Talent management and organizational commitment: the partial mediating role of pay satisfaction

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Abstract

Purpose – The purpose of this study is to better understand the role of pay satisfaction and employee perception of talent management in business loyalty strategies, which implies considering both economic and non-economic variables in order to achieve organizational success.

Design/methodology/approach – Results from a survey of 198 workers were analysed using structural equation modelling (SEM) based on three constructs (confirmatory factor analysis, CFA). The scales used were: employee perception of talent management, pay satisfaction, and organizational commitment. Pay satisfaction acts as a mediating variable in the significant relationship between the perception of talent management and organizational commitment.

Findings – The partial mediating model hypothesised was supported by the SEM model, indicating that loyalty strategies require both good talent management and a good compensation system.

Research limitations/implications – The article promotes the use of mediating variables as an explanation to better understand the strategies of loyalty in the management of talent, framed within the model of the resource-based view (RBV) theory.

Practical implications – The implications are important for practitioners, who normally put every effort into strategies related to economic reinforcement, since the model suggests that they should also strive to correctly apply talent management.

Social implications – The study suggests the need to understand better retributive systems with an application of talent management based on improvement and professional development.

Originality/value – The originality lies in the article stating that the application of good talent management must be complemented with adequate compensation systems in order to achieve efficient retention strategies for talented employees.

Keywords Talent management, Organizational commitment, Pay satisfaction

Paper type Research paper

Introduction

At present, the vast majority of organizations operate in a complex, diverse, dynamic, highly competitive and extremely volatile environment, and face problems that have often not yet even emerged (Tarique and Schuler, 2010). In this context, companies must meet the

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challenge of knowing how to effectively manage their human capital so that they are able to generate and maintain sustainable competitive advantages (Dries, 2013; Ulrich, 2007). The challenge of gaining a competitive advantage through human resources and talent management in an organization is a significant one (Wright *et al.*, 2001; Collings and Mellahi, 2009). According to the RBV theory (Barney, 1991; Becker and Huselid, 2006; Collis and Montgomery, 1995; Delery, 1998; Teece *et al.*, 1997; Wernerfelt, 1984; Wright *et al.*, 2001), firms use tangible and intangible resources (such as human capital) to develop business strategies. This competitive advantage is linked directly to the capabilities of the talented individuals who work in the companies (Cheese *et al.*, 2008) and also ties in with talent management practices that work with the organization in an effort to attract, develop, and retain talent (Luna-Arocas, 2018).

In many companies, a shortage of talent poses an obstacle that hinders the implementation of successful strategies (Farndale *et al.*, 2010). For this reason, the number of academic studies into talent management has increased substantially in recent years (Thunnissen *et al.*, 2013; Valverde *et al.*, 2013; Sidani and Al Ariss, 2014; Collings *et al.*, 2015; Luna-Arocas and Morley, 2015; Thunnissen, 2016; Gallardo-Gallardo and Thunnissen, 2016), and is also due to the fact that talented people are related with exceptional results and high performance in the firm. Therefore, companies seek to further the implementation of talent management strategies and to know what impact they have on organizational variables such as organizational performance, where identifying and retaining key personnel proves essential. Thus, this study covers an important gap when analysing the relationship between talent management strategies and organizational commitment as well as pay satisfaction.

Talent strategies generate meritocracy and equity in the organization and, therefore, have the capacity to trigger organizational commitment (Luna-Arocas, 2018). In fact, for Ulrich (2007) there is a clear formula: talent = competence × commitment × contribution. Talent management strategies involve the loyalty of talented employees so that they can continue contributing to organizational performance. In this sense, organizational commitment has been studied extensively in HR literature (Allen and Meyer, 1990; Cohen, 2008; Jaros *et al.*, 1993; Mayer and Schoorman, 1998; Meyer and Herscovitch, 2001; Morris *et al.*, 1993; Mowday, 1998; Nam and Lee, 2018; Paul *et al.*, 2019) and has also been related with TM (Björkman *et al.*, 2013; Malik and Singh, 2014; Malilk *et al.*, 2017).

This is the origin of the so-called "the war for talent" (Michaels *et al.*, 2001) where firms are changing strategies in order to incorporate a talent mindset in manager competence. These authors affirm in their book that there are three forces that fuel the war for talent: the shift towards the knowledge age, the demand for specialized talent, and the growing tendency for employees to switch companies. This continuous change implies the need to establish loyalty strategies in organizations in order to retain the best talent. Since the literature on talent management is still very recent, there are as yet not enough studies exploring which mediating variables explain how to engender loyalty and commitment in organizations.

Money is another key variable in companies, and is normally included in "hard" HR strategies. Indeed, managers may use pay strategies to attract, retain, and motivate employees and to achieve organizational goals (Luna-Arocas and Tang, 2004; Milkovich *et al.*, 2014; Mitchel and Mickel, 1999). However, the role of pay satisfaction in the context of the relationship between talent management and organizational commitment remains underexplored. In fact, McDonell *et al.* (2016) wonder to what extent organizations have the right balance in compensation strategies to motivate and retain employees.

Therefore, this study has two clear objectives. Firstly, it aims to examine the role of talent management in its relationship with organizational commitment from an individual level of employees, and secondly to analyse the role of pay satisfaction in the impact that talent management has on loyalty strategies. Employee perception of talent strategies is essential to understand the real impact they have on the organization (Nishii and Wright, 2008).

In order to carry out the research, a structural equation modelling (SEM) was implemented, which aims to study the mediating role of pay satisfaction (PS) in the relationship between talent management (TM) and organizational commitment (CO). The use of SEM in research has been promoted by several authors (Becker and Gerhart, 1996; Fey *et al.*, 2000) in an effort to gain insights into the so-called black box (Wright *et al.*, 2003) among HR systems and organizational performance.

Initially, we examine the theoretical bases from the RBV theory, before later exploring in greater depth the most current literature on talent management. In order to construct the article's hypotheses we then look at the relationship between talent management and organizational commitment and pay satisfaction. Finally, we analyse the role of pay satisfaction as a mediator in the relationship between talent management and organizational commitment.

Theoretical framework and hypotheses development

Resource-based view of the firm in talent management

The resource-based view (RBV) states that there are tangible and intangible resources in organizations for them to carry out their business strategies (Barney, 1991; Collis and Montgomery, 1995; Delery, 1998; Teece *et al.*, 1997; Wernerfelt, 1984; Wright *et al.*, 2001). These resources can be the basis of the company's competitiveness if they have value, are unique and difficult to imitate (Amit and Schoemaker, 1993; Barney, 1991). Therefore, they affect organizational results and business success (Peteraf, 1993).

In HR, the RBV has been developed extensively, linking HR practices with the people in the organization and with organizational results. In fact, it has been empirically supported by many studies and through several meta-analyses (e.g. Crook *et al.*, 2008).

From the HR and TM perspectives, the RBV unifies the approaches of the use of human capital based on organizational attitudes and behaviours with the practices applied in the organization (Colbert, 2004). In fact, the practices by themselves are easily imitated, and it precisely the interaction of practices and people that gives a differential value which is difficult to imitate and which adds value to the organization.

The gap between formulating and actually implementing a strategy is what is often highlighted in the scientific literature. In this sense, a talented workforce, which is aligned and committed to the organizational objectives, can serve as a resource of great value to the organization (Lado and Wilson, 1994). Indeed, according to Dries (2013), the increasing importance of TM lies in its capacity to generate sustainable competitive advantages and in the current difficulty in attracting and retaining talented people. Likewise, Dries (2013) considers that talent management must be in line with strategic objectives, organizational culture, human resources policies, and organizational capacity. This strategic vision is what has given greater value to talent management in organizations (Lewis and Heckman, 2006).

In today's economy, 50% of developed economies' domestic product is based on people's knowledge and intangible skills (Oladapo, 2014). This leads many companies to develop a highly integrated approach to talent management in order to ensure productivity, profitability, and sustainable growth over time (Ashton and Morton, 2005). In this sense, there is clear consensus concerning the improvement in performance when talent management is used effectively in organizations who focus on excellence and on business strategy, organizational design, and human capital development (Lawler, 2005).

In an in-depth review of TM publications, Gallardo-Gallardo *et al.* (2015) examine the theoretical frameworks on which these are based. The resource-based approach (RBV) is the most commonly used theoretical framework and equates talent with "human capital" which is highly valuable, unique and difficult to imitate (Lepak and Snell, 1999). The central tenet of this approach is that talent can be a source of sustainable competitive advantage (Meyers and van Woerkom, 2013). Thunnissen and Gallardo-Gallardo (2017) believe that effective talent management proves essential for achieving organizational sustainability and competitive advantage, as well as for achieving excellence and organizational success.

Talent management conceptualization

Despite the growth in scientific research, there is still little consensus vis-à-vis the conceptualization of what is understood by talent management. Moreover, many academic works related to this field do not explicitly define the concepts of "talent" and "talent management" (Lewis and Heckman, 2006; Dries, 2013; Gallardo-Gallardo *et al.*, 2013; Thunnissen and Gallardo-Gallardo, 2017).

Thus, despite the growing popularity of talent management since 2007 (Gallardo-Gallardo *et al.*, 2015), there remains "a disturbing lack of clarity regarding the definition, scope, and overall objectives of talent management" (Lewis and Heckman, 2006, p. 139). These same authors state that in addition to the ambiguities surrounding the concept's definition, there has also been an alarming lack of theoretical development that has limited both academic work on the subject and its practical utility (Lewis and Heckman, 2006). This means that at present there is still a gap between theory and practice (Thunnissen and Gallardo-Gallardo, 2017) coupled with very limited consensus on the definition of TM and the constructs on which it is based (Collings *et al.*, 2015; Thunnissen, 2016).

The conceptualization of talent has mainly focused on the processes of succession (Collings and Mellahi, 2009), on identifying which key positions contribute to the business (Gallardo-Gallardo and Thunnissen, 2016; Lewis and Heckman, 2006) and on identifying the talent pool; that is the people with the potential for succession who are a guarantee of the organization's future performance (Collings and Mellahi, 2009; Meyers and van Woerkom, 2013). These high potential groups are fundamental according to the resource dependency theory when considering them as strategic groups (Gomez-Mejia and Balkin, 1992; Pfeffer and Salancik, 1978).

Talent management and organizational commitment

Talent management research has largely focused on the economic aspect of work, with the aim of maximizing shareholder wealth (Collings, 2014). This has led to an incomplete understanding of talent management practices as a result of having failed to consider their non-economic value or the interests of the organization's employees (Gallardo-Gallardo and Thunnissen, 2016; Thunnissen, 2016).

Therefore, the more that companies take into account employees' objectives, the more motivated employees will be and the more they will contribute to the organization (Collings, 2014). In fact, employees will perform better if they perceive equity in the treatment received, and if they feel their talent and skills are being recognized at work (Bjorkman *et al.*, 2013). Thus, if they receive different economic and non-economic compensations (Boxall, 2013; Kates, 2006) they will be more linked to the organization. It should also be remembered that the notion of talent may differ between employee and company management. Should these notions not be aligned, the company's anticipated impact on the desired organizational behaviour of employees may be lost (Sonnenberg *et al.*, 2014)

In a similar vein, the current trend is towards changing jobs as other job offers adjust better to employees' talent and preferences (Bidwell and Briscoe, 2010; Michaels *et al.*, 2001; Oladapo, 2014). People who have more talent are more employable and are therefore those most likely to leave the organization and get better jobs. This has been called dysfunctional turnover. For this reason, work commitment, as a retention strategy, becomes a key variable in talent management. Organizational commitment reflects the degree to which people in the organization identify and participate with it (Mowday *et al.*, 1982), and focuses on employee retention and turnover (Meyer *et al.*, 2004). The more committed the employees are, the more they wish to contribute to improving the organization (Mowday *et al.*, 1982; Collings and Mellahi, 2009; Tansley, 2011). In addition, HR professionals suggest that the retention of high performers is a crucial issue for the organization (Sturman *et al.*, 2003).

Kumar and Raghavendran (2013) state that employees are committed to their company when they know the value of their work and the impact it has on customers. For this reason, the company must display an interest in knowing what employees like to do, what they do best and what brings most value to the company. Companies that have valuable people but who are under-committed will find themselves with talented employees but not with committed employees. For their part, companies with low-value and high-commitment personnel will obtain mediocre results (Luna-Arocas and Morley, 2015).

Employees identified as high potential have less tendency to leave the organization if the commitment in the relationship mediates (Malik *et al.*, 2017). In this way, if employees perceive that they are identified as a talent in the organization, greater commitment is obtained compared to those who do not perceive that they are identified as such or with those who do not know it (Björkman *et al.*, 2013).

TM practices and activities are aimed at attracting, selecting, hiring, developing, and retaining talent (Thunnissen *et al.*, 2013; Oladapo, 2014). Organizations must focus not only on the first three, but on developing and retaining talent, as these will be the ones that provide superior results (Oladapo, 2014). Moreover, technological progress has generated a demand for talented professionals who, among other things, place a high value on the autonomy and meaning of their connection with work (Kumar and Raghavendran, 2013). In order to better understand these TM practices, it is necessary to analyze the perception and evaluation carried out by employees (Thomas *et al.*, 1993).

H1. TM → OC. There will be a positive and significant relationship between talent management and organizational commitment.

Talent management, pay satisfaction, and organizational commitment

Since the first studies of Hackman and Oldham (1974), a series of organizational aspects have been linked, such as autonomy, variety, identity and feedback with pay satisfaction (Williams *et al.*, 2006). Some of the aspects that link it more clearly is that non-monetary aspects such as autonomy would be related to pay satisfaction because they help meet other individual needs that the pay does not (Lawler, 2005). Pay satisfaction is a concept that has to do with the discrepancy between the level of payment received and the amount that employees believe they should charge, rather than the amount itself charged (Williams *et al.*, 2006).

Therefore, to the extent that the employee perceives an enriched talent development environment, it will have a direct effect with pay satisfaction, by compensating the valuation made by the employee with the good organizational variables of talent management. So there are positive relationships between core job dimensions and pay level satisfaction (Williams *et al.*, 2006).

According to these authors, the empirical results support the relationship between the perceived characteristics of the work, some include in the talent management strategy, and pay satisfaction. In the specific case of Kinicky *et al.* (2002) they found correlations between both values between 0.14 and 0.23. Of the majority of variables related to the work environment, autonomy and feedback are those that are most strongly related to pay satisfaction (Williams *et al.*, 2006).

In addition, in organizations where talent management is applied, leaders work from feedback as a methodology for evaluating the performance of their employees for their improvement in the organization. In this way, the employee will have more pay satisfaction to the extent that he or she has a direct explanation of what receives from the company in relation to the effort that is delivered. This aspect is negotiated with the manager in the development processes, being in turn perceived as fairer (Luna-Arocas, 2018).

Talent management environments manage to focus on individual talent by supporting a culture of meritocracy and autonomy/empowerment. Therefore, these organizational variables have a significant and positive relationship with pay satisfaction (Ruiz-Palomino *et al.*, 2013). As these authors say "we find and confirm a positive relationship between job characteristics and pay satisfaction (Williams *et al.*, 2006); employees perceive a highly motivational job as a reward itself, and because high JMP (job motivating potential) makes it easier for employees to become self-actualized, they are less concerned with pay issues" (p. 39).

Also, compensation is a key issue in both the RBT and in HR as well as in management literature. In fact, its importance lies precisely in the key role it plays in labour relations, and it is of major importance for both employers and employees alike (Gerhart *et al.*, 1995).

The specialized literature suggests that organizations should use different compensation systems depending on the contribution expected from employees (Becker *et al.*, 2009; Boxall and Purcell, 2003; Delery and Shaw, 2001; Lepak and Snell, 1999, 2002; Tsui *et al.*, 1997). Compensation is thus used to secure the behaviour that the organization is seeking from its workers (e.g. Milkovich and Newman, 2005).

Luna-Arocas and Tang (2015) referenced Milkowitch's work (2014) expressing that "it is important to study money attitudes and pay satisfaction because they reflect one's justice perceptions", and it should also be remembered that feelings of pay satisfaction can enhance work performance (Shaw *et al.*, 2002).

Nowadays, total reward is used, and includes financial as well as non-financial compensation in the exchange "agreement" which individuals make with organizations because of their work (Armstrong, 2006). Indeed, ever greater intrinsic as well as extrinsic rewards are being required to increase organizational results (Mahaney and Lederer, 2006). A recent study by Hewit (2015) indicated that opportunities for professional development were the main driver behind company efforts to secure the loyalty of talented employees. Therefore, the global vision of total reward, which includes both financial as well as non-financial rewards, is more than necessary when seeking commitment to establish talent retention strategies (Luna-Arocas, 2018).

Moreover, various studies have concluded that the payment system affects voluntary abandonment of the organization (Gerhart and Milkovich, 1992). Yet it is not only money that proves to be key in this relationship with employee loyalty and commitment. In a similar vein, Gallardo-Gallardo *et al.* (2013) and Kumar and Raghavendran (2013) state that employees are committed to the company if their personal goals are aligned with those of the organization. Rappaport *et al.* (2009) argue that given the dearth of valuable talent, companies are required to apply creative and attractive talent recruitment strategies. In support of these more global retention strategies, numerous studies (e.g. Messmer, 2006; Stahl *et al.*, 2012; Oladapo, 2014) point out that personalized career plans, job security, a highly competitive compensation system, clear support for the work being done and the possibility of balancing personal and professional life are other mechanisms that facilitate employee retention.

This literature review allows us to offer the following hypotheses:

H2. There will be a positive and significant relationship between Talent Management and Pay Satisfaction.

H3. There will be a positive and significant relationship between Pay Satisfaction and Organizational Commitment.

As previously mentioned, talent management strategy generates trust environments due to employees being evaluated objectively in accordance with their merits. This elicits trusted environments that allow greater worker involvement. At the same time, the use of total compensation systems in talent strategies enhances the use of both financial and non-financial reinforcements. Therefore, a mixed model is appropriate in which it is conjectured that pay satisfaction will play an important role in the relationship between talent management and organizational commitment. However, this will not be a full mediating model, since non-financial and symbolic compensation strategies that will play a very important role in employee retention and loyalty are also needed. This is why a model of partial mediation is proposed where, in the TM → OC relationship, we incorporate PS, in which part of the previous impact will be shared with PS but without losing the significance of the prior relationship. In conclusion, we hypothesize that TM will have a direct impact on OC, but also an indirect impact through PS (see Figure 1).

H4. Partial Mediating Hypothesis. Pay Satisfaction will be a significant partial mediator in the relationship between Talent Management and Organizational Commitment.

Methodology

Sample

We obtain a total sample of 198 individuals working in Valencia (Spain) with a mean professional experience of 12.26 years ($S = 9.934$) and an average experience of 7.07 years in the current position ($S = 7.397$). A total of 30.6% worked in the public sector and 68.3% in the private sector. A total of 58.8% were male and the remaining 41.2% were female. The level of education varies, with 4% having completed elementary school studies, 5.7% middle school education, 33.1% high school, 51.4% college or university degrees, 4.6% postgraduate education, and 1.1% doctoral studies. A total of 2.4% worked in the agricultural and fishing sector, 22.3% in the industry sector, 6% in the building and construction sector, with the remaining 69.3% working in the service sector. With regard to their position, 5.8% held a top management post, 9.3% a management level position, 12.8% a middle management post, with 16.3% being team leaders, and the remaining 55.8% being employees. Finally, as regards employee contractual status, 69.2% have a full time contract, with the remaining 30.8% being employed part time.

Measurements

For Employee Perception of TM, we used the five-items from the Talent Mindset Competency scale (TMC, Luna-Arocas and Morley, 2015) encompassing the concepts of: alignment with

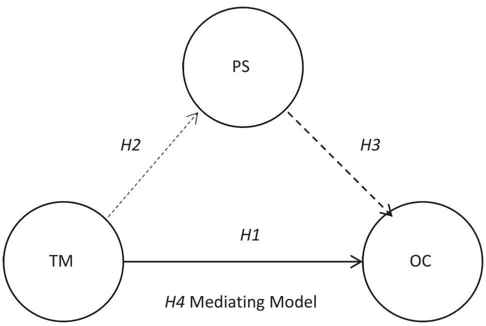


Figure 1.
Analysis model

organizational values, manager's TM, effective TM, job autonomy/empowerment, and TM development. Some of these variables included in this scale have been studied within the job characteristics model of Hackman and Oldham (1974) such as task significance, job feedback or autonomy. Although the TMC scale gives a broader value by covering more elements such as alignment with objectives and strategies, professional development strategies or talent management perceived by its managers.

The OC scale was measured using five items from the 15-item Organizational Commitment Questionnaire (OCQ, Porter *et al.*, 1974) using a five-point scale, with strongly disagree (1), neutral (3), and strongly agree (5) as anchors. Organizational Commitment reflects employee identification with and involvement in an organization (Mowday *et al.*, 1982; Meyer and Allen, 1997).

In order to measure Pay Satisfaction (PS), we selected three of the 18 items from the Pay Satisfaction Questionnaire (PSQ, Heneman and Schwab, 1985). We adapted the 18-item pay satisfaction questionnaire (Heneman and Schwab, 1985), using very dissatisfied (1), neutral (3), and very satisfied (5) as anchors. Job satisfaction may be defined as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences" (Locke, 1976, p. 1300). Pay satisfaction is part of job satisfaction. The two most widely known and used models of pay satisfaction are the equity model and the discrepancy model (Heneman and Judge, 2000). The equity model of pay satisfaction is grounded on a comparison between one person's outcome-input ratio and another person's outcome-input ratio (Adams, 1963). The pay discrepancy model focuses on the difference between "expectation" and "reality" in pay (Rice *et al.*, 1990). The consistency of the pay level-pay satisfaction relationship is probably the most robust finding (hardly surprising!) regarding the causes of pay satisfaction (Heneman and Judge, 2000: 71). Actual pay level (income) is consistently and positively related to pay satisfaction.

Results

Measurement model

The initial objective when establishing structural equation modelling was to analyse the measurement models through the confirmatory factor analysis (CFA) of the variables proposed. We then designed different SEM models so as test the study hypotheses using AMOS software (version 24).

The 13 items comprising the three constructs were subjected to three confirmatory factor analyses (CFA) with the covariance matrix as input. In addition, composite reliability and variance extracted were calculated, with both showing good results in the three constructs (see Tables 1 and 2). All the standardized estimates were significant and in the expected direction. The composite reliability statistic (the pc value) assesses the internal consistency of a measure and is analogous to coefficient alpha (Fornell and Larcker, 1981). Reliability estimates from the CFA all exceed the 0.60 cut-off value suggested by Bagozzi and Yi (1988),

Table 1. Descriptive statistics, reliability and correlations coefficients

Variable	Mean	S.D.	Composite reliability	Variance extracted	1	2	3
1. Talent Management (TM)	2.85	0.68	0.72	0.36	1		
2. Pay Satisfaction (PS)	3.08	0.89	0.94	0.84	0.40**	1	
3. Organizational Commitment (OC)	2.99	0.66	0.83	0.49	0.58**	0.42**	1

Note(s): $^{**}p < 0.01$ (two-tailed tests) providing evidence of scale reliability. The CFA thus supports the overall measurement model and supports convergent validity and reliability.

The mediation procedure
To test the mediation hypothesis, we used the three-variable system proposed by Baron and Kenny (1986; see Figure 2). This means that three conditions must be met: (1) that TM has a significant effect on the mediating variable PS; (2) that PS has a significant effect on the OC variable; (3) that when considering the complete TM → OC model incorporating the OC mediating variable, the link between TM → OC is not significant (total mediation) or is significantly reduced (partial mediation).

Step 1: Path Analysis TM → PS

We compared two models; first the independence model suggested as a contrast by the AMOS package (model 1), and second, a path analysis model where TM directly affects PS (model 2; see Figure 3). Model 2 fits the data well. The overall fit statistics of the Path Analysis Model 2 TM → PS are shown in Table 3. All the indices were also within the recommended ranges (i.e. GFI, NFI, and CFI > 0.90). In this model, all the standardized regression weights were significant and in the expected direction. TM influences PS, with the standardized regression weight being 0.448 ($p < 0.001$).

Step 2: Path Analysis PS → OC

As in the previous paragraph, we compared two models. First, the independence model and second, a path analysis model, where PS directly affects OC (model 4; see Figure 4). Model 4 fits the data well, as can be seen in Table 4. All the indices were also within the recommended ranges and all the standardized regression weights were significant and in the expected direction. Pay Satisfaction influences Organizational Commitment, with the standardized regression weight being 0.490 ($p < 0.001$).

Step 3: Path Analysis TM → OC and TM → OC mediated by PS

A third path analysis was performed relating TM and OC. We compared two models; first, the independence model (model 5), and second a path analysis model, where TM directly affects

Model	χ^2 (d.f.)	RMR	RMSA	GFI	NFI	CFI
CFA Talent management	6.40 (5)	0.03	0.03	0.98	0.96	0.99
CFA Pay Satisfaction	0 (0)	0	0	1	1	1
CFA Organizational commitment	10.60 (0)	0.02	0.07	0.97	0.96	0.98

Table 2. Confirmatory factor analysis of the three constructs

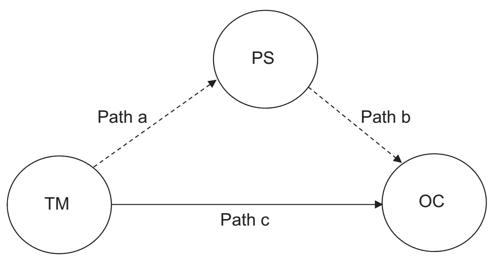
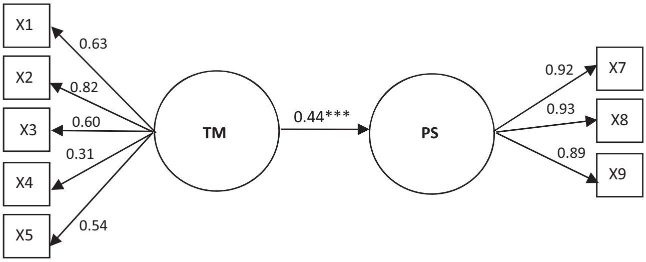


Figure 2. Mediator three-variable system (Baron and Kenny, 1986)

OC (model 6; see Figure 5). Model 6 fits the data well, as can be seen in Table 5. All the indices were also within the recommended ranges (i.e. GFI, NFI, and CFI > 0.90). The standardized regression weight of TM influencing OC was 0.769 (p < 0.001).

The last path analysis relates the mediation model where TM → OC is mediated by PS (models 7 and 8; see Figure 6). Introducing PS into the TM → OC relationship clearly affects the nature of the relationship between the variables involved. Indeed, the TM → OC relationship in this third path analysis was also significant (0.692, p < 0.001). Model 8 fits the data well, as can be seen in Table 5. As a consequence, we can suggest as a main result that when incorporating PS into the TM → OC relationship the model improves conceptual

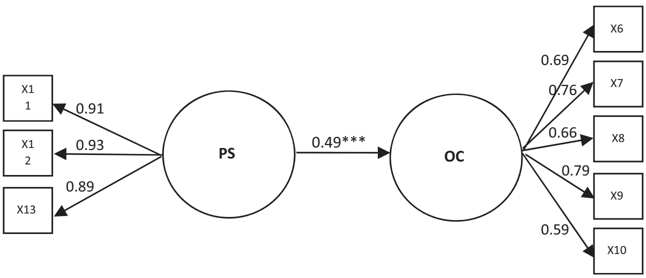


Note(s): All loading factors were significant <0.001

Figure 3.
Path analysis 1 TM → OC

Table 3.
Path analysis TM → PS

Model	χ^2 (d.f.)	RMR	RMSA	GFI	NFI	CFI
Model 1: Independence model	778.39 (28)	0.33	0.36	0.47	0	0
Model 2 TM → OC	24.17 (19)	0.05	0.03	0.96	0.96	0.99



Note(s): All loading factors were significant <0.001

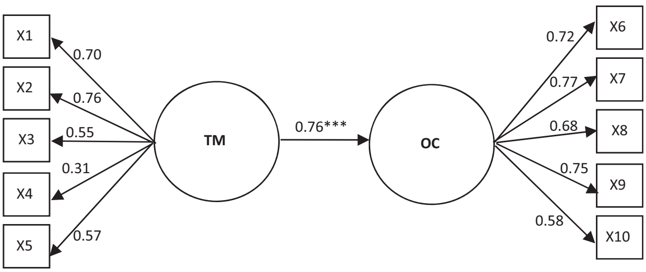
Figure 4.
Path analysis 2 PS → OC

Table 4.
Path analysis PS → OC

Model	χ^2 (d.f.)	RMR	RMSA	GFI	NFI	CFI
Model 3: Independence model	73.56 (20)	0.17	0.11	0.92	0.92	0.94
Model 4: PS → OC	32.52 (19)	0.03	0.06	0.96	0.96	0.98

understanding of how to retain employees in the organization. In this sense, both talent management and pay satisfaction are important to organizational commitment.

The value obtained from the coefficient of determination (R^2) indicated that organizational commitment is explained by both variables, TM and PS, by 61.5%, indicating a value between moderate and substantial. The Sobel Test was also used to analyse the mediation hypothesis. This test assesses the degree to which the mediating effect is equal to zero. In the Sobel version ($Z = 2.09$, $p < 0.05$), the Aroian version ($Z = 2.07$, $p < 0.05$), and the Goodman version ($Z = 2.11$; $p < 0.05$) the results indicate a significant value in the mediating model.

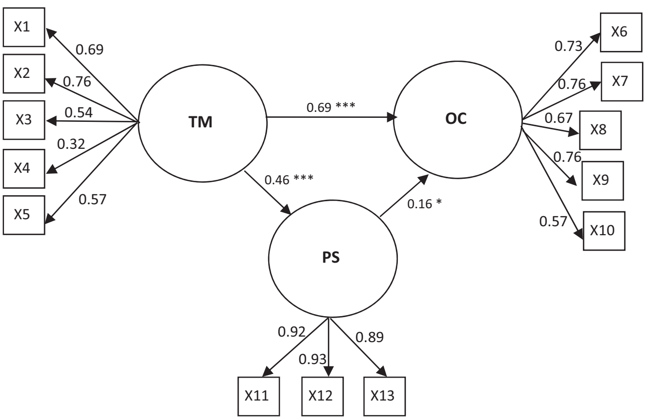


Note(s): All loading factors were significant <0.001

Figure 5. Path analysis 1 TM → OC

	χ^2 (d.f.)	RMR	RMSA	GFI	NFI	CFI
Direct model TM → OC						
Model 5: Independence model	694.57 (45)	0.30	0.27	0.43	0	0
Model 6 TM → OC	81.10 (34)	0.05	0.08	0.92	0.88	0.92
Mediated model TM → OC mediated by PS						
Model 7: Independence model	249.42 (65)	0.21	0.12	0.84	0.80	0.85
Model 8 TM → OC mediated by PS	113.82 (62)	0.05	0.06	0.92	0.91	0.95

Table 5. Path analysis TM → OC and TM → OC mediated by PS



Note(s): All loading factors were significant <0.001

Figure 6. Path analysis 3 TM → OC mediated by pay satisfaction

Discussion

In recent years, studies on talent management have increased significantly (Thunnissen *et al.*, 2013; Gallardo-Gallardo and Thunnissen, 2016). These studies indicate that the most effective companies in talent management offer better results, are more efficient, improve their market value and that their employees rotate less and display greater commitment (Oladapo, 2014; Luna-Arocas and Morley, 2015). Moreover, a committed, skilled and motivated workforce is key to achieving growth and competitive advantage that will lead to better business results (Thunnissen and Gallardo-Gallardo, 2017).

Current inquiry into talent management need more theoretical development (Thunnissen *et al.*, 2013; Collings, 2014), such that studies like this help to understand the link between talent management and retention strategies more clearly. Likewise, the mediating variables provide more in-depth insights into the relationships that occur in the organization. In our case, pay satisfaction has not been studied in the context of talent management and some researchers have called the attention to continue researching in this relationship: "we encourage researchers working in both fields to consider these important interrelations in future research" (Williams *et al.*, 2006, p. 405).

In fact, the present study helps to better understand that both economic and non-economic variables are needed to establish a relationship between employer and employee that generates equity and reciprocity. Both explain part of organizational commitment variance, which helps us to understand how a greater complexity in compensation mechanisms is required in order to establish links with employees. At the same time, it suggests that talent management strategies are capable of generating trust environments that are valued by employees.

In line with McDonnell *et al.* (2016), this article also shows how taking Pay Satisfaction into account in the employee retention equation proves to be relevant, although it is neither the only nor the most important motivational factor. In fact, the SEM model of the partial mediation relationship including PS shows better results and also provides for a clearer understanding of the role played by money in the organization. This finding lends further weight to the idea that the extrinsic motivating role played by money should be complemented with other intrinsic motivating elements linked to talent management. And in line with previous research a positive relationship has been found between the perception of talent management and pay satisfaction. This indicates the importance of better understanding how the employee perception of talent management generates a satisfactory relationship with pay.

This model does not advocate that we must pursue PS or compensation policies as the main key factor in OC, but suggests rather that if a comprehensive TM system is developed and institutionalized, it is necessary to complement TM strategies with financial compensation systems in order to achieve a greater effect on employee retention. In this sense, TM practices can lead to a common strategy which embraces both pay as well as securing the required commitment links, which is in line with the current notion of total reward packages that have a clear impact on employee engagement.

These results can help not only academic research but also practitioners who are willing to understand better the link between the three variables included in the model, even more so with retention strategies having become one of the competitive keys of organizations. However, much still remains to be done in order to connect practitioners and academics. In this sense, this article promotes a potential bridge in order to understand better the need for both financial as well as non-financial practices in a comprehensive manner.

As Aon Hewitt's report (2015) concluded, there is no total reward silver bullet that will result in employees being automatically engaged and both extrinsically and intrinsically motivated, leading to performance benefits. However, as pointed out by Brown *et al.* (2016, p. 4): "the broader the definition of total reward that is adopted, including a wide range of extrinsic and intrinsic, financial and non-financial rewards, then the more significant the potential impact on employee engagement appears to be".

This breaks with a tradition of considering money to be the only compensation mechanism and links it directly to retention. For this reason, the use of money as an exclusive method of attracting and retaining talent no longer works (Brynne, 2016). Currently, pay satisfaction is just one of several variables to be considered within the different options proposed by talented and highly employable personnel. If correctly complemented, however, it can have a major impact on the organization.

Limitations and future research

Despite the good results obtained in this study, some considerations should be made concerning several disadvantages inherent in the research carried out. First, the majority of items can be considered subjective, such that we need to compare objective with subjective data, as suggested by Starbuck and Mezias (1996). These self-report scales may generate common-method bias (Kuvaas, 2008), even though Howard (1994) does note that the use of self-reports may be less of a problem than is sometimes expressed in the literature. Indeed, employee perception may prove to be both adequate and useful (Sandvik *et al.*, 1993). A further aspect concerns the use of other sources of information, such as the case of supervisors or managers in order to minimize problems of common-method variance between independent and dependent variables (Spector, 1994).

Moreover, this study offers a cross-sectional design. As a result, much more work needs to be done with longitudinal designs in order to provide more valid evidence of the causal impact of TM on PS and OC. Finally, we examine only one culture, such that we need comparative studies in order to validate results in other countries (Doney *et al.*, 1998). In fact, empirical validation of the findings in operations across countries and industries is nearly non-existent and, at best, extremely limited (Ahmand and Schroeder, 2003).

Far more research must be conducted in order to gain a better understanding of payment in the organizational arena and its relationship with other, both intrinsic and extrinsic, motivators. New concepts, such as total reward and money attitudes, must also be included in future research in order to embrace other variables that have a clear link to talent management.

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