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## Effect of talent management practices and employee engagement on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya

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#### Abstract

In the modern world, organizations strive to achieve success in form of sustainable competitive advantage. The demand for key position talented and committed employees is high because they help steer the organization to outdo the competition in the marketplace. The purpose of this study was to analyze the effect of talent management practices and employee engagement on perceived sustainable competitive advantage of commercial banks in Nairobi County in Kenya. Guided by resource based view theory, positivism research paradigm and explanatory research design was adopted. The target population was 3,098 employees from 42 commercial banks whereby a sample size of 354 was used. After collecting data using structured self-administered questionnaire, analysis done comprised of descriptive, correlation, factor analysis and hierarchical multiple regression analysis. The results showed a positive and significant effect of talent management practices ( $\beta=.727$ ,  $p=.030<.05$ ) and employee engagement ( $\beta=.302$ ,  $p=.029<.05$ ) on perceived sustainable competitive advantage of commercial banks in Nairobi County. The study concluded that quality level of employees' engagement, and talent management practices enhances the perceived sustainable competitive advantages in various similar working environments and society's confidence in the organization. Managers should make efforts to increase employees' perceived organizational fairness to improve their competitiveness. As a result, managers are encouraged to take a deliberate effort to promote talent management practices and employee engagement. Future researchers are expected to focus on firms in other sectors besides assessing the effect of generation Y and generation Z on talent management practices and sustainable competitive advantage.

**Keywords:** employee engagement, perceived sustainable competitive advantage, talent management practices

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## 1.0 INTRODUCTION

In the recent past, organizations face volatility, uncertainty, complexity, and ambiguity in their operating environments. Organizations must therefore understand the global, external and the internal environments in which they operate in order to transform their businesses for success and survival. Change is the only constant for businesses which have remained or will remain relevant, visible, and vibrant in the midst of the Covid-19 pandemic for unforeseeable future. Most business organizations seek not only to make profits but to also achieve a sustainable competitive advantage. Accordingly, competitive advantage is a journey and not a destination, it is like tomorrow which is inescapable but never arrives hence it only becomes meaningful when the journey is experienced. The resource based view theory postulates that firms in an industry compete on the basis of the heterogeneity and immobility of their resources and internal capabilities to achieve sustainable competitive advantage (Peteraf & Bergen, 2003). These resources can either be physical, human or organizational in nature which are used to implement value-creating strategies. As was suggested by Barney (1991), resources which are valuable, rare, inimitable and non-substitutable (VRIN) have the potential to provide firms with a sustainable competitive advantage. Therefore, sustainable competitive advantage is achieved when competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Hesterly & Barney, 2008).

Organizations are distinguished from their competitors by how they possess and manage the human resources using the advanced scientific methods or through possession of large capital (López, Peón, & Ordás, 2006). It is not enough that resources and skills possessed are able to make the organization to compete with others, but the resources must be superior and capable of making the organization to achieve sustainable competitive advantage. The organization must have the capacity to effectively and efficiently utilize its resource potential to develop a sustainable competitive advantage (Adams & Lamont, 2003). Despite both the internal and external environment playing a role in creating and achieving a sustainable competitive advantage for the organization, it relies more on internal resources (Porter, 2011). As such, if the external environment factors represent opportunities and conditions for the organization, the advantage can be achieved only through the internal resources and capabilities besides dealing with the threats. As set out by Hesterly and Barney (2008), employees as part of internal resources of an organization become invaluable and dependable key strategic weapons enabling the organization to achieve sustainable competitive advantage. This is made possible only if employees are well trained, nurtured, retained, motivated, recognized, valued, their contributions appreciated and treated well with respect. Through employees' skills and competencies creates talent that leads to organizational capability which has become the key success factor in today's highly competitive business environment (Glynn, Lockwood, & Raffaelli, 2006; Lawler, 2008). According to Cheese (2010), talent generates a high performance, which in turn attracts new talent and creates the means to reward it. Talent is a critical success factor for the organizations to achieve sustainable competitive advantage. Organizations have learned that in order to meet the organizational challenges and strategies at any point in time, talent is an important factor in this regard (Gebelein, 2006). This is because talent drives improvements in productivity, quality, innovation and customer satisfaction, which in turn contributes to the bottom-line or profitability results of any organization.

Employee engagement is viewed as an important construct because it has been linked to increased retention of top talent as an outcome of talent management practices (Bhatnagar, 2008). Employee engagement relates to positive fulfilling, work-related state of mind that is characterized by vigour, dedication, and absorption (Schaufeli & Bakker, 2004). Employee engagement is key to the retention of talent and is emerging as a critical organization competitive strategic weapon. Employee engagement is known to be the level of commitment and involvement an employee has towards the organization (Lindholm, 2013). Organizations with high levels of employee engagement report positive organizational outcomes (Kular, Gatenby, Rees, Soane, & Truss, 2008). Herzberg's motivation / hygiene theory stipulates that employee engagement is a key enabler in achieving sustainable competitive advantage (Mone & London, 2021). This is possible when employees have greater job satisfaction, feel valued, are passionate, committed, are highly motivated, have

a high sense of responsibility and ownership, empowered, have a high sense of achievement, recognition, work in a conducive, clean and friendly environment, have equal promotion opportunities, are involved, and are highly engaged. In line with this, Ncube and Jerie (2012) adds that high levels of employee engagement in the domestic and the global organizations promotes retention of talented employees, fosters customer loyalty and improves organizational performance and stakeholder value. From their study, employees with the highest levels of commitment are likely to perform better and are less likely to leave the organization, which indicates that engagement is linked to organizational performance and hence sustainable competitive advantage. In view of commercial banks in situated in Kenya's Nairobi County, the study examined the nexus between talent management practices, employee engagement and perceived sustainable competitive advantage.

Commercial banks in Kenya, have been critical in fostering economic development by improving the allocation of society's scarce resources, by facilitating faster capital accumulation through increased savings as well as widening access to the external finance and channeling of resources to the sectors that need them most (Gichuhi, 2013). A commercial bank is an institution which processes credit and lending operations, as well as accepting deposits and making credit facilities available to customers. Commercial banks, enables the issuance of money and facilitates payment processing including automatic payments and all forms of electronic banking services internally and externally (Idiab, Haron, & Ahmad, 2011). According to Central Bank of Kenya (CBK) Annual supervision report of the year 2020, Kenya's financial sector is well developed although the country is considered overbanked with over 40 registered banks.

### **Problem Statement**

The objective of any organization including commercial banks is not only to achieve competitive advantage but to also consistently defend, uphold or protect the same advantage enjoyed in the long run or eternity. Commercial banks in Kenya have been unable to attain a sustainable competitive advantage exposing the banks to survival challenges in the banking industry leading to collapse, mergers & acquisitions even before Covid-19 pandemic. Commercial banks in the recent past have had negative performance trends as per the CBK annual supervision report of the year 2020. This follows a 29.5 percent decline in profitability, reduced market share, upsurge of bad debts to the tune of Kenya Shillings (Kshs.) 423 billion. Moreover, there are over 14 million Kenyans listed with credit rating bureau (CRB), frauds, high provisions expense as a result of international financial reporting standard (IFRS) 9. To add to the list, the report brings to light that commercial banks in Kenya have failed to retain their strategic and talented employees most or majority of whom are either generation Y or generation Z posing unique challenges to the management.

Several studies have been conducted on sustainable competitive advantage which were found relevant to this study. The studies include the relationship between Porter's Generic Competitive strategies and competitive advantage of Romanian Banking sector (Ovidiu, Anca, Razvan, & Catalina, 2009), strategies for achieving competitive advantage in the Ghanaian banking industry (Awuah, 2011). In Kenya Awiti (2012) looked at the factors influencing competitive advantages of commercial banks in Kenya and concluded that the competitive advantage enjoyed by banks emanate from the brand loyalty, differentiation, ease of cross border transactions, strategic alliances, outsourcing and Product innovation. Gitonga, Kilika, and Obere (2016) researched on the strategies used by commercial banks listed in NSE for gaining competitive advantage in Kenya and concluded that mergers is the least used strategy by banks listed in the NSE in gaining competitive advantage. Mukira (2018) , conducted a research on sustainable competitive advantage and performance of National Bank of Kenya (Limited) while Weor (2018) conducted an examination on the response strategies adopted by commercial banks in Kenya in gaining competitive advantage. Wandia (2013), used a case study of Symphony Kenya limited to assess talent management practices as a source of competitive advantage. In order to fill the gap, the study examined the relationship between talent management practices and employee engagement on the perceived sustainable competitive advantage of commercial banks situated in Nairobi County, Kenya.

## LITERATURE REVIEW

### Theoretical Framework

The study was anchored on the resource based view (RBV) theory. The theory states that firms give importance to the organization to build unique, hard to imitate and valuable resources as well as a dynamic way to integrate those resources to gain success for the organization (Barney, 1991). According to resource-based view, competitive advantage is dependent on the valuable, rare and hard to copy resources that reside in the organization and the human resources is one of those scarce resources. Moreover, rival firms compete on the basis of the heterogeneity and immobility of their resources and capabilities (Peteraf & Bergen, 2003). RBV theory acknowledges the significant attributes of resources and capabilities in determination of a firm's competitive advantage and they include durability, transparency, straightforwardness, transferability, adaptability and replicability (Teece, 2007). The theory states that companies can have competitive advantage through the development of resources that are peculiar and diversely distributed or dispersed (Barney & Hesterly, 2010). These resources can be physical, human and organizational in nature, and they can be used to implement value-creating strategies that will lead to sustainable competitive advantage. RBV theory formed the basis of linking talent management practices, employee engagement and sustainable competitive advantage of commercial banks in Nairobi County.

### Talent Management Practices and Perceived Sustainable Competitive Advantage

In order to source the right employees for the right job, the first thing that needs to be done is a strategic talent need analysis (Abu-Darwish, Al-Kasasbeh, & Al-Khasawneh, 2021). If the right talent is available internally compared with the current talent needs and for the future, then the job should be filled from within and vice versa. The strategic focus of Talent Management practices according to Kehinde J (2012) could result to higher scores in financial outcomes measures such as profit, talent productivity and market value. Furthermore, talent management practices also increases nonfinancial outcomes such as company attractiveness by reducing replacement time and costs, attaining business goals, operational excellence, customer satisfaction, job satisfaction, motivation, commitment, improved work quality and employee competencies. As pointed out by Ashton and Morton (2005), organizations need to prioritize the aspect of finding the right people to perform the roles at the right time so as to create a long term organizational success. In an organization, talent management concepts as talent attraction, talent retention and development are vital as they act as a source of competitive advantage (Rabbi, Ahad, Kousar, & Ali, 2015). Through the skilled talents, organizations are better placed in attaining their sustainable competitive advantage (Shrimali & Gidwani, 2012). The study thus tested the hypothesis  $H_{01}$ ;

*$H_{01}$ ; There is no significant effect of talent management practices on perceived sustainable competitive advantage of commercial banks in Nairobi county in Kenya.*

### Employee Engagement and Perceived Sustainable Competitive Advantage

Due to globalization, there has been a rise in workforce's mobility and employees are now expecting more from their employers than they previously did (Mendes & Stander, 2011). Employee engagement is a positive attitude held by the employee towards the organization and its value (Kahn, 2010). The social exchange theorists have produced significant quantities of research that support the theory that the level of employee engagement demonstrated by an organization to the employee will have a direct impact on the employee commitment that employees show to the organization in return (Nyanjom, 2013). Organizations with higher engagement levels tend to have lower employee turnover, higher productivity, higher total stakeholder returns and better financial performance (Saks, 2006). Employees are perceived a fundamental assets who happen to perform better in an organization that utilizes them appropriately (Mathur, 2015). As such, employees attributes that encompasses of employee engagement are at the top notch in boosting the competitive advantage of the firm. The study thus linked employee engagement to perceived sustainable competitive

advantage and tested the hypothesis that;

$H_{02}$ ; *There is no significant effect of employee engagement on perceived sustainable competitive advantage of commercial banks in Nairobi county in Kenya.*

### Conceptual Framework

Figure 1.1 highlights the independent variables (talent management practices and employee engagement) in relation to the dependent variable (perceived sustainable competitive advantage). Moreover, control variables comprises of gender, age and experience.

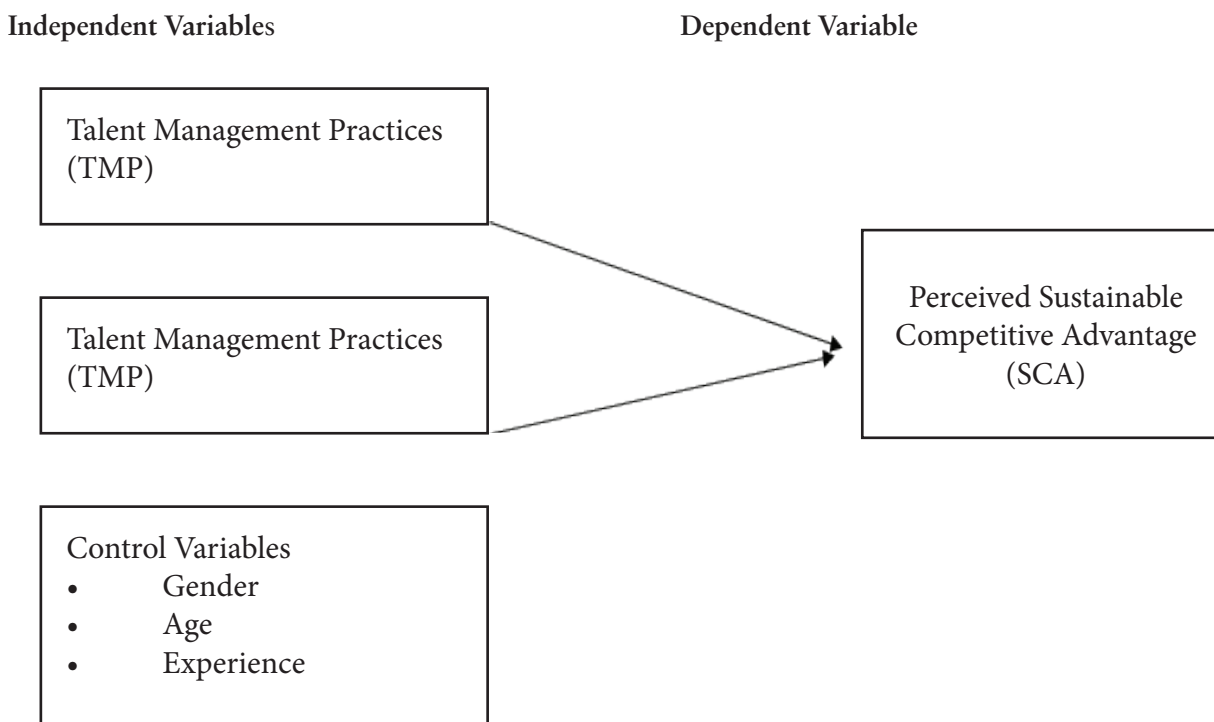


Figure 1.1 Conceptual Framework

Source: Researchers (2022)

### Research Methodology

The study used a positivism philosophical approach towards arriving at the conclusions on the research problem. A positivist view of science is seen as a way to identify truths, and if the truths can be understood we may predict outcomes (Rutter, 2013). Furthermore, positivism research paradigm focuses on quantifiable observations of phenomenon as well as generalizing about the phenomenon through statistical analysis (Saunders & Bezzina, 2015). Explanatory research design was used in this study as it is appropriate in explaining the nature of the existing relationships in investigating the cause and effect relationship between the study variables in arriving at the study conclusions (Yin, 2009). According to CBK (June, 2022), there are 42 commercial banks with a total of 329 branches in Nairobi County. The target population thus was 3098 employees drawn from these commercial banks out of which a sample size of 354 employees was arrived at based on Yamane’s formula.

All the study variables except covariates were measured using 5 point Likert scale items. To begin with, talent management practices, the 22 items for measurement were adopted from (Amstrong, 2008; Nyanjom, 2013; Rabbi et al., 2015). Secondly, employee engagement was measured using the 9 items as used by (Dernovsek, 2008; Shrotryia & Dhanda, 2020). Lastly, perceived sustainable competitive advantage was examined basing on the 10 items as used by (Barney & Hesterly, 2010;

Vanpoucke, Vereecke, & Wetzels, 2014).After collecting data using structured self-administered questionnaires, analysis was conducted using descriptive statistics and correlation analysis. Given the variables in the questionnaire, principal component factor analysis was conducted hence clustering them according to their loadings. To test the study hypotheses, hierarchical regression analysis was used. The hierarchical regression model took the form of:

**Model 1:** To examine the effect and the variance explained by the covariates, that is, gender (G), age (A) and experience (E) in the study given the dependent variable (perceived sustainable competitive advantage, PCSA).

$$PCSA = \beta_0 + \beta_1 \text{Gender} + \beta_2 \text{Age} + \beta_3 \text{Experience} + \epsilon \dots \dots \dots 1$$

**Model 2:** The above model was used to test the effect of the first independent variable (talent management practices, TMP) on the dependent variable (perceived sustainable competitive advantage, PCSA) while controlling for the covariates (C).

$$PCSA = \beta_0 + C + \beta_1 X + \epsilon \dots \dots \dots 2$$

**Model 3:** This model was used to test the effect of the second independent variable (employee engagement, EE) on the dependent variable (perceived sustainable competitive advantage, PCSA) while controlling for the covariates (C) and the first independent variable (talent management practices, TMP).

$$PCSA = \beta_0 + C + \beta_1 X + \beta_2 M + \epsilon \dots \dots \dots 3$$

**Findings and Discussion**

**RESPONSE RATE**

The researcher cross-checked the questionnaires when they were returned from the field to ensure their accuracy and completeness. Only 323 out of 354 surveys were found to be properly completed.

**Table 1: Response Rate**

Questionnaires	Response	Percent (%)
Correctly filled and returned	323	91.24
Incorrect Correctly filled	31	8.76
<b>Total Issued</b>	<b>354</b>	

Source: Researchers (2022)

**DESCRIPTIVE STATISTICS**

**Perceived Sustainable Competitive Advantage**

The perceived sustainable competitive advantage, the dependent variable was measured using 10 items. Employees who participated were required to rate using 5-Likert scale (1 = strongly disagree, 2 = disagree, 3 = Unsure, 4 =agree, 5 = strongly agree). Results showed that on average, the response agreed that the profitability has been growing consistently for the last 5 years (mean response of 4.25 and standard deviation of .960). Small standard deviation is an indication that the overall responses from all the respondents were around the mean 4 (Likert scale code for agree). Regarding the perception that the bank products were superior and unique in the market, the average response strongly agreed (mean response of 4.05). On the other hand, they agreed (means response of approximate 4 in Likert scale) that their organization has been able to defend its competitive position, that there has been a consistent growth of their market share, that the internal resources & capabilities are unique, rare and not easily duplicated. The values for skewness and kurtosis presented in Table 2 were below acceptable values of below 3 for skewness and below 10 for kurtosis for variables to follow normal distribution (Kline, 2005).

Table 2: Perceived Sustainable Competitive Advantage Descriptive Statistics

	Mean	Standard Deviation	Skewness	Kurtosis
Our Profitability has been growing consistently for the last 5 years	4.2508	.95989	-1.093	.274
We have superior competitive strategies that are not easily replicated by competitors	3.7090	1.12377	-.504	-.849
Our products are superior and unique in the market	4.0526	1.08934	-.874	-.420
Our organization has been able to defend its competitive position	4.0836	1.04368	-.894	-.172
There has been a consistent growth of our market share	4.1950	1.02562	-.937	-.393
Our internal resources & capabilities are unique, rare and not easily duplicated	4.1827	1.01880	-.834	-.620
Our organization proactively responds to threats in the operating environment	3.6130	1.18036	-.740	-.114
Employees are the most valued resource in this organization	3.8421	.98269	-.528	-.046
We are preferred by customers compared to other banks	3.8793	1.12605	-.929	.263
Talented employees enables your organization to reduce challenges of bad debts and frauds	4.0062	.98433	-.838	.471

Source: Researchers (2022)

### Talent Management Practices

Commercial bank employees in Nairobi County were asked to show to what extent they agreed on the constructs relating to talent management practices that would enhance their sustainable competitive advantage. Talent management was categorized into four; Talent attraction, talent retention, learning and development and performance management. The data for this variable was analyzed and the results presented in Table 3. Employees agreed that wages and salaries are competitive attracting the right talent (mean = 4.2105 std. dev. = .10853), that all employees are treated as talented workers (mean = 4.3622, std. dev. = .84995), that consistently high performers are selected for talent management program (mean = 4.2136, std. dev.

=1.09525) , new employees are sourced & recruited through a competitive process (mean = 4.1331, std. dev. =1.00198) and the findings showed that new employees are well trained before being deployed to work at the commercial banks (mean = 3.8947, std. dev. =1.27374).

Table 3: Descriptive Statistics for Talent Management Practices

	Mean	Std. Deviation	Skewness	Kurtosis
<b>Talent attraction</b>				
Wages and salaries are competitive attracting the right talent	4.2105	1.10853	-1.856	2.959
All employees are treated as talented workers	4.3622	.84995	-1.533	2.832
Consistently High performers are selected for talent management program are	4.2136	1.09525	-1.617	1.931
In our organization new employees are sourced & recruited through a competitive process	4.1331	1.00198	-1.146	1.037
New employees are well trained before being deployed to work	3.8947	1.27374	-.808	-.703
<b>Talent Retention</b>				
Deliberate efforts are made by the management to retain talented employees	3.8576	1.14133	-1.042	.478
We have an internal employee recognition policy that builds employee loyalty and morale	3.7152	1.33955	-.950	-.324
My company has flexible working hours & work / life balance motivating our employees	3.9350	1.17377	-.743	-.572
Employees do not leave the company due to bad managers	4.0186	1.22587	-1.196	.345
Employees who have worked for a longer period are recognized	3.9350	1.23313	-.956	-.180
<b>Learning and Development</b>				



In our company, we have a career path for all employees	4.1146	1.07305	-1.034	-.009
Coaching & mentorship is carried out in this company	3.7926	1.21469	-.768	-.481
Promotion of employees is strictly done on merit	3.8390	1.34167	-.891	-.550
The organization supports private studies to develop employees	4.1393	1.16727	-1.181	.280
We have a talent department and a talent officer to identify & develop talent for the organization	4.1455	1.14501	-1.275	.682
<b>Performance Management</b>				
Performance appraisals are carried out transparently and objectively	4.0310	1.29223	-1.179	.158
Poor performers are supported, coached & mentored to improve their performance	4.1517	1.13877	-1.278	.633
High performers are recognized and rewarded	3.7430	1.39617	-.822	-.581
Poor performers exit the organizations if their performance does not improve despite support provided to them	3.5542	1.30432	-.618	-.768
360 degrees feedback from peers and line managers during performance appraisals	3.8173	.89551	-.442	-.023
High performers are paid bonus	4.2136	1.00659	-1.707	2.874
Performance targets are SMART (Specific, Measureable, Achievable, Realistic and Time bound)	4.0372	1.21271	-1.217	.496

Source: Researcher, 2022

On talent retention, majority agreed that:- Commercial banks have a compensation & reward system which is more attractive in the industry (mean = 3.8576, std. dev. =1.14133), that there is an internal employee recognition policy that builds employee loyalty and morale (mean = 3.7152, std. dev. =1.33955), that the

commercial banks have flexible working hours & work /life balance motivating employees (mean = 3.9350, std. dev. =1.17377) and that employees do not leave the company due to bad managers (mean = 4.0186, std. dev. =1.22587). On learning and development, majority of the respondents agreed that :- In our company, we have a career path for all employees (mean = 3.9350, std. dev. =1.23313) , Coaching & mentorship is carried out in the company (mean = 4.1146, std. dev. =1.07305), Promotion of employees is strictly done on merit (mean = 3.7926, std. dev. =1.21469), The organization supports private studies to develop employees (mean = 3.8390, std. dev. =1.34167). In terms of performance management, employees agreed that performance appraisals are carried out transparently and objectively (mean = 4.1393, std. dev. =1.16727), that poor performers are supported, coached & mentored to improve their performance (mean = 4.1455, std. dev. =1.14501) and that high performers are recognized and rewarded (mean = 4.0310, std. dev. =1.29223). Skewness and kurtosis which measures normal distribution of the items were <3 for skewness and <10 kurtosis according to (Kline, 2015).

**Employees Engagement**

Table 4 presents descriptive statistics for employee engagement that as the second independent variable. Several constructs were used, and results indicate that employees agreed that they have a good and conducive working environment (mean response of 4.170, std. dev. =1.142). They were also in agreement that they have freedom to air our concerns and issues freely (mean = 4.3034, std. dev. =.919), are empowered to make business decisions without fear (mean = 3.870, std. dev. =1.339). Generally, employees are satisfied with their jobs (mean = 4.071, std. dev. =1.181), employees are loyal, committed & emotionally connected to the company (mean = 3.923, std. dev. =1.446), committed employees support talent management practices (mean = 4.149, std. dev. =1.232), committed employees are high performers (mean = 4.07, std. dev. =1.232), there is participation and involvement of employees in decision making (mean = 4.152, std. dev. =1.158). According Kline (2005), skewness and kurtosis measures normal distribution of the items and were less than 3 for skewness and less than 10 kurtosis. They are slightly left skewed (due to many negatives).

**Table 4: Descriptive Statistics for Employees Engagement**

	Mean	Std. Deviation	Skewness	Kurtosis
We have a good and conducive working environment	4.1703	1.14158	-1.447	1.147
We have freedom to air our concerns and issues freely	4.3034	.91954	-1.844	3.919
We are empowered to make business decisions without fear	3.8700	1.33809	-.981	-.292
Generally, employees are satisfied with their jobs	4.0712	1.18133	-1.014	-.101
Employees are loyal, committed & emotionally connected to the company	3.9226	1.44577	-1.012	-.491
Committed employees support talent management practices	4.1486	1.23216	-1.338	.606
Committed employees are high performers	4.0712	1.13849	-1.335	1.013
There is participation and involvement of employees in decision making	4.1517	1.15770	-1.266	.594

Employees volunteer to take more duties and go an extra mile without expecting any rewards	4.1455	1.17447	-1.211	.231
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Source: Researchers (2022)

**CORRELATION ANALYSIS**

The results in Table 5 showed that there was a significant association ( $\rho=.728$ ) between talent management practices (TMP) and the perceived sustainable competitive advantage (PSCA). Employee engagement (EE) and PSCA correlated with .592.

**Table 5: Pearson Correlation Coefficients**

		PSCA	G	A	E	TMP	EE	
PSCA	Pearson Correlation	1						
G	Pearson Correlation	-.070	1					
A	Pearson Correlation	.100	.228**	1				
E	Pearson Correlation	.064	.157**	.902**	1			
TMP	Pearson Correlation	.728**	-.060	.054	-.010	1		
EE	Pearson Correlation	.592**	-.053	.101	.053	.496**	1	

*\*\* . Correlation is significant at the 0.01 level (2-tailed).*

KEY: PSCA (Perceived Sustainable Competitive Advantage), G (Gender), A (Age), E (Experience), TMP (Talent Management Practices), and EE (Employee Engagement)

Source: Researcher, 2022

The significance in correlation reveals that PSCA depends on many aspects for example, talent management practices and employee engagements between employees and their employers to enhances their skills necessary in promoting performance of the enterprises. Furthermore, when employees view themselves as partners in striving a common goal within the organization results in achieving the objectives of the business of making profits and thus enhances competitiveness of the organization.

**DIAGNOSTICS TESTS**

**Normality**

The regression’s residuals should have a normal distribution in order for the study to draw reliable conclusions from the model estimate. Table 6 indicates the JarqueBera value of 0.102 and its probability of 0.950 confirms that the Jarque-Bera null hypothesis that data followed a normal distribution was accepted. Moreover, the depictions of the research variables’ skewness (-0.161) and kurtosis (2.951) demonstrate that the data was normally distributed due to symmetry (Kline, 2011). Thus, the analysis came to the conclusion that the distribution of the data was normal.

Table 6: Jarque Bera Test for Normality

Skewness	-0.161
Kurtosis	2.951
Jarque- Bera	0.102
Probability	0.950

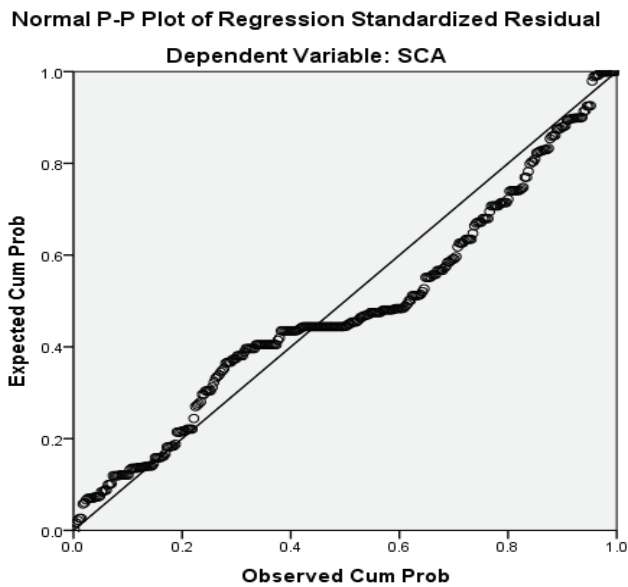
Source: Researchers (2022)

**Linearity**

The linearity assumption was satisfied as shown in Figure 3 because the observed and expected values were located along the diagonal line, with no significant departures from it, based on the regression standardized residual.

Figure 3: Linearity Results

Source: Researchers (2022)



**Multicollinearity**

This is an essential assumption that no particular high degree of correlation between the research predictors. Tolerance and VIF were examined using the regression results from the collinear diagnostics as shown in Table 7.

Table 7: VIF Values for Testing Multicollinearity

Tolerance	Collinearity Statistics	
	VIF	
Gender	.925	1.081
Age	.571	1.750
Experience	.649	1.541
Employee engagement	.870	1.149
Talent management practices	.586	1.707

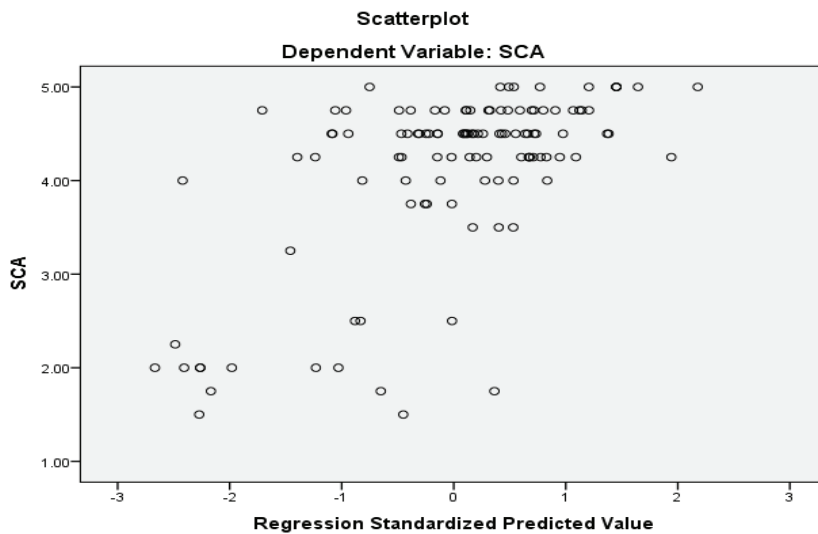
Source: Researchers (2022)

Garson (2012) states that if the tolerance value greater than the threshold value of 0.1 or VIF should be 10.0, for variables to have no collinear relationship. From the results in Table 7, the minimum value for the tolerance was .571 and maximum of .925 thus no collinear relationship between independent variables.

**Homoscedasticity**

Homoscedasticity is the presumption that the data distribution is the same over the whole range of the dependent variable. According to Osborne and Waters (2002) that residuals should fall between -2 and/or +2 points. Based on the data plot (Figure 4) of standardized residuals versus standardized anticipated values, there is no discernible funneling and most residuals falling below the proposed threshold, the assumption of homoscedasticity appeared to have been satisfied.

**Figure 4: Scatter Plots Showing Homoscedastic Residuals**



Source: Researchers (2022)

Alternatively, the study tested breusch- pagan test. The alternative hypothesis of heteroscedasticity was compared to the null hypothesis of homoscedasticity to determine which hypothesis was correct. According to Breusch and Pagan, the null hypothesis of homoscedasticity is accepted if the p values corresponding to the chi-square test statistics are greater than the 5% level of significance (1979). The null hypothesis of homoscedasticity, on the other hand, is rejected if the chi-square test statistics have p values less than the 5% level of significance. According to the findings of this test, which are presented in the Table 4.20, the residuals of the model are of a homoscedastic distribution. This is substantiated by the p values that correspond to the chi-square test statistics of 0.847, which is greater than the significance limit of 5 percent (0.05). Because of this, we can deduce that the model’s residuals have a constant variance.

**Table 8: Heteroscedasticity Test for Residuals**

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
Ho: Constant variance	
Variables: fitted values of SCA	
chi2(1)	= 1.67
Prob > chi2	= 0.847

Source: Research Data, 2022

**FACTOR ANALYSIS**

**Factor Analysis on Perceived Sustainable Competitive Advantage**

In Table 9 , perceived sustainable competitive advantage had eigenvalues for factor one 6.029 giving a total initial variability of 60.288 percent. Normally, the sum of eigenvalues equals the number of variables. Proportion indicates the relative weight of each factor for factor 1 and factor 2 accounted for rotation sums of squared loadings 79.797 percent. Solutions for these factors were each examined using varimax rotation of the factor loading matrix. The two-factor solution, which explained 79.797% of the variance, was preferred.

**Table 9: Factor Analysis on Perceived Sustainable Competitive Advantage**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.029	60.288	60.288	6.029	60.288	60.288	4.788	47.877	47.877
2	1.951	19.509	79.797	1.951	19.509	79.797	3.192	31.920	79.797

Extraction Method: Principal Component Analysis.

Source: Researchers (2022)

KMO values for all the constructs used in defining the variables should be above 0.7 according to Kaiser (1974) are acceptable for factor analysis. Table 10 presents results for perceived sustainable competitive advantage which is the dependent variable was measured using ten items. The Kaiser-Meyer-Olkin measure of sampling adequacy (0.868>0.70) and significant Bartlett’s Test of sphericity which is a chi-square test (p = 0.000) revealed that data was adequate for extraction using principal components analysis. The total variance explained by two extracted factors (having eigenvalues more than one) is 79.797 % of the total variation (component 1 contributing 60.288 and component 2 contributing 19.509).

**Table 10: Loadings on Perceived Sustainable Competitive Advantage**

	Unrotated Component Extraction		Rotated Component Matrix <sup>a</sup>	
	1	2	1	2
Our Profitability has been growing consistently for the last 5 years	.820		.789	
We have superior competitive strategies that are not easily replicated by competitors	.654		.710	
Our products are superior and unique in the market	.904		.944	
Our organization has been able to defend its competitive position	.889		.935	
There has been a consistent growth of our market share	.901		.929	
Our internal resources & capabilities are unique, rare and not easily duplicated	.908		.907	

Our organization proactively responds to threats in the operating environment	.619	.606		.847
Employees are the most valued resource in this organization	.694			.782
We are preferred by customers compared to other banks	.596	.706		.918
Talented employees enables your organization to reduce challenges of bad debts and frauds	.681	.560		.843
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization				
a. Rotation converged in 3 iterations.				
<b>KMO and Bartlett's Test</b>				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.868	
Bartlett's Test of Sphericity	Approx. Chi-Square		3760.676	
	Df		45	
	Sig.		.000	

Source: Researchers (2022)

The construct is 'our profitability has been growing consistently for the last 5 years' has rotated loading of .789, 'We have superior competitive strategies that are not easily replicated by competitors' loaded with .710. 'Our products are superior and unique in the market' has a loading of .944. 'Our organization has been able to defend its competitive position loaded with .935. Each of the constructs had factor loaded above the threshold of 0.5. The loadings after rotation confirmed that these constructs met the criteria as suggested by Yong and Pearce (2013). Therefore, the study included all these constructs in measuring the perceived sustainable competitive advantage.

**Factor Analysis on Talent Management Practices**

Since factor analysis technique allows for the extraction of as many components, talent management practices which was measured using 22 several items was subjected to it. The results presented by Table 10 indicate four components with eigenvalues more than one. These four 66.99 percent of the total variance. Only two had more than 2 eigenvalues and explained a total variability of 52.70 percent. KMO values for all the constructs used in defining the variables should be above 0.7 according to Kaiser (1974) are acceptable for factor analysis. Normally, the sum of eigenvalues equals the number of variables.

**Table 10: Factor Analysis on Talent Management Practices**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.372	39.827	39.827	6.372	39.827	39.827	5.124	32.024	32.024

2	2.059	12.868	52.695	2.059	12.868	52.695	3.307	20.672	52.695
Extraction Method: Principal Component Analysis.									

Source: Researchers (2022)

Table 11 shows KMO value for talent management practices was 0.878 which is greater than 0.70 indicating that factor analysis could proceed and that the sample is adequate (Kaiser, 1974). Bartlett’s Test of Sphericity had a chi-square of 2535.73 and significant at p-value of 0.000. From the results, construct ‘In our organization new employees are sourced & recruited through a competitive process’ had loadings of .670 >.50, ‘New employees are well trained before being deployed to work’ had factor loadings of .717 > .50, ‘We have an internal employee recognition policy that builds employee loyalty and morale’ had loadings of .702, ‘My company has flexible working hours & work /life balance motivating our employees’ had .773 factor loaded, ‘The organization supports private studies to develop employees’ loadings of .813 under rotated components and finally the construct ‘Performance appraisals are carried out transparently and objectively’ had factor loading of .801. All loadings were greater than .50 and as per Hair Jr, Sarstedt, Hopkins, and Kuppelwieser (2014), all were retained. However, the construct ‘Our compensation & reward system is more attractive in the industry’ under unrotated and rotated components did not meet the criterion and thus expunged.

Table 11: Loadings on Talent Management Practices

	Unrotated Component Extraction		Rotated Component Matrixa	
	1	2	1	2
<b>Talent attraction</b>				
Wages and salaries are competitive attracting the right talent	.530	-.542	.755	
All employees are treated as talented workers	.549		.651	
Consistently High performers are selected for talent management program are	.577	-.504	.766	
In our organization new employees are sourced & recruited through a competitive process	.646		.619	
New employees are well trained before being deployed to work	.715		.597	
<b>Talent Retention</b>				
Our compensation & reward system is more attractive in the industry				
We have an internal employee recognition policy that builds employee loyalty and morale	.641		.736	
My company has flexible working hours & work /life balance motivating our employees	.717		.766	
Employees do not leave the company due to bad managers	.707		.783	
In our company, we have a career path for all employees	.721		.689	
<b>Learning and Development</b>				
In our company, we have a career path for all employees	.707		.732	



Coaching & mentorship is carried out in this company	.698			
Promotion of employees is strictly done on merit				.689
The organization supports private studies to develop employees	.629			.704
We have a talent department and a talent officer to identify & develop talent for the organization	.662			.694
<b>Performance Management</b>				
Performance appraisals are carried out transparently and objectively	.673			.771
Poor performers are supported, coached & mentored to improve their performance	.664			.753
High performers are recognized and rewarded	.630			.740
Poor performers exit the organizations if their performance does not improve despite support provided to them	.700			
360 degrees feedback from peers and line managers during performance appraisals				.647
High performers are paid bonus	.653			.533
Performance targets are SMART (Specific, Measureable, Achievable, Realistic and Time bound)				
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization				
a. Rotation converged in 3 iterations.				
<b>KMO and Bartlett's Test</b>				
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.878
Bartlett's Test of Sphericity				2535.738
				120
				.000

Source: Researcher, 2022

### Factor Analysis on Employee Engagement

There were nine items used in measuring employee engagement as presented in Table 13. The Eigen values associated with two items with higher variability were two. The two items explained 59.88%. Before varimax rotation that maximizes variability, the first component explained 48.28% and the seconds 11.59%. After varimax rotation, component 1 and 2 explained a total of 39.74% and 20.14% respectively.

Table 12: Factor Analysis on Employee Engagement

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.863	48.284	48.284	3.863	48.284	48.284	3.179	39.737	39.737
2	.928	11.594	59.878	.928	11.594	59.878	1.611	20.141	59.878
8	.280	3.501	100.000						

Extraction Method: Principal Component Analysis.

Source: Researchers (2022)

Table 13 presents the eight constructs used to measure employee engagement. From the findings, KMO measure of sampling adequacy was significant (as per Bartlett’s Test of Sphericity), and the value made the threshold (above 0.70). All the items were retained because they met the criteria of having loadings more than 50 percent.

Table 13: Loadings on Employee Engagement

	Unrotated Component Extraction		Rotated Component Matrix <sup>a</sup>	
	1	2	1	2
We have a good and conducive working environment	.685			.553
We have freedom to air our concerns and issues freely				
We are empowered to make business decisions without fear	.780		.784	
Generally, employees are satisfied with their jobs	.814		.763	
Employees are loyal, committed & emotionally connected to the company	.844		.738	
Committed employees support talent management practices	.719		.589	
Committed employees are high performers		-.566	.736	
There is participation and involvement of employees in decision making	.639			.657
Employees volunteer to take more duties and to go an extra mile without expecting any rewards		.730		.881

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

a. Rotation converged in 3 iterations.			
<b>KMO and Bartlett's Test</b>			
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.854	
Bartlett's Test of Sphericity	Approx. Chi-Square	1046.45	
	Df	36	
	Sig.	.000	

Source: Researchers (2022)

### Hypotheses Testing

The main objective of the study was to analyze the effect of both talent management practices and employee engagement on perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. This was done by adopting hierarchical regression analysis and the findings are presented in Table 14. Model 1 in the table indicates the effect of covariates or control variables (gender, age and experience) on the dependent variable (perceived sustainable competitive advantage). Gender and age did not show any significant effect at 5% level of significance on perceived sustainable competitive advantage but experience showed a significant 5 percent. In the model summary, there was small R-square of .024 indicating the variation of perceived sustainable competitive advantage can be explained by control variable at 2.4 percent. The analysis of variance (ANOVA) showed and significant F- statistics ( $F = 2.629$ ,  $P > F = .050$ ) indicates model fitness and this is implying the interpretation of the results are meaningful.

**Table 14: Hierarchical Regression Model Results**

Variables	Model 1	Model 2	Model 3
	Coeff. (	Coeff. (	Coeff. (
G	-.106(.110)	-.039 (.076)	-.024 (.071)
A	.274**(.166)	-.002(.116)	.045(.107)
E	-.166(.155)	.079(.108)	.099 (.100)
TMP	-	.727**(.030)	.580***(.032)
EE	-	-	.302***(.029)
	.024	.537	.605
Adj.	.015	.531	.599
F- statistic	2.629	92.242	97.263
P>F	.050	.000	.000

Key: G (Gender); A (Age); E(Experience); TMP (Talent Management Practices); EE (Employee Engagement)

Source: Researchers (2022)

### Effect of Talent Management Practices on Perceived Sustainable Competitive Advantage

The study investigated the changes in the R-square when the independent variables were hierarchically added into the equation. When talent management practices was added (model 2), the R-square as changed to .537 indicating a significant effect of talent management practices in explaining variation of perceived sustainable competitive advantage. The study pursued to test hypothesis  $H_{01}$ ; there is no significant effect of talent management practices on perceived sustainable competitive advantage of commercial banks in Nairobi county in Kenya. From Table 14, talent management practices had a positive and significant effect on perceived sustainable competitive advantage (.). This implies that one unit change in talent management practices results to increase in perceived sustainable competitive advantage by 0.727 units. From the findings, the study rejected the null hypothesis and concluded that there significant effect of talent management

practices on perceived sustainable competitive advantage of commercial banks in Nairobi County in Kenya. The finding thus support those by (Al Nsour & Tayeh, 2018; Khurshid & Darzi, 2016; Latukha, 2018).

### **Effect of Employee Engagement on Perceived Sustainable Competitive Advantage**

The coefficient of determination (R square) in Table 14 increased from .537 to .605 with significant model fitness (F-statistic). This therefore indicates that employee engagement is significant in explaining the variations in perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. Model 3 gives the impact of employee engagement when added to the regression equation. This was aimed at testing hypothesis H<sub>02</sub>; there is no significant effect of employee engagement on perceived sustainable competitive advantage of commercial banks in Nairobi County in Kenya. Employee engagement was found to have a positive and significant effect) on perceived sustainable competitive advantage thereby supporting the findings by Mathur (2015). As such, one unit change in employee engagement results to increase in perceived sustainable competitive advantage by 0.302 units.

### **Conclusion**

Talent management in the organization arises because there are human resources that have the potential to contribute to the achievement of organizational goals and objectives. Talent management helps the organization fulfill its mission of attracting and maintaining human resources and putting them in the best position to help the firm prepare for future competition (Anupam, 2012). Through talent management, businesses develop strategies for acquiring, retaining, developing, achieve superior performance through cultivating a high employee performance culture and retaining employees. Individuals with talent have the ability to have a beneficial impact on the success of a business. Talent is a natural ability distinct from learned knowledge or skills that can be cultivated and strengthened through practice and learning. The goal of talent management is to guarantee the organization that the relevant skills are available or accessible at the right time and are tailored to the organization's goals. From the study findings, talent management practices affect the perceived competitive advantage of commercial banks in Nairobi County positively. This implies that the talent management practices, that is, talent retention; talent attraction, learning and development and performance management enhances the perceived sustainable competitive advantage among the commercial banks in Nairobi County in Kenya. Employees are critical to achieving long-term competitive advantage. With the employee engagement concept, employees who are engaged consistently outperform employees who are not engaged on a variety of critical performance standards, according to study (Gebauer, Lowman, & Gordon, 2008; Harter, Schmidt, & Hayes, 2002). In the study, it was found out that employee engagement positively affects the perceived sustainable competitive advantage of commercial banks in Nairobi County, Kenya. Consequently, the study concludes that when employees have good and conducive working environment, have freedom to air their concerns and issues freely, or are empowered to make business decisions without fear they will be satisfied with their jobs and the results will enhance attainment of the perceived competitive advantage among commercial banks in Nairobi County in Kenya.

### **Recommendations**

The study thus recommends that activate talent management tactics with the goal of increasing employee competitiveness, resulting in the release of creative energies and the exploration of potential talent. The commercial banks should spread a culture of creativity and excellence among employees, not just at the senior or middle management levels. The management of commercial banks in Kenya must therefore ensure that the working environment is friendly and conducive, employees have freedom of speech, employees are empowered to take calculated risks and to make business related decisions, to motivate employees to go over and beyond their duties, love and be committed to their jobs, develop positive organization citizenship behaviors, and to love their organization leading to high retention rate of talented employees. Future studies are recommended to assess the effect of generation Y and generation Z on talent management practices and

sustainable competitive advantage. In addition, the future studies are expected to increase the scope of the study by incorporating other firms in other sectors of the economy.

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