is directly related with employee performance. The key constructs identified to measure employee performance according to Pradhan and Jena (2017) are task performance, adaptive performance, and contextual performance. Below the detail of each of the dimensions are discussed briefly.

2.2.1. Task Performance

Task performance is described as execution of core responsibilities outlined in a job description. It is supported by task knowledge, task skills, and task habits (Pradhan & Jena, 2017). Execution of tasks that are outlined in individuals job description both efficiently and effectively is related with task performance. Employee technical knowledge, skills, and ability to complete assigned tasks with minimal supervision influence task performance (Borman, 1993).

Indicators to assess task performance by employee are maintaining high work standards, demonstrating the capability to manage assignments with minimal supervision, and displaying a strong passion for one's work. Ability to handle multiple tasks simultaneously and complete assignments on time are also additional indicators to assess task performance. (Pradhan & Jena, 2017).

2.2.2. Adaptive Performance

Adaptive performance (AP) is crucial for employees to succeed in light of new or altered task demands in modern work (Jundt et al., 2015). Adaptive performance is a substantial component of the job performance and it is an employee's ability to adjust to new or unexpected circumstances, challenges, or changes in the workplace. The dimensions of adaptive performance include creatively solving problems, dealing with unpredictable and uncertain work situations, demonstrating cultural adaptability, demonstrating interpersonal adaptability, handling work stress, handling emergencies or crisis situations and demonstrating physically oriented adaptability (Stokes et al., 2010).

Adaptive performance is said to be successful when employees are able to efficiently deal with unpredictable and uncertain work conditions that may, for example a change in priorities, arise from organizational restructuring or the lowered availability of resources (Charbonnier-Voirin & Roussel, 2012). According to Charbonnier-Voirin and Roussel (2012) the concept of adaptive performance is described as an individual's ability to adapt to dynamic work situations. Employees show their adaptive performance by adjusting their behavior for changing work situation. Terms used to describe employee adaptive performance include resilience, proactivity, role flexibility, learning agility and workforce agility (Park & Park, 2021).

2.2.3. Contextual Performance

Contextual performance is the behaviors that contribute to the successfulness of the main task beyond the specified job descriptions of the employees (Çalışkan & Köroğlu, 2022). It safeguards the change of the social and psychological environment of the organization. Despite the fact that there is no clear separation between contextual performance and task performance, task performance encompasses goal-directed activities that are explicitly defined within the organization while contextual performance typically includes actions aimed at enhancing task execution. Contextual activities hold significance as they aid in the enhancement of organizational efficacy in manners that influence the organizational, social,

and psychological context that acts as the trigger for task actions and procedures. Contextual activities involve offering assistance to undertake task activities that are not officially included of the position and assisting and collaborating with teammates in the organization to complete assignments achieved (Van Scotter et al., 2000).

Contextual performance is positive behavior that support includes voluntary participation in work, helping colleagues, adopting and defending organizational goals, following organizational rules and procedures, promoting a positive work culture, engaging in extra-role activities, and showing initiative (Van Scotter et al., 2000). Essential for the overall success of the organization but we may not find contextual performance is explicitly described in the job description. (Borman & Motowidlo, 1997).

2.3. The mediation Analysis

Mediation is a situation when a third variable or construct affects between two related constructs (Hair, 2014). According to Baron and Kenny (1986) when the variable is considered as mediator it fulfils the following causal step conditions. First the variation on independent variable accounts variation in mediator. Secondly the variation on mediator variable significantly accounts in variation in dependent variable. Thirdly, when the effect of independent variable on mediation variable is controlled, a previously significant relation between the independent and dependent variables is no longer significant, with the strongest demonstration of mediation occurring when the effect of independent variable on dependent variable is zero (Zhao et al., 2010). According to Baron and Kenny, there should be only one condition to establish full mediation, that the indirect effect be significant. When there is significant direct and indirect effect they call it partial mediation.

2.4. Empirical Review

2.4.1. Identifying critical position practices and Employee Performance

From the dimensions of talent management, identifying critical or strategic position in organization effect on employee performance was tested in varies studies. The study showed that organizations that identify critical or strategic positions experience improved employee performance (Collings & Mellahi, 2009). According to Becker et al. (2009), human resource planning that focuses on key roles leading to higher employee performance. Additionally, Huselid et al. (2005) showed that organizations that prioritize critical positions to enhance leadership effectiveness and decision-making ability get improved employee productivity. Therefore, based on literatures the following hypothesis is developed.

H1: Identifying critical position have a significant positive effect on employee performance in selected private banks in Addis Ababa, Ethiopia.

2.4.2. Competence-Based Training Practice and Employee Performance

One of necessities in work place is training. It is showed in varies literature that training improves employees' knowledge and skills and leads to improved employee performance (Elnaga & Imran, 2013). Esthi and Savhira (2019) showed that competency-based training significantly enhances work discipline and overall job effectiveness. Similarly, Suzana et al. (2020) noted that training programs training leads to increase in employee performance. Moreover, Persada and Nabella (2023) highlight that competency-based training is crucial factors in determining employee efficiency. Additionally, Sisyuk (2018) confirms that investments in training enhance knowledge formation, which subsequently improves job efficiency and innovation. Therefore, based on literatures the following hypothesis is developed

H2: Competency based training has a significant positive effect on employee performance in selected private banks in Addis Ababa, Ethiopia.

2.4.3. Development practice and Employee Performance

Study showed that the advantages of career development to the company is it can develop employee competence needed by the firms and increase their performance (Nasution et al., 2018). The study by Otoo and Mishra (2018) showed that HRD practices positively impact employee performance through career development interventions. Another study by , Hameed and Waheed (2011) showed that employee development positively affects job performance. Similarly another study conducted by Gibran and Ramadani (2021) showed that Career development has a significant influence on employee performance. Another study by Rodjam et al. (2020) highlighted that career development initiatives significantly affect employee performance. Similar study conducted by Mira et al. (2019) confirmed that career advancement opportunities have a direct impact on employee performance.

H3: Development practice has a significant positive effect on employee performance in selected private banks in Addis Ababa, Ethiopia.

2.4.4. Reward Management practice and Employee Performance

The study by Bosco (2014) at Nakumatt Holdings Ltd showed that reward management positively influences employee performance. Similarly, the study conducted by Okoli et al. (2020) found that reward management systems in public universities in Nigeria enhance employee performance. Another study by Ngwa et al. (2019) further showed that financial incentives significantly boost employee performance.

Study in Kenya Power and Lighting Company by Njanja et al. (2013) showed that cash bonuses positively impact employee performance. Similarly, the study by Phina et al. (2015) showed that both performance-based rewards contribute to higher productivity. Additionally, Ogbu et al. (2020) concluded that competency-based rewards in private sector organizations in Nigeria lead to improved employee performance. Another study by Güngör (2011) that a well-structured reward system in global banks enhances employee performance. Finally, Noorazem et al. (2021) also supported this finding noting that reward systems at McDonald's in Malaysia directly impact employee performance. Therefore, based on literatures the following hypothesis is developed

H4: Reward management practice has a significant positive effect on employee performance in selected private banks in Addis Ababa, Ethiopia.

2.4.5. Mediation of Employee Engagement

Studies indicate that organizations that effectively identify critical positions experience higher employee performance (Becker et al., 2009; Collings & Mellahi, 2009; Huselid et al., 2005). Similarly, researches showed that critical position has significant effect on Employee engagement (Al Ariss et al., 2014; Saks, 2006; Tansley, 2011; Thunnissen, 2016). Also, previous studies showed that employee engagement shows significant effect on employee performance (Ameen & Baharom, 2019; Ayub & Islam, 2018; SUNGMALA & VERAWAT, 2021) Therefore, it is hypothesized that employee engagement will strength the relationship between identifying critical position and employee performance.

Research indicates that organizations that invest in structured training programs experience higher levels of employee performance (Elnaga & Imran, 2013; Esthi & Savhira, 2019; Mahmood et al., 2018; Persada & Nabella, 2023; Sisyuk, 2018; Suzana et al., 2020). Also, studies showed that training significantly affects employee engagement (Albrecht et al., 2015; Arwab et al., 2023; Bhakuni & Saxena, 2023; Chandani et al., 2016; Hashem et al.,

2022; Jain & Khurana, 2017; Nawaz et al., 2014; Sendawula et al., 2018; Siddiqui & Sahar, 2019). Considering the relationship between employee engagement and employee performance stated above, it is taken in to account that employee engagement strengths the relationship between competence training and employee performance.

Several researches revealed that employee development practice has significant effect on employee performance (Hameed & Waheed, 2011; Keltu, 2024; Kooij et al., 2013; Mira et al., 2019; Otoo & Mishra, 2018; Rodjam et al., 2020). Similarly, development practice showed significant positive effect on employee engagement (Fulmore et al., 2023; Jain & Khurana, 2017; Rumman et al., 2020; Shuck et al., 2014). By considering the relationship between employee engagement and employee performance stated above it is hypothesized that employee engagement will strength the relationship between development practice and employee performance.

Lastly, numerous studies confirm the significant influence of reward management on performance (Bosco, 2014; Ngwa et al., 2019; Njanja et al., 2013; Noorazem et al., 2021; Ogbu et al., 2020; Okoli et al., 2020; Phina et al., 2015). Research further indicates that reward management enhances employee engagement (Ayi, 2023; Baqir et al., 2020; Getachew, 2016; Habte, 2016; Koskey & Sakataka, 2015; Michael, 2017; Wamweru, 2017). Considering the significant effect of employee engagement on employee performance, it is hypothesized that employee engagement will strength the relationship between reward management practice employee performance.

Therefore, based on empirical foundation, the following hypothesis are developed.

H5: Employee engagement mediates the relationship between identifying critical positions and employee performance.

H6: Employee engagement mediates the relationship between competency-based training and employee performance.

H7: Employee engagement mediates the relationship between development practices and employee performance.

H8: Employee engagement mediates the relationship between reward management practices and employee performance.

2.5. Literature Gap

Extensive search on the body of literature was done. The gap in the existing body of knowledge is the absence of research examining the mediating role of employee engagement between talent management practices and employee performance in the banking sector. It has broadly showed in varies literatures that talent management has been widely described as a predictor of employee performance but the mechanisms through which it influences performance remain underexplored. Employee engagement has emerged as a potential mediator in this relationship (Abdullahi, Adeiza, et al., 2022). Several studies suggest that engaged employees are more likely to exhibit higher performance levels, but few have tested this theory specifically in the context of talent management practices in banking sector.

As far as all available data bases reviewed, there is no study found focusing on the mediating role of employee engagement in developing countries, specifically in Africa and Ethiopia. The existing literature on mediating effect of employee engagement on the relationship between talent management and employee performance is drawn from developed economies.

Conceptual Framework

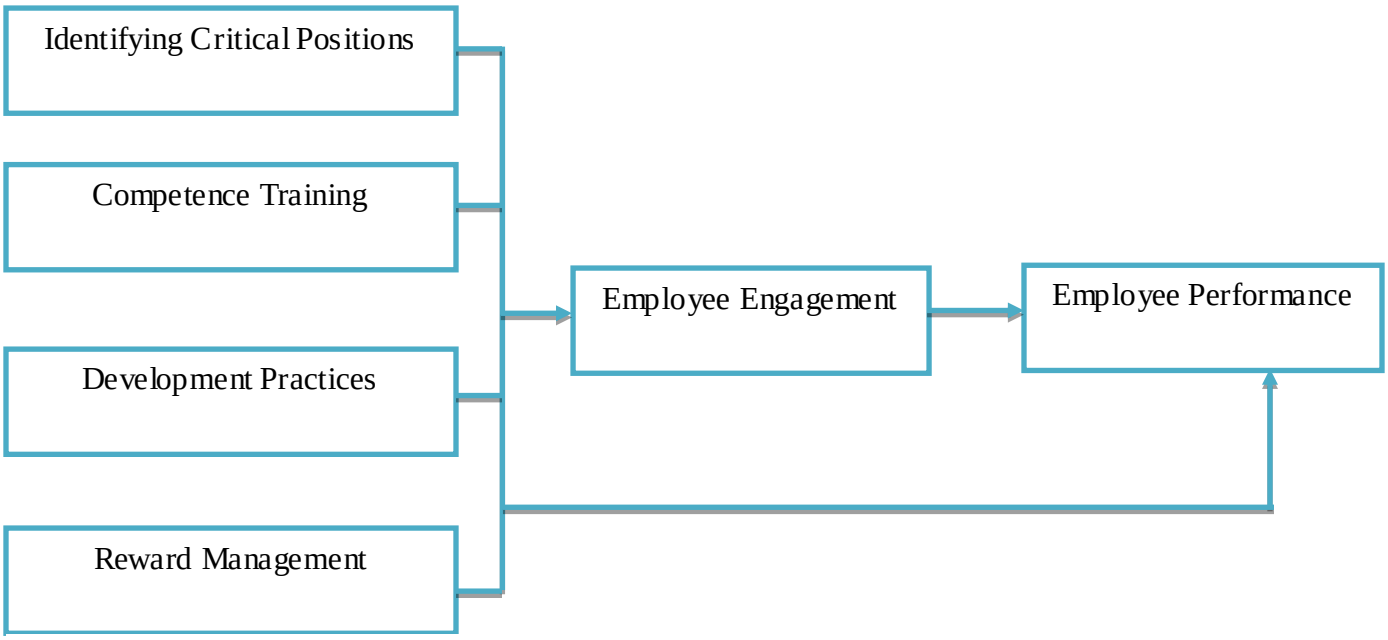


Figure 1 Conceptual Framework

Source: Developed for this study based on literature review

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Research Design

Research design is a plan that provides the underlying structure to integrate all elements of a study so that the results are credible, free from bias, and maximally generalizable (Dannels, 2018). To answer the research question of this study, exploratory cross-sectional research design was used. The nature of this research is causal and effect relationships of talent management practice, employee engagement and employee performance have been studied. Quantitative data was collected using survey method.

3.2. Research Approach

In this study, a quantitative research approach was employed to assess the relationship between talent management practices, employee engagement, and employee performance. Quantitative approach deals with the systematic investigation of social phenomena, using statistical or numerical data (Watson, 2015). Quantitative research aims to quantify the data and generalize findings from a sample of a study from varied perspectives. It requires collection of data, analyzing data, and interpreting quantitative data to test the hypothesis produced in a specific study (Ghanad, 2023). By using a quantitative data obtained from selected private banks in Addis Ababa, the study aims to provide measurable evidence of how various talent management practices influence employee performance, with employee engagement acting as a mediator.

3.3. Population and Sampling Method

The primary data for this study was collected from employees of selected private banks. According to Willie (2024) study population is a collection of individuals who have shared characteristics within a defined institutional or geographic domain. For this research study, study population is employees of private banks in Addis Ababa Ethiopia.

The data collection procedure for this study involved a systematic approach to ensure that the sample is representative and unbiased. First, the five medium-sized banks; Awash Bank, Dashen Bank, Abyssinia Bank, Cooperative Bank of Oromia, and Hibret Bank were selected as the study's focal organizations. From 5 medium sized banks three banks (Awash Bank, Dashen Bank, and Hibret Bank), were selected randomly. To ensure a diverse and

representative sample, a stratified random sampling technique were applied. The stratification was based on employees' roles and working department within the organization, as this allows for capturing varied perspectives on talent management practices, employee engagement, and employee performance across different hierarchical levels.

Sample was allocated based on proportion of study population in each bank. Simple random sampling method was employed within each department to select respondents. List of employees in each département was obtained from HR departments in each bank random selection of sample was taken based on number of employees.

3.4. Sample size

Practically it is impossible study the whole population due to resource and time constraint. Therefore, sample was taken from population of selected banks. To determine the sample size, the **Yemane Taro formula** was applied. This formula is used to calculate the sample size when the total population is known (Tepping, 1968). Since the target population in this study is employees working at the head offices of three medium-sized private banks in Ethiopia (Awash Bank 2501, Dashen Bank 1265, and Hibret Bank 964) with total population is 4730 employees. The formula for sample size calculation is:

$$\boldsymbol{n = \frac{N}{1 + N(e)^2}}$$

Where;

n = sample size,

N = total population taken from three selected banks, and

e = margin of error set at 0.05 for a 95% confidence level.

Therefore, sample size for this study is

$$\boldsymbol{n = \frac{4730}{1 + 4730(0.05)^2} = 369}$$

Considering 10% non-response rate, final sample was 406.

3.5. Data Collection Instrument

Self-administered questionnaire was developed based on the research questions. It has six variables with a total of 37 items. Regarding employee Performance (EP), nine items adapted

from Pradhan and Jena (2017). The dimensions of performance are task performance, adaptive performance, and contextual performance. Employee Engagement (EE) was measured using nine items derived from Shuck et al. (2017). The dimensions of employee engagement were cognitive, emotional, and behavioral engagement. Finally, 18 items were used to measure talent management adapted from Jayaraman et al. (2018). The categories of talent management were identifying critical positions, competency training, development practices, and reward management. Likert scale was used to assess the degree of agreement on practices of talent management, their performance and engagement with the organization.

3.6. Data Analysis

Data analysis a process of cleaning, transforming, and modeling data to get information for decision-making (Islam, 2020). To evaluate the model developed, Partial Least Squares Structural Equation Modeling (PLS-SEM) technique was used. PLS-SEM is second-generation multivariate analysis method used for simultaneous assessment of measurement model and the structural relationships between constructs. The evaluation of the structural model encompasses assessing the model's explanatory and predictive power and the path coefficients' significance and relevance (Magno et al., 2024). PLS-SEM is particularly suitable for exploring complex models with multiple constructs (Hair Jr et al., 2021). The evaluation of direct and indirect effects talent management on employee performance, as well as the mediating role of employee engagement performed. Additionally, SPSS version 24 was employed to conduct descriptive measurement.

3.7. Validity and Reliability of the Instrument

Before data collection a pilot study was conducted to pre-test the research instrument's clarity. The pilot was administered to 10% of the sample size who were not part of the final study. This confirmed that the questionnaire was easily understood by respondents.

Before testing hypothesized structural relationships, a stringently tested measurement model was employed to ensure that constructs used in this study were reliable and valid. Measurement was made through the use of SmartPLS 4, which is a powerful Partial Least Squares Structural Equation Modeling (PLS-SEM) software, particularly well-suited for studies with complex models and latent variables (Hair Jr et al., 2021). The constructs under investigation included four dimensions of talent management practices; career training (CT),

development programs (DP), identifying critical position (ICP), and reward management (RM) as well as employee engagement (EE) and employee performance (EP).

Reliability is a stability or consistency of the measuring tool (Hair Jr et al., 2021). It was measured by Cronbach's Alpha and Composite Reliability (CR). The standard minimum is 0.70 for satisfactory internal reliability. In this paper, all the constructs are above this value ranging from Cronbach's Alpha of 0.807 to 0.897 and CR of 0.812 to 0.897. These observations confirm that the indicators gauged respective constructs uniformly.

Validity refers to the extent to which a measuring instrument precisely measures the concept that it is supposed to measure (Creswell & Poth, 2016). Convergent validity is used to ensure if the indicators of a particular construct are highly interrelated and that they measure the same concept (Fornell & Larcker, 1981). Therefore, it was measure using Average Variance Extracted (AVE). AVE greater than 0.50 are considered as valid and it shows a construct explains more than 50% of its indicators' variance. The result of this study showed all AVE exceeded this threshold. Factor loadings across all items were greater than 0.60, validating further the contribution of each item to its construct.

Discriminant validity measure was used to confirm that each construct is empirically distinct from the others (Henseler et al., 2015). It was assessed using the Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT). The Fornell-Larcker criterion requires that the square root of AVE be greater than its correlations with other constructs. It was confirmed in this study that AVE square root exceeded its highest inter-construct correlation. Similarly, HTMT values for all construct pairs were below the conservative threshold of 0.85.

3.8. Ethical Consideration

Ethics shape the integrity and credibility of any given research. This research respects all the guidelines. First, the study demonstrated ethical practices through citation to acknowledge all sources. A permission letter from Addis Ababa University was given to all three banks. The research topic was formulated and clarified in a transparent manner to the participants, so they understood the purpose of the study and its dimensions. Priorities were given for the participants' privacy, and all personal identifiers were disclosed. Participants individual answers could not be traced to them. informed consent from all participants was taken before data collection.

4. Chapter Four

Data Presentation, Analysis and Interpretation

4.1. Introduction

This chapter includes data analysis and presentation of talent management practice, employee engagement and employee performance. Data analysis was focused on direct and indirect effect of talent management practice on employee performance and direct effect on employee engagement. Based on the study objective and hypothesis, structural equation modeling with SmartPLS4 software and SPSS were used. Descriptive statistics was used to summarize demographic and important variables at the time of data collection this section also includes reliability and validity of study instrument. The results are interpreted in line with existing theories and prior research to provide meaningful insights and support for managerial decisions.

4.2. Descriptive Statistics

4.2.1. Demographic Characteristics of Respondents

From total of 406 questionnaire distributed, 386 respondents fully answered self-administrated questions. This brings the response rate to 95%. Regarding gender distribution, 50.3% were females and 49.7% were male. Regarding age distribution, majority of participants (51.8%) were between the ages of 25 and 35 and 25 years (17.4%). Regarding educational background of respondents, 75.9% were BA/BSc degree holders and 24.1% held Master's degree or higher. Regarding work experience, 37.8% of respondents were between 5 to 7 years of experience in the bank before survey and, 27.7% of respondents had work experience of more than 7 years.

Table 1 Sociodemographic characteristics of Respondents in Private Banks, Addis Ababa, Ethiopia.

Variables	Number (#)	Percent (%)
Gender		
Female	194	50.3
Male	192	49.7

Age of respondent		
<25 years	67	17.4
25-35 years	200	51.8
36-40 years	53	13.7
40-50 years	39	10.1
51-60 years	27	7.0
Educational of respondent		
BA/BSc Degree	293	75.9
Master Degree and above	93	24.1
Years of Experience		
Less than 3 years	45	11.7
3 to 5 years	88	22.8
5 to 7 years	146	37.8
more than 7 years	107	27.7

Source: Own Survey, 2025

4.2.2. Descriptive Statistics for Key Variables

4.2.2.1. Identifying Critical Position

The result of this study regarding the identification of critical positions within the banks showed mean scores from 3.22 to 3.26. Regarding building talent pool in the bank, majority of the participants showed agreement that their bank builds talent pool in the organization with mean of 3.24. the finding also showed largest number (135) of study participants remain neutral on the statement that their bank identifies talents based on the level of employees' contribution with mean of 3.25. Finally, the response of study participants inclined to agreement on that banks recognize employees whose talents significantly influence organizational success with mean of 3.26. [Table 2]

Table 2 Identifying critical positions

Identifying critical Positions	SDA	DA	NL	A	SA	Mean
My bank identifies critical positions that align with its business strategies.	35(9.1)	63(16.3)	118(30.6)	123(31.9)	47(12.2)	3.22
My bank builds a talent pool within the organization.	25(6.5)	65(16.8)	127(32.9)	130(33.7)	39(10.1)	3.24
My bank differentiates identified talent based on their level of contribution.	26(6.7)	61(15.8)	137(35.5)	113(29.3)	49(12.7)	3.25
My bank recognizes employees whose talents have the greatest impact on organizational success.	25(6.5)	69(17.9)	117(30.3)	132(34.2)	43(11.9)	3.26

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.2.2.2. Competency-Based Training

Regarding respondents' perceptions of competency-based training practices within their banks, the result of this study showed that mean scores range from 3.11 to 3.22. The highest mean (3.22) corresponds to the statement that training for identified talent focuses on required competencies. The lowest (3.11) relates to training being tailored to develop firm-specific skills aligned with critical tasks. [Table 3]

Table 3 Competency Based Training among respondents in Private Banks, Addis Ababa, Ethiopia, 2025

Competency-Based Training	SDA	DA	NL	A	SA	Mean
Training activities for identified talent focus on the required competencies.	32(8.3)	76(19.7)	107(27.7)	119(30.8)	52(13.5)	3.22
Training activities in my bank are implemented continuously.	40(10.4)	69(17.9)	107(27.7)	116(30.1)	54(14.0)	3.19
Training content is designed	31(8.0)	91(23.6)	96(24.9)	106(27.5)	62(16.1)	3.20

Competency-Based Training	SDA	DA	NL	A	SA	Mean
based on job performance.						
Training activities are tailored to develop firm-specific skills and align with critical tasks.	39(10.1)	86(22.3)	101(26.2)	115(29.8)	45(11.7)	3.11

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.2.3. Development Practice

The result of this study revealed regarding respondents' views on development practices for talented employees within their banks showed the mean scores range from 3.24 to 3.36. The highest mean of 3.36 is related to the provision of feedback on developmental growth agendas. Regarding having multiple avenues for promotion mean was 3.32 and regarding clear career paths showed mean of 3.31 and this showed relatively strong agreement.

Table 4 Development Practice among respondents in Private Banks, Addis Ababa, Ethiopia, 2025

Development Practice	SDA	DA	NL	A	SA	Mean
Development needs are identified for talented employees in my bank.	17(4.4)	83(21.5)	129(33.4)	106(27.5)	51(13.2)	3.24
Identified talent in my bank have many opportunities for upward mobility.	15(3.9)	66(17.1)	138(35.8)	123(31.9)	44(11.4)	3.30
Talented employees have clear career paths within the organization.	9(2.3)	64(16.6)	153(39.6)	118(30.8)	42(10.9)	3.31
Talented employees have more than one avenue for promotion.	14(3.6)	62(16.1)	142(36.8)	123(31.9)	45(11.7)	3.32
Developmental activities include feedback on the developmental growth agenda for identified talents.	7(1.8)	59(15.3)	160(41.5)	108(28.0)	52(13.5)	3.36

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.2.4. Reward Management

The construct reward management was measured by 5 items and the mean scores showed a moderate level of satisfaction which ranges from 3.01 to 3.23. The highest-rated item that employees feel their work and contributions are valued by their banks and the lowest mean corresponds to the provision of recognition through financial and non-financial rewards. Other items show moderate agreement but with a noticeable proportion of neutral responses. [Table 5]

Table 5 Reward Management among respondents in Private Banks, Addis Ababa, Ethiopia, 2025.

Reward Management	SDA	DA	NL	A	SA	Mean
My bank provides recognition through financial and non-financial means	25(6.5)	108(28.0)	128(33.2)	87(22.5)	38(9.8)	3.01
My supervisor provides meaningful feedback on my job performance.	21(5.4)	84(21.8)	141(36.5)	101(26.2)	39(10.1)	3.14
My bank values my work and contribution.	13(3.4)	86(22.3)	135(35.0)	105(27.2)	47(12.2)	3.23
My bank supports a balanced lifestyle and organizes team-building activities.	18(4.7)	91(23.6)	142(36.8)	98(25.4)	37(9.6)	3.12
My bank offers a competitive pay package, including basic salary, benefits, allowances, and retirement benefits.	13(3.4)	79(20.5)	158(40.9	90(23.3)	46(11.9)	3.2

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.2.5. Employee Engagement

The concept employee engagement was measured by 9 items. The descriptive statics showed the mean scores across all nine items range from 3.44 to 3.46. This shows moderately high level of engagement among respondents. The strongest areas of agreement were employees going beyond expectations to support their teams and feeling supported by supervisors and coworkers. The relatively low percentages of disagreement and the dominance of "Agree" and "Strongly Agree" responses suggest that most employees are emotionally and cognitively engaged in their roles. [Table 6]

Table 6 Employee Engagement among respondents in Private Banks, Addis Ababa, Ethiopia, 2025

Employee Engagement	SDA	DA	NL	A	SA	Mean
I am focused on my job when I am working.	18(4.7)	71(18.4)	93(24.1)	131(33.9)	73(18.9)	3.44
When working, I think about how I can give my best.	15(3.9)	70(18.1)	96(24.9)	135(35.0)	70(18.1)	3.45
Working at my current organization has personal meaning to me.	18(4.7)	68(17.6)	98(25.4)	129(33.4)	73(18.9)	3.44
I am proud to tell others I work for my organization.	19(4.9)	67(17.4)	96(24.9)	130(33.7)	74(19.2)	3.45
I care about the future of my company.	17(4.4)	68(17.6)	99(25.6)	130(33.7)	72(18.7)	3.45
I do more than is expected of me.	12(3.1)	65(16.8)	107(27.7)	139(36.0)	63(16.3)	3.46
I often go above what is expected to help my team be successful.	19(4.9)	58(15.0)	105(27.2)	139(36.0)	65(16.8)	3.45
I feel supported by my supervisor and coworkers.	11(2.8)	71(18.4)	102(26.4)	132(34.2)	70(18.1)	3.46
The work I do is meaningful to me.	13(3.4)	66(17.1)	106(27.5)	137(35.5)	64(16.6)	3.45

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.2.6. Employee Performance

Regarding employee performance the concept was measured by 10 items and the mean scores range from 3.43 to 3.65. The highest mean was related to effective communication for problem-solving. The result also showed that relatively higher mean score is registered among maintaining high work standards, handling multiple assignments and showing passion for work. The finding of this study also showed employees strong abilities in coping with organizational change, meeting deadlines, and collaborating with coworkers. The overall mean score of employee performance (3.53) indicates moderately high level of perceived own performance. [Table 7]

Table 7 Employee Performance among respondents in Private Banks, Addis Ababa, Ethiopia, 2025

Employee Performance	SDA	DA	NL	A	SA	Mean
I maintain high standards of work.	14(3.6)	69(17.9)	82(21.2)	140(36.3)	81(21.0)	3.53
I complete my assignments on time.	12(3.1)	54(14.0)	109(28.2)	142(36.8)	69(17.9)	3.52
I am passionate about my work.	10(2.6)	52(13.5)	108(25.0)	137(35.5)	79(20.5)	3.58
I can handle multiple assignments effectively.	10(2.6)	72(18.7)	83(21.5)	140(26.3)	81(21.0)	3.54
I manage change well when the situation demands.	5(1.3)	64(16.6)	111(28.8)	141(36.5)	65(16.8)	3.51
I cope well with organizational changes over time.	7(1.8)	58(15.0)	114(29.5)	145(37.6)	62(16.1)	3.51
I extend help to coworkers when needed.	6(1.6)	60(15.5)	129(33.4)	138(35.8)	53(13.7)	3.45
I actively participate in group discussions and work meetings.	5(1.3)	68(17.6)	120(31.1)	141(36.5)	52(13.5)	3.43
I communicate effectively with colleagues for problem-solving.	6(1.6)	53(13.7)	100(25.9)	140(36.3)	87(22.5)	3.65
I maintain good coordination among team members	7(1.8)	52(13.5)	115(29.8)	136(35.2)	76(19.7)	3.58

Source: Own Survey, 2025

SDA= Strongly Disagree, DA= Disagree, NL= Neutral, A= Agree and SA=Strongly Disagree

4.3. Reliability and Validity of the Measurement Model

4.3.1. Reliability

To determine the internal consistency reliability of the measurement items for each construct, Cronbach's Alpha and Composite Reliability (CR) were used. The result showed that the value of Cronbach's Alpha for all constructs exceeded the threshold value of 0.7 for both indicators. Similarly, the value of CR is above 0.7. this shows the measurement items had no reliability problem.

Table 8 Reliability and Composite Reliability

Construct	Cronbach's Alpha	CR
Identifying Critical Position	0.807	0.812
Competency-Based Training	0.897	0.897
Development Practice	0.854	0.856
Reward Management	0.834	0.836
Employee Engagement	0.888	0.888
Employee Performance	0.893	0.898

Source: Own Survey, 2025

4.3.2. Convergent Validity

The result of this study showed that Average Variance Extracted (AVE) value above 0.5 and item outer loadings were above 0.7. Fornell and Larcker (1981) stated that to confirm convergent validity AVE values should exceed 0.50, and outer loadings should be greater than 0.70. Therefore, the measurement tool for this showed no problem with convergent validity.

Table 9 Convergent Validity of the Measurement Model (Outer Loadings and AVE)

Items	Outer Loadings	Average variance extracted (AVE)	Items	Outer Loadings	Average variance extracted (AVE)
CT1 → CT	0.864	0.763	EE1 → EE	0.743	0.527
CT2 →CT	0.876		EE2 → EE	0.720	
CT3 → CT	0.877		EE3 → EE	0.729	
CT4 → CT	0.877		EE4 → EE	0.765	
DP1 → DP	0.811	0.632	EE5 → EE	0.710	
DP2 → DP	0.816		EE6 → EE	0.707	
DP3 → DP	0.764		EE7 → EE	0.724	
DP4 → DP	0.808		EE8 → EE	0.734	
DP5 → DP	0.775		EE9 → EE	0.699	
ICP1 → ICP	0.844	0.635	EP1 → EP	0.824	0.514
ICP2 → ICP	0.800		EP10 → EP	0.721	
ICP3 → ICP	0.791		EP2 → EP	0.648	
ICP4 → ICP	0.748		EP3 → EP	0.711	
RM1 → RM	0.786	0.602	EP4 → EP	0.822	
RM2 → RM	0.808		EP5 → EP	0.682	
RM3 → RM	0.794		EP6 → EP	0.710	
RM4 → RM	0.772		EP7 → EP	0.618	
RM5 → RM	0.718		EP8 → EP	0.666	
			EP9 → EP	0.735	

Note: CT = Competency-Based Training; DP = Development Practice; EE = Employee Engagement; EP = Employee Performance; ICP = Identifying Critical Positions; RM = Reward Management.

Source: Own Survey, 2025

4.3.3. Discriminant Validity

To confirm discriminant validity, the assessment of Fornell-Larcker criterion and the Heterotrait-Monotrait Ratio (HTMT) was used in this study. This is to ensure that each construct in the model is empirically distinct from the others and captures unique aspects of the conceptual framework. The square root of each construct's Average Variance Extracted (AVE) was compared against its correlations with other constructs and each construct's AVE

square root exceeded its highest inter-construct correlation. Therefore, the measurement tool had no discriminant validity problem. [Table 11]

Table 10 Fornell-Larcker Criterion – Discriminant Validity Assessment

Construct	CT	DP	EE	EP	ICP	RM
CT	**0.874**					
DP	0.677	**0.795**				
EE	0.694	0.686	**0.726**			
EP	0.674	0.700	0.694	**0.717**		
ICP	0.622	0.628	0.634	0.608	**0.797**	
RM	0.485	0.436	0.476	0.445	0.454	**0.776**

Note: CT = Competency-Based Training; DP = Development Practice; EE = Employee Engagement; EP = Employee Performance; ICP = Identifying Critical Positions; RM = Reward Management.

Source: Own Survey, 2025

Additionally, the result of this study showed all HTMT values were all below the threshold of 0.85. Therefore, this is further confirming discriminant validity.

Table 11 Heterotrait-Monotrait Ratio (HTMT) – Discriminant Validity Assessment

Construct	CT	DP	EE	EP	ICP	RM
CT	–					
DP	0.772	–				
EE	0.777	0.785	–			
EP	0.750	0.796	0.776	–		
ICP	0.730	0.754	0.747	0.711	–	
RM	0.560	0.516	0.553	0.515	0.554	–

Note: CT = Competency-Based Training; DP = Development Practice; EE = Employee Engagement; EP = Employee Performance; ICP = Identifying Critical Positions; RM = Reward Management.

Source: Own Survey, 2025

4.3.4. Collinearity Diagnostics

The assessment of the structural model was conducted after confirming the reliability and validity of the measurement model. Multicollinearity was assessed by using the Variance Inflation Factor (VIF). The result shown in table 13 below that all VIF values fall below threshold value of 5. This confirms that there was no multicollinearity problem among predictor constructs.

Table 12 Collinearity Statistics (VIF) for Constructs

Constructs	**VIF (EE)**	**VIF (EP)**
Competence based Training	2.197	2.448
Development Practice	2.137	2.364
Employee Engagement		2.513
Employee Performance		
Identifying Critical Position	1.933	2.037
Reward Management	1.388	1.413

Source: Own Survey, 2025

To measure explanatory power of the model, the R^2 value is used. The table below shows R^2 for EE was 0.602 with an adjusted R^2 of 0.598. This indicates that approximately 60.2% of the variance in EE is explained by its predictor variables CT, DP, ICP, and RM. This shows a moderately strong explanatory capacity of these constructs on EE. Similarly, R^2 value for EP was 0.619 with an adjusted R^2 of 0.614. This also indicates that 61.9% of the variance in EP is accounted for by EE and its other direct antecedents of talent management components. Therefore, R^2 values indicate that the model possesses a high level of predictive power.

Table 13 Coefficient of Determination (R^2)

Constructs	R-square	R-square adjusted
EE	0.602	0.598
EP	0.619	0.614

Source: Own Survey, 2025

4.4. Structural Model Analysis

4.4.1. Path Coefficients

The structural model was tested to evaluate the direct relationships among talent management practices, employee engagement, and employee performance. The result of this study showed that all components of talent management practices had positive effects on employee engagement and employee performance with varied effects. The result showed that CT showed a moderately strong positive impact on employee engagement (β = 0.316) and employee performance (β = 0.212). Similarly, development practice was also positively associated with employee engagement (β = 0.301)and the highest direct effect on employee performance (β = 0.294) among all predictors. Similarly, CT had also positive effect on employee engagement (β = 0.204) and employee performance (β = 0.116). Among the talent management dimensions RM showed the weakest positive direct effects in the model, with a coefficient of 0.100 for employee engagement and 0.062 for employee performance. Finally, employee engagement itself had a significant positive effect on employee performance (β = 0.242).

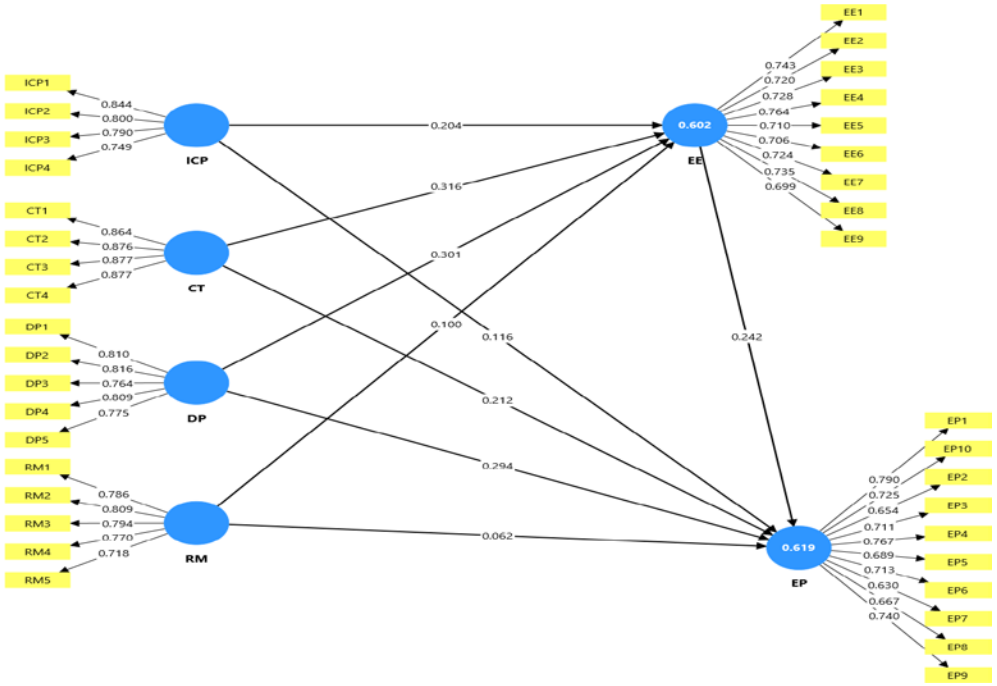


Figure 2 Structural Model Path Coefficients

4.4.2. Direct Effects

The finding of this this research on table 15 below showed statistically significant relationships between talent management components. employee engagement, and employee performance. Competency-based training showed statistically significant positive effect on employee engagement with $\beta = 0.316$, $t = 6.380$ and $p < 0.001$. It has also showed statistically significant effect on employee performance with path coefficient 0.212, t-value 4.284, p-value < 0.001. Development practice (DP) also showed significant positive effects on employee engagement with path coefficient 0.301, $t = 6.458$, $p < 0.001$. It also showed the strongest direct effect on employee performance with $\beta = 0.294$, $t = 5.540$, $p < 0.001$. Regarding employee engagement, the result of this study also showed a significant direct influence on employee performance with $\beta = 0.242$, $t = 4.544$ and $p < 0.001$. Regarding identifying critical positions, the finding of this study showed that it had a positive and statistically significant impact on both employee engagement with $\beta = 0.204$, $t = 4.206$ and $p < 0.001$). The result also showed it has significant effect on employee performance with $\beta = 0.116$, $t = 2.506$, and = 0.012. Regarding reward management, the result showed that its influence on employee engagement was significant with $\beta = 0.100$, $t = 2.807$ and $p = 0.005$.

However, its direct effect on employee performance was marginal (β = 0.062, t = 1.750, p = 0.080).

Table 14 Direct Effects of Talent Management Practices on Outcomes

Items	Path coefficient (β)	T statistics (|t|)	P values
CT -> EE	0.316	6.380	0.000
CT -> EP	0.212	4.284	0.000
DP -> EE	0.301	6.458	0.000
DP -> EP	0.294	5.540	0.000
EE -> EP	0.242	4.544	0.000
ICP -> EE	0.204	4.206	0.000
ICP -> EP	0.116	2.506	0.012
RM -> EE	0.100	2.807	0.005
RM -> EP	0.062	1.750	0.080

Note: CT = Competency-Based Training; DP = Development Practice; EE = Employee Engagement; EP = Employee Performance; ICP = Identifying Critical Positions; RM = Reward Management.

Source: Own Survey, 2025

4.5. Employee Engagement as a Mediator

Bootstrapping procedures (5,000 samples) confirmed the mediating role of employee engagement. Indirect effects were significant for the paths from talent management practices to employee performance via engagement.

4.5.1. Indirect Effects

The finding of this study showed that the identifying critical positions (ICP) showed significant positive effect on employee performance through employee engagement (β = 0.049, 95% CI [0.02, 0.08], p < 0.001). Regarding competency Training (CT), the result of this study also showed its strong indirect effect on performance (β = 0.076, 95% CI [0.04, 0.12], p < 0.001). Similarly, the result on the table 16 below shows the indirect effect of Development Practice (DP) was significant (β = 0.073, 95% CI [0.04, 0.11], p < 0.001). The finding of this study also demonstrated Reward Management (RM) exhibited a modest but statistically significant indirect effect (β = 0.024, 95% CI [0.01, 0.05], p < 0.03). [Table 16]

Table 15 Indirect Effects (Mediation through Employee Engagement)

Indirect Paths	β	95% CI	*p*-value
Identifying Critical Position → Engagement → Performance	0.049	[0.02, 0.08]	< 0.001
Competency Training → Engagement → Performance	0.076	[0.04, 0.12]	< 0.001
Development Practice → Engagement → Performance	0.073	[0.04, 0.11]	< 0.001
Reward Management → Engagement → Performance	0.024	[0.01, 0.05]	< 0.03

Source: Own Survey, 2025

4.5.2. Variance Accounted For (VAF)

Variance Accounted For (VAF) was used to assess the strength and nature of mediation through employee engagement. it was calculated for each of the talent management constructs by dividing the indirect effect by the total effect and multiplying by 100. A VAF value less than 20% indicates no mediation, between 20% and 80% suggests partial mediation, and Above 80% denotes full mediation (Hair, 2014).

Table 16 below summarizes the VAF values and corresponding mediation types for each construct.

Table 16 Variance Accounted For (VAF)

Constructs	Direct Effect	Indirect Effect	Total Effect	VAF (%)	Mediation Type
Competency-Based Training	0.212	0.076	0.288	26.4%	Partial Mediation
Development Practice	0.294	0.073	0.367	19.9%	No/Weak Mediation
Identifying Critical Positions	0.116	0.049	0.165	29.7%	Partial Mediation
Reward Management	0.062	0.024	0.086	27.9%	Partial Mediation

Source: Own Survey, 2025

Therefore, above result on the table shows that employee engagement partially mediates the relationship between three constraints. These are competency-based training, identifying critical positions, and reward management with employee performance. Because their VAF

values fall within the 20–80% range. On the other hand, VAF value for development practice is below 20% and shows the mediation effect is weak.

4.6. Discussion

Based on the objective and hypothesis constructed, collected data was analyzed by using smartPLS4 and SPSS 24.

Finding of this study showed that statistically significant effect of ICP on employee performance with a smaller coefficient with β=0.116 and p-value of 0.012. This is in line with other studies that organizations that effectively identify critical positions experience higher employee performance (Becker et al., 2009; Collings & Mellahi, 2009; Huselid et al., 2005). This indicates that recognizing strategically important roles within the organization contributes to better outcomes. Therefore, the result of this study supported hypothesis 1 (H1) of this study that identification of critical positions (ICP) has a positive and statistically significant effect on employee performance (EP).

The finding of this study also demonstrated that competency-based training had strong positive effects on both employee engagement and performance ($\beta = 0.212$, $t = 4.284$, $p < 0.001$). This finding was supported by other studies that training practice positively influence employee performance (Elnaga & Imran, 2013; Esthi & Savhira, 2019; Mahmood et al., 2018; Persada & Nabella, 2023; Sisyuk, 2018; Suzana et al., 2020). This suggests that when employees receive training tailored to enhance their job competencies, they tend to perform better and showed strong empirical support for hypothesis 2 (H2) of this study.

The finding of this study also revealed that development practice showed positive and statistically significant effect ($\beta = 0.294$, $t = 5.540$, $p < 0.001$). This showed support for hypothesis 3 (H3), revealing that development practices (DP) have a positive and significant effect on employee performance (EP). Several researches similarly revealed that employee development practice has significant effect on employee performance (Hameed & Waheed, 2011; Keltu, 2024; Kooij et al., 2013; Mira et al., 2019; Otoo & Mishra, 2018; Rodjam et al., 2020). Similarly, the result of study found that thorough training design, needs assessment, delivery, and evaluation each had significant positive effects on employee performance (Yimam, 2022). The finding is in line with the study conducted in Malaysian universities Abdullahi, Adeiza, et al. (2022) report that training and development practices significantly predict academic staff performance. Similarly, the finding of this study supported by study

conducted in Nigerian commercial banks by Akor Leonard Akor et al. (2024) that training and development (along with performance management) as significant predictors of employee performance in banks. Similarly, the finding in Kenya's banking sector, Rapando (2020) found that talent attraction was significantly and positively associated with employee performance. Overall similar studies supported that training and development consistently underlie better performance across diverse settings. This implies that opportunities for career development significantly enhance employee productivity.

The finding of this study also found that the direct effect of reward management on employee performance was weaker. But numerous studies confirm the significant influence of reward management on performance (Bosco, 2014; Ngwa et al., 2019; Njanja et al., 2013; Noorazem et al., 2021; Ogbu et al., 2020; Okoli et al., 2020; Phina et al., 2015). The discrepancy in this study may reflect contextual differences. This study could indicate that Ethiopian banks may place more emphasis on procedural fairness and engagement rather than on direct pay-for-performance, aligning with the concept that rewards may boost performance primarily through their impact on engagement. Therefore, the direct link between reward management and employee performance was not supported by as hypothesized (H4) at p-value 0.05 level.

Regarding indirect effect, the result of this study showed that identifying critical positions on employee performance through engagement was significant ($\beta = 0.049$, 95% CI [0.02, 0.08], $p < 0.001$), indicating that recognizing and managing key roles contributes to performance via increased engagement. By using the variance accounted for (VAF) was used to assess mediating role of employee engagement between ICP and employee performance. The VAF result showed that employee engagement partially mediates the effect of ICP on employee performance. Therefore, the finding of this study confirming hypothesis 5 (H5) that EE significantly mediates the relationship between the ICP and EP.

The result of this study showed that competency-based training had positive indirect effect on employee performance through the channel of employee engagement ($\beta = 0.076$, 95% CI [0.04, 0.12], $p < 0.001$). This shows that competency-based training influence employee performance by enhancing employee engagement. To the mediation level VAF was used and the result showed that employee engagement partially mediated the relationship between competency-based training and employee performance. Similarly, the study conducted by Abdullahi et al. (2022) showed employee engagement partially mediated the relationship

between competency-based training and employee performance. Therefore, the finding of this study supports hypothesis 6 (H6) in that CT showed a positive indirect effect on EP.

Regarding indirect effect of development practice on employee performance through employee engagement, the result of this study showed that development practice had statistically significant indirect effect on employee performance ($\beta = 0.073$, 95% CI [0.04, 0.11], $p < 0.001$). Similarly, the study conducted by Abdullahi et al. (2022) showed that training and development practice had significant indirect effect on employee performance through employee engagement. The mediation analysis by calculating VAF, the result showed that nearly weak partial mediation which is VAF value of 19.9%. in contrast to the study conducted by Abdullahi et al. (2022). The difference might be contextual difference.

Finally, the finding of this study showed statistically significant indirect effect of reward management on employee performance through employee engagement ($\beta = 0.024$, 95% CI [0.01, 0.05], $p < 0.03$). In order to assess mediation analysis VAF was calculated and the result showed that employee engagement partially mediates the relationship between reward management and employee performance. Therefore, the finding supports hypothesis 8 of this study.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusion

This study examined the effect of talent management practices (TMPs) on employee performance (EP), with employee engagement (EE) serving as a mediating variable, in selected private banks in Addis Ababa, Ethiopia. The finding of this study showed that well-implemented talent management strategies particularly competency-based training, development practices, and the identification of critical positions can significantly enhance employee performance. Among these, development practice exerted the strongest direct influence on performance, while reward management, though influential on engagement, showed only a marginal direct effect on performance. The result also showed employee engagement was confirmed as a significant mediator in the relationship between most talent management practices and performance. This can be evidence that notion that talent management practices do not function in isolation; their effectiveness is substantially channeled through the motivational and psychological engagement of employees. The calculated Variance Accounted For (VAF) values further clarified that engagement partially mediates the influence of competency training, reward systems, and succession planning on performance outcomes. Extensive literature review showed that studies from Ethiopia, other African countries, and global contexts shows substantial alignment: investments in employee development and engagement consistently lead to improved performance across sectors and regions.

5.2. Theory Implication

The result of this study provides theoretical contributions to the body of knowledge on human resource management, talent management, and employee performance. The research empirically demonstrating that talent management practices specifically identifying critical positions, competency-based training, development practice and reward management practice converting human resource as strategic internal resources that are valuable, rare, inimitable, and non-substitutable. In this case it advocates and advances Resource Based View (RBV). Specially competency-based training and development practices suggest that private banks do

not just gain an advantage by hiring talented employees, but they are creating the talent. These specific competencies developed through training and development are socially complex and difficult for competitors to imitate. Consistent with RBV (Barney, 1991), the findings reinforce that organizations gain sustainable competitive advantage when they focus on identifying critical positions, providing competency-based training, rewarding identified talents, and developing the talents in order to retain long period of time with in the organization. The study therefore contributes to theoretical understanding by positioning TM practices as bundles of strategic resources that directly and indirectly enhances employee performance.

5.3. Policy Indication

The finding of this study showed that identifying critical position has significant effect on employee performance. This indicates that traditional human resource management, that is managing all employees equally is insufficient. Therefore, policies should shift towards role-based value model. Policies should focus on identification of pivotal positions and focus recruitment and retention efforts specifically on these areas.

The finding of this study showed employee engagement is mediator in the relationship between almost all talent management component and employee performance. This suggests that technical skills and financial rewards are not effective until supported by engagement. Therefore, National bank of Ethiopia and all bank board members should consider engagement into their annual corporate governance audits.

According to the result of this study, competency-based training is a driver of both employee engagement and employee performance. This indicates banking sector should stablish competency framework. Policies should move to ensuring that training investments are targeted and result-oriented.

Development practice resulted higher impact than reward management according to the finding of this study. Therefore, policies should be adjusted to incentives in connection with invest in long-term employee education and career pathing.

According to the finding of this study, reward management had a weak direct effect but strong effect through engagement. This suggests that procedural fairness is more important than the magnitude of the reward itself. Therefore, internal bank policies should focus on fairness, recognition, and non-monetary appreciation.

5.4. Limitation of the study

While the finding of this study showed significant effect of talent management practice on employee performance directly and through employee engagement, the following limitations are acknowledged.

- Since this study used cross-sectional study design, where data was collected at single point at a time, the identified causal paths should be interpreted as statistically significant associations rather than absolute longitudinal causality.
- Since data is collected through self-reported questionnaire, the study is susceptible to common method bias. In general, the possibility of social desirability bias in self-reporting performance cannot be entirely ruled out.
- This study considered only employee engagement as mediating factor. However, other psychological and organizational factors might also play significant roles in the link.
- This study was conducted in private banking sector in Addis Ababa, Ethiopia. Therefore, the result may not be generalizable to other sectors in different geographic or cultural regions.

5.5. Suggestions for Future Research

Based on the findings of this study, the following areas are recommended for future study;

- Future study should consider longitudinal study rather than cross-sectional. Longitudinal study would provide more robust evidence of the causal link between talent management practices and employee performance over time in the Ethiopian banking sector.

- In order to tackle self-reported bias, future research shall consider a multi-source data collection strategy. Employee performance can be reported from immediate supervisor or human resource records.
- While this study considered only employee engagement as mediator, future research should assess other potential variables.
- To improve the generalizability of this finding, this research should be replicated in other sectors and geographic area. Comparative studies among private and state-owned banks should be considered.

5.6. Recommendations

Based on the study's results, the following recommendations are made

- The bank managers shall prioritize comprehensive training programs and career development initiatives. Because development Practice had the largest direct effect on performance
- The bank managers shall establish systematic processes for identifying and nurturing critical positions and high-potential employees.
- Reassessing reward and recognition practices to emphasize intrinsic motivation and fairness should be given due attention by bank managers. As the finding showed reward management significantly enhanced engagement (though not directly performance), incentives should be tied to engagement-related outcomes.
- The bank managers should actively promote engagement by empowering staff, recognizing achievements, and providing autonomy.

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Addis Ababa University
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College of Business and Economics

Questionnaire

Dear Sir/Madam,

I am currently conducting research as part of my Master's thesis titled, *The Effect of Talent Management Practices on Employee Performance: The Mediating Role of Employee Engagement among Selected Private Banks in Addis Ababa, Ethiopia*. This study is being carried out under the guidance of my advisor, Dr. Asres Abitie Kebede, Assistant Professor at Addis Ababa University, and aims to explore the relationship between talent management practices, employee performance, and employee engagement.

To collect the necessary data, I have developed a questionnaire intended to gather insights from employees within selected private banks in Addis Ababa. Your participation in this research is invaluable, and I kindly request your assistance by completing the enclosed questionnaire. The responses will provide critical information to enhance the understanding of how talent management practices can influence employee performance and engagement.

Please note that the questionnaire is anonymous, and your responses will be kept strictly confidential. The information gathered will be used solely for academic purposes. Your participation is entirely voluntary, and you are free to withdraw at any stage without any consequences. The questionnaire should take approximately 30 minute to complete.

If you have any questions or need further clarification, please do not hesitate to contact me at 0901104070 or via email at tora.wadilo@gmail.com.

Yours sincerely,
Zeleke Tora Wadilo

Part One – Demographic Variables of the Respondents

Please select the most appropriate answer by ticking (✓) the box

1. Gender Male ☐ Female ☐
2. In which age group are you? <25 ☐ 25 to 35 ☐ 36 to 40 ☐ 41 to 50 ☐ 51 to 60 ☐ 61 and above ☐
3. Educational Status

   12 Grade complete and below ☐ Collage Diploma and Certificate ☐

   BA/BSc Degree ☐ Master Degree and above ☐
4. Please indicate your job experience in this bank?

   Less than 3 years ☐ 3 to 5 years ☐

   5 to 7 years ☐ more than 7 years ☐
5. In which department are you currently working? _____

Part Two: - Employee engagement level survey questions

Please put tick mark(√) in the box corresponding to the option that identifies your level of overall (agreement) on the true feeling you have on a five-point scale ranging from extreme dis agreement to extreme agreement where 5 is extremely agreement and 1 is extremely disagreement.

1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

No.	Description of the Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly
Integrated Talent Management						
	Identifying critical positions					
1.	My bank identifies critical positions that align with its business strategies.					
2.	My bank builds a talent pool within the organization.					
3.	My bank differentiates identified talent based on their					

	level of contribution.					
4.	My bank recognizes employees whose talents have the greatest impact on organizational success.					
	Competence training					
5.	Training activities for identified talent focus on the required competencies.					
6.	Training activities in my bank are implemented continuously.					
7.	Training content is designed based on job performance.					
8.	Training activities are tailored to develop firm-specific skills and align with critical tasks.					
	Development					
9.	Development needs are identified for talented employees in my bank.					
10.	Identified talent in my bank have many opportunities for upward mobility.					
11.	Talented employees have clear career paths within the organization.					
12.	Talented employees have more than one avenue for promotion.					
13.	Developmental activities include feedback on the developmental growth agenda for identified talents.					
	Reward Management					
14.	My bank provides recognition through financial and non-financial means (e.g., certificates).					
15.	My supervisor provides meaningful feedback on my job performance.					
16.	My bank values my work and contribution.					
17.	My bank supports a balanced lifestyle and organizes team-building activities.					
18.	My bank offers a competitive pay package, including					

	basic salary, benefits, allowances, and retirement benefits.					

Part three: Employee Engagement

No.	Description of the Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Cognitive Engagement					
19.	I am focused on my job when I am working.					
20.	When working, I think about how I can give my best.					
	Emotional Engagement					
21.	Working at my current organization has personal meaning to me.					
22.	I am proud to tell others I work for my organization.					
23.	I care about the future of my company.					
	Behavioral Engagement					
24.	I do more than is expected of me.					
25.	I often go above what is expected to help my team be successful.					
26.	I feel supported by my supervisor and coworkers.					
27.	The work I do is meaningful to me.					

Part Four: Employee Performance

No.	Description of the Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Task Performance					
28.	I maintain high standards of work.					
29.	I complete my assignments on time.					
30.	I am passionate about my work.					
31.	I can handle multiple assignments effectively.					
	Adaptive Performance					
32.	I manage change well when the situation demands.					
33.	I cope well with organizational changes over time.					

	Contextual Performance					
34.	I extend help to coworkers when needed.					
35.	I actively participate in group discussions and work meetings.					
36.	I communicate effectively with colleagues for problem-solving.					
37.	I maintain good coordination among team members					