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# Influence of Human Resource Capability in Relating Talent Management Strategy and Competitive Advantage

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**Abstract:** Organisations aim at providing best quality at the lowest cost. It is beneficial to identify values and work preferences generation Y in order to employ, develop, retain and prepare them for future leadership. Talent Management strategies that enhance retention of the required talents enables the organisation gain a competitive advantage. The study sought to understand if leveraging on Generation Y's talents puts the organisation in a better competitive position. The research objective was to determine whether introduction of the mediating variable of human resource capability had any effect on the relationship between talent management strategies for generation Y and the commercial bank's competitive advantage. The target population of the study comprised of 43 Commercial Banks in Kenya and the given unit of observation was 6 departments in each bank namely: human resources, finance, marketing, credit, treasury and Audit. The findings of the study revealed that Talent Management Strategies alone contributed a fairly good extent to competitive advantage of banks at-55.3% ( $\bar{R}^2=.553$ ). An inclusion of a mediating variable, HR Capability presented a percentage level of 39.8% ( $\bar{R}^2=.398$ ). Further tested whether the mediating variable had any effect on the relationship between the independent variables and the dependent variable. Multiple regression models were used to predict the relationship which proved to be true with a positive percentage of 55.8% ( $\bar{R}^2=0.558$ ), an increase in the value of  $\bar{R}^2$  by 0.005. This indicates that the mediating variable has a statistically significant effect on the relationship between talent management strategies and the competitive advantage, hence concluding that HR Capability derived from application of talent management strategies has a partial mediating effect on the relationship between talent management strategies for generation Y and competitive advantage of commercial banks in Kenya. Thus, the study notes that the strength of the relationship between talent management strategies for generation Y depends on the level of HR Capability arising from the strategies.

**Keywords:** Competitive Advantage, Generation Y, Human Resource Capability, Talent Management

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## 1. Introduction

The concept of Talent Management evolved around 1990s with an aim of incorporating human resource management developments which placed more weight on the management of human capital. Talent management has been defined by many authors with some referring it as the overall process of developing, managing and retaining employees without specifically considering any demographic group [1]. Many scholars defined Talent Management as a Strategic Human Resource Management process that uses an integrated set of activities to enable the organization to plan for, procure, develop, retain, and motivate the right kind of employees required both at present and in future [2]. Talent management

is anchored on the premise that the employees are the firm's most valuable asset and aims at securing the flow of talent, bearing in mind that talent is a major corporate resource [3]. A talent management program that includes effective goal management enables organizations to create a true competitive advantage. It aligns the workforce so that employees understand how their goals connect to and support to overall organizational goals, enabling the entire team to pull in the same direction. Such goals may focus in enhancing customer service as a key pillar of firm's competitive advantage. Talent management programmes encompass a wide variety of human resource functions including but not limited to: HR Planning, HR Procurement, HR retention, HR training and development and employee

succession planning.

In most organisations, work preferences are influenced by generational differences, a fact that is supported by the generational school of thought to the study of human resource management [1]. This school of thought has been supported by various people who grew up in different times, making them have various sets of beliefs, values, attitudes and expectations which eventually influence their behaviour in the workplace. Generational theory asserts that one generation influences and creates those coming behind it, and that each generation creates what it needs at that juncture in history. Generation Y refers to the most recent demographic group that has entered the workforce. It is not possible to exactly know the start and end dates, which define the parameters of Generation Y, but is believed to vary from beginning dates of 1977 to 1982 to ending dates of 1994 to 2003 [4]. Young employees are found to exhibit characteristics such as being techno savvy oriented, high maintenance due to their high demands, being optimistic and very confident, they tend to be self-reliant and entrepreneurial. In most cases, many Generation Y employees hold a self-confident attitude and love to be given the results needed and the freedom to figure out the process to achieve them. Technology has also shaped the way this digital generation learns and processes information. They are continually customizing how they gather and share information [5]. Talent management strategies for Generation Y are derived from Strategic Human Resources Management (SHRM) programs that integrate decisions about people with the results the organization intends to achieve [6]. It amalgamates Human Resource Management (HRM) into the organization planning process and emphasizes on human resource activities that support the mission, goals, and building strong human resource management relationships. It is maintained that Human Resource Management practices increase employees' capability and impetus to work which in turn impacts on organizational performance.

The business environment today is radically changing from that which prevailed a few years ago due to demographic changes. There are not only fewer people but also fewer people with the skills in demand [7]. Generation Y demands of promotions, flexible work schedules and others pose a big challenge to the organization [8]. However, because they represent the workforce of the future, employers are changing HR policies in response to their demands. Talent Management strategies have attracted attention in the recent past and substantial contributions have been documented in terms of dealing with issues related to the management of people. Various arguments have been put forward by researchers that support the assumptions there exists an effective link between how people are treated within the organization and how well the same organisation performs [9, 10].

Kenya's banking sector has for many years been credited for its size and diversification by African standards and in comparison with other East African economies [11]. Credit has been given to GDP which is a standard indicator of

financial development that was 23.7% in 2008, compared to a median of 12.3% for Sub-Saharan Africa. The development of globalization in the financial market has paved the way to increased competition and has re-established the fact "survival of the fittest". Survival and sustainability evolved as key issues in a competitive environment. Commercial banks are now concentrating in designing activities and practices that give them additional competitive advantage. The banking sector in Kenya comprises of Central Bank (CBK), Commercial Banks, non-banking financial institutions and foreign exchange bureaus. However, only five banks account for 60% of the total banking industry assets and deposits. Commercial banks in Kenya have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interest and addresses issues affecting its members. As at 31<sup>st</sup> December 2014, banking subsector comprised of 43 commercial banks, 1 mortgage finance company, 7 representative offices of foreign banks, 9 microfinance banks, 2 credit reference bureaus, 2 money remittance providers and 112 Foreign Exchange Bureaus [11].

Explosive growth in Information Technology has changed the way individuals interact with banks and the way banks respond. In the changed scenario success will depend on the ability of banks to leverage the human potential and capabilities. Kenyan banking industry has created a more complex and dynamic environment in which most commercial banks must learn to compete effectively to achieve sustainable growth [12]. Workforces around the world have become larger, increasingly diverse, more educated, and more mobile. Every talent would wish to work in an organization with clear systems and structures of career development and growth. It is maintained here that talent development strategies in the banking industry should aim at recognizing potential talent by assigning them tasks that expose them to higher managerial roles [13]. The younger generations are perceived to be aggressive and have been accused of having a strong sense of entitlement and a desire to work in a fun environment. Due to the large number of players in the industry, there is intense competition which has put the labour market under pressure as commercial banks demand for more sophisticated employee skills [14].

The change in customer behaviour is caused by increased access to product quality and information which has consequently led clients to be more sensitive to product quality and cost, and to the nature of delivery and cost of service. Since employees are the key to good service delivery and wide product offerings, it is important that banks employ adequately skilled individuals. It is recognized that the study of talent management is still a relatively new and continually evolving area of research. It is maintained that Human Resource Management practices increase employees' capability and impetus to work which in turn impacts on organizational performance. [15] contended that HRM practices based on quality hiring, development, and retention and career management boost a commercial banks' capability. It was therefore, the view of the researchers that

an empirical study is required to better understand talent management strategies for Generation Y in relation to the context in which it takes place and how it affects the commercial bank's competitive advantage.

## 2. Research Problem

The banking industry is commonly recognized for its contribution to the economic activities, employment, innovation and wealth creation of a country. The banking industry has experienced unprecedented growth coupled with impressive performance over the same period. The industry has remained largely profitable in spite of the economy performing poorly in some years and facing adverse effects of the global financial crisis [16].

It has been established that talent management issues are becoming increasingly more significant than previously due to the rapid internationalization of small and medium-sized enterprises including the banking sector and the emergence of "micro multinationals" in recent years. The specific management of talent has been widely seen as a solution for the Human Resource challenges in today's labour market in which Generation Y is involved. Human Resource Management (HRM) practice embraces a strategic orientation incorporating influence of environmental dynamics on the design of HRM programmes in organizations. Demographic changes both in the environment and the workforce are of HRM concerns in rapidly changing environments. The presence of Generation Y workforce fits in this demographic variable and draw management attention in designing Strategic Human Resource Management (SHRM) programmes that will enable the organization gain a competitive advantage. The commercial banks are assumed to thrive on employee talents and have a high percentage of Generation Y workforces making the study relevant to them [17].

Studies on talent management have concentrated on examining its importance in general and none has attempted to make a specific focus on particular groups of workforces with unique characteristics. An understanding of the differences between and relationships among the preferences and motivators of generations and associated work outcomes can be used as an important building block in the development of effective recruitment materials, training methods, hiring processes and benefits packages [18, 19] In spite of this, it is clear that previous studies on talent management have concentrated on examining its importance in general and none has attempted to make a specific focus on particular groups of workforces with unique characteristics such as Generation Y. The purpose of this research was therefore to respond to the stated gaps with the main objective of finding out the relationship between talent management strategies for Generation Y and competitive advantage in commercial banks in Kenya. The study identified five objectives, the first one sought to establish the relationship between Human Resource Planning (HRP) strategies for Generation Y and competitive advantage of

commercial banks in Kenya, the second objective sought to determine the relationship between Human Resource Procurement strategies for Generation Y and competitive advantage of commercial banks in Kenya, the third objective sought to find out the relationship between Human Resource Development (HRD) strategies for Generation Y and competitive advantage of commercial banks in Kenya, the fourth objective sought to determine the relationship between Human Resource Retention strategies for Generation Y and competitive advantage of commercial banks in Kenya and the fifth objective sought to establish whether mediating the independent variables with HR capability affected their relationship with the competitive advantage.

## 3. Significance of the Study

The findings of this study were considered important in several ways: The first contribution regards the relative contribution of Talent Management Strategies for Generation Y to the competitive advantage of the firms. Secondly, the findings show that although commercial banks in Kenya employ a large number of Generation Y workforce some of whom are in managerial positions, the current structure of banks' human resource planning strategies for Generation Y are yet to be improved so as to gain competitive advantage. The study also established that banks use employee procurement methods that are not favorable to Generation Y hence a high probability of not recruiting the right employees for the right jobs so as to gain a competitive advantage. The findings of this study have presented information to cover some of the research gaps from previous studies especially on factors that influence competitive advantage of an organization focusing on a specific demographic group of employees to bring in specialization aspect. It enables the scholars gain more understanding on the concerned topic. Lastly, this study is expected to add to the number of studies done in the banking sector in Kenya.

## 4. Literature Review

### 4.1. Theoretical Review

This research was built within a process-related context integrating various theories of motivation, Resource Based View Theory and strategic human resource management. Strategic Human Resource Management (SHRM) theory was used to guide the conceptualization and hypotheses development in conjunction with Job Characteristics Model Motivational Theory of Achievement and the Two-Factor Theory of Motivation. In SHRM theory, it is assumed to be HRM-firm performance link, concluding that individual performance increases performance of the business departments, and it is expected that performance of business departments increases firm performance hence gaining a competitive advantage [20]. It focuses on the HRM performance link concentrating on a more integrated management approach and looks at the contributions of the

entire HRM practices and policies to the organisation's competitive advantage. A group of researchers observed that for an organization to be felt, the human resource practices and strategies have to be connected with other aspects and strategies of the firm. There should be synergy between HR practices and strategies of the organization [20-22].

The Resource Based View (RBV) defines competitive advantage as when a firm is embracing strategies that create value which are not simultaneously being implemented by any other current or potential competitors. This assumes a firm's competition includes all current competitors, but also, potential competitors [23]. The Resource Based View of the firm has proven to be a highly influential theory of strategy, indicating that organisations can achieve sustainable competitive advantage through owning and deploying valuable and unique resources. Researchers have concluded that a resource qualifies as a source of sustained competitive advantage only if it increases value to the firm and must be rare, inimitable and non-substitutable. It has been stated that if management trust their workers and give them challenging assignments, workers in return will respond with high motivation, high commitment and high performance [24]. The methodology necessitates that a firm create an image not through its activities in the product market, but as a unique bundle of resources that are complex, intangible and dynamic. It is suggested that human resources constitute a source of competitive advantage because they are a valuable, rare, inimitable and non-substitutable resource [25]. The Resource Based View (RBV) of the firm has proven to be a highly influential theory of strategy, the main principles of which have been developed in important papers published since the mid-eighties. The basic tenets are that commercial banks can achieve sustainable competitive advantage through owning and deploying valuable and unique resources. Thus, the resource-based view puts the emphasis on the internal resources of the organization and specifically human resources.

The Job Characteristics Model (JCM) introduces core job characteristics which include skill variety; task identity; task significance; autonomy; and feedback. They are then complimented by three critical psychological states which include experienced meaningfulness; experienced responsibility; and knowledge of results. The critical psychological states are responsible for enhanced work fulfillment, intrinsic work inspiration, performance and decreased employee absence and eventual turnover [27]. The model assumes that autonomy and feedback in the job are more significant than the work characteristics assuming that workers with higher desire for challenges and personal development respond more positively to enriched jobs than others. The components of the model are well-thought-out to be supreme in this study because they describe what brings about an employee's job satisfaction and reduced turnover rate. A company will adopt the kind of strategy to meet the requirements of both the employees and the organization in terms of employee Talent relationship Management, Role Development and Total reward that leads to highly motivated

employees with high retention rate. Motivational Achievement theory established achievement-based motivational and enhancements in employee assessment methods, promoting competency-based assessments and tests.

Scholars have stated that the hunger for talent can no longer be dismissed as a management clinch despite global economy downturns. The need of identifying, retaining and replacing the people who form the backbone of the organisation has led to a burning obsession among the many executives. Various researches have also brought to the light that business leaders are extremely concerned with getting talented employees with the expectation that the progressively universal competition for talent will have a major effect on their corporations [28]. With this in mind, the outcome has been increased competition to attract and retain individuals who demonstrate high level of potentiality. There are various approaches contained in the concept of talent management which include attraction, retention, motivation and engagement, development, and succession planning. Talent management begins with the organization examining its business strategy and determines what it signifies in terms of the talented people required by the organization.

In consideration of some of the talent management strategies that have been reviewed in this study from previous researches, the strategy of human resource planning (HRP) assists in analyzing and identifying the need for and availability of human resources so that the organisation can meet its objectives [6]. It is a proactive process that examines the implications of business strategies and goals on human requirements such as the number and type of people required the training they will require and whether the organisation will have to employ additional employees. HRP has over the years been utilised by companies to determining how to staff the organization with the right employees at the right time and in the right place [29]. In the long-term period, success of any enterprise depends on whether the right people are in the right places at the right time. Researchers have also argued that attraction, selection and maintenance of the required workforce is a crucial ingredient to organizational success [18, 30]. Large numbers of companies recruit young graduates with the sole purpose of facilitating growth of the organisation and continual improvement through innovation. They have also argued that today's business environment is drastically different from that of a few years ago with the dominant factor being its demographics. There are not only fewer people but also fewer people with the skills in demand. This poses a great challenge in retaining skilled and talented employees. It is also more difficult when attracting and hiring employees from a limited talent pool.

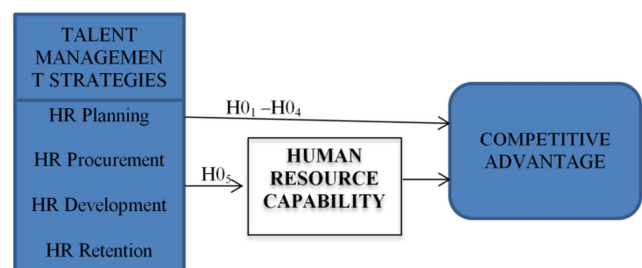
Scholars pointed that the policies and methods used previously to attract the best candidates are possibly relatively ineffective when it comes to procurement of Generation Y calling for greater understanding of Generation Y and more so their expectations and goals for work, with the purposes of devising the best means by which to recruit and retain them. The also reviewed researches on the strategy of

Human Resource Development (HRD) which emphasizes that after planning and procurement of the required talent, there is need for implementation of development strategies for the entire talent pool to ensure that the organisation has skilled and competent workforce for both the current and future supply in order to meet its strategic objectives [13]. It is worth noting that development activities should be aligned with organisational talent management processes. Therefore, talent development strategies can be embraced as a key measurement of a bundle of high performance work practices that are connected to superior organisational performance leading to sustainable competitive advantage. HRP also include policies on career management to enable employees move up the corporate ladder. Career development contains the processes of career planning and management succession [31-33]. Strategy reviewed was that of human resource retention. Researchers have argued that workforce retention is a process in which the employees are encouraged to remain with the organization for the maximum period of time as it beneficial to both for the organization and the employee. Various literatures have been reviewed across occupations and have indicated that both age and tenure are associated with voluntary job leaving. It was established that those employees who are younger and those who have been in a job for shorter periods of time are more likely to leave the job than older and longer term [34]. Organisations are required to come up with effective retention management policies that incorporate ongoing diagnosis of the nature and causes of turnover. It is therefore vital to develop approaches that determine in what human capital markets retention has the largest impact on organizational success, and the development of an appropriately targeted and organized bundle of retention initiatives. The researcher went further to review the strategy of Human resource Capability.

Accord has been reached among researchers on SHRM vital function, which includes designing and implementing a set of internally stable policies and practices which guarantee that human capital of a firm contributes to the accomplishment of its business goals [35]. Strategic human resource management generates strategic capability to achieve sustained competitive advantage because its basic goal is to produce strategic capability by ensuring that the firm has the experienced, devoted and well-motivated workers it needs to achieve sustained competitive advantage [36]. The resource-based view [37-39], adds to organization performance by leveraging human capital, discretionary effort, and preferred approaches and behaviours [40, 41]. The fundamental assumption is that HRM practices are socially complex and intricately linked, thus making it an integral part of the organisation unique and non-substitutable, and very difficult to imitate [42-44]. The Resource Based View (RBV) defines competitive advantage as when a firm is embracing strategies that create value which are not simultaneously being implemented by any other current or potential competitors [23]. This assumes a firm's competition includes all current competitors, but also, potential competitors

## 4.2. Conceptualisation and Hypotheses

In view of the theoretical and empirical literature reviewed to answer the main research question under investigation, the study proposed a suitable conceptual framework as presented in figure 1. The dependent variable of the study was Competitive Advantage which was operationalised through indicators such as cost of production, speedy delivery, continual innovativeness, flexibility to change and corporate image. The independent variable of the study was talent management which was operationalized through strategies such as human resource planning, human resource procurement, human resource development and human resource retention. The mediating variable which was the Human Resource Capability was operationalized through indicators such as Strategic Value, Rarity, Appropriability, Inimitability, Non- Substitutability and Organisational Specificity. The Resource Based View of the firm has proven to be a highly influential theory of strategy, indicating that organisations can achieve sustainable competitive advantage through owning and deploying valuable and unique resources. Researchers have concluded that a resource qualifies as a source of sustained competitive advantage only if it increases value to the firm and must be rare, inimitable and non-substitutable. [24] States that if management trust their workers and give them challenging assignments, workers in return will respond with high motivation, high commitment and high performance. Different researchers have established that an effective HRM-performance link mechanism, such as employee turnover, employee productivity, employees and customer satisfaction, knowledge management, technology, and organizational culture, which addresses the call of some researchers [45]; [46] for the exploration of new theoretical frameworks with different mediating variables. Thus, the resource-based view puts the emphasis on the internal resources of the organization [47]. Developmental opportunity and empowerment of employees and managers are processes that create an atmosphere where talents and abilities are celebrated and encouraged.



Source: Author, 2015.

**Figure 1.** Conceptual Framework.

From the conceptual framework, five hypotheses were stated as follows:

*Hypothesis 1: There is no significant statistical relationship between Human Resource Planning activities for Generation Y workforce and the competitive advantage of*

commercial banks in Kenya.

*Hypothesis 2: There is no significant relationship between Human Resource Procurement strategies used by banking sector during recruiting and selecting Generation Y workforce and competitive advantage of commercial banks in Kenya.*

*Hypothesis 3: There is no significant relationship between Human Resource Development strategies for Generation Y and competitive advantage workforce commercial banks in Kenya.*

*Hypothesis 4: There is no significant relationship between Employee retention strategies for Generation Y and competitive advantage of commercial banks in Kenya.*

*Hypothesis 5: To determine the mediating effect of Human Resource Capability on talent management strategies for generation Y and competitive advantage of commercial banks in Kenya.*

## 5. Methodology

### 5.1. Research Design and Population

The study employed descriptive survey research design to obtain information concerning the current status of the phenomena and to describe what existed with respect to variables or conditions in a situation. The study also adopted correlational type of descriptive research design which comprised of collecting data to determine whether, and to what extent, a relationship existed between talent management strategies for Generation Y and the commercial bank's competitive advantage. In this study, the target population comprised of all the forty-three Commercial Banks in Kenya as per the Kenya Central Bank of Kenya's Annual Report of 2014.

*Table 1. Sample design.*

Strata	Number of banks	Departments	Target Population	Percentage
Local Public Commercial Banks	3	6	18	6.98
Local Private Commercial Banks	27	6	162	62.79
Foreign Commercial Banks	13	6	78	30.23
Total	43		258	100

Source: Central Bank of Kenya Annual Report (2014).

### 5.2. Sampling Design

The sampling method used was Census of all Commercial Banks in Kenya which allowed elements to be chosen based on purpose of the study. It allowed the researcher to use own judgment to select cases that best enabled one to answer the research questions and meet objectives [48-50]. This procedure was preferred since the target population was small hence had an equal chance of being selected. The unit of analysis was commercial banks and the unit of observation was the functional area of each bank. Each of the commercial bank was studied from six (6) functional levels or departments namely Human Resources, Credit, Audit, Finance, Treasury and Marketing.

### 5.3. Data collection and Analysis

The study used a questionnaire to collect data. The questionnaire contained both structured and unstructured questions that were both open and closed ended. This ensured uniformity and consistency of the answers given by various respondents. The researcher distributed the questionnaires through drop and pick later method. The researcher subjected the data collection instrument to reliability and validity test by conducting a pilot survey with a selected group of postgraduate students working at managerial levels and are also enrolled in two major universities in Kenya. The study pretested the instrument using a sample of 40 managers. This was to test for both construct and content forms of validity to ensure conformity with relevant guidelines for ensuring research instrument validity and reliability. The study used Cronbach's Alpha Score to check for internal consistency and ascertained the items within a scale measure the same

construct [49, 50]. It computed reliability score for the instrument prior to and after the main survey. The Alpha was calculated using SPSS and assisted in measuring the mediocre of quantifiable items and its relationship. Cronbach's Alpha value of 0.7 is the threshold for determining reliability. After the collection of data, it was recorded and analyzed using Statistical Package for Social Sciences (SPSS) and Microsoft Excel spreadsheets. The study used both descriptive and inferential statistics for data analysis. Descriptive statistics was used to analyse the characteristics of all variables and it comprised of percentages, frequencies, means and standard deviations. Inferential statistics aimed at testing the hypotheses where linear regression analysis was used to predict the existence of a relationship between the dependent variable ( $y$ ) and the independent variables ( $X_1, 2, 3, 4$ ). Multiple regression was used to test the mediating relationship between the mediating variable ( $m$ ) and the dependent variable ( $y_2$ ). The same method was used to test the relationship between the mediated variables ( $X_{6, 7, 8, 9}$ ) and the dependent variable ( $y_3$ ). The study sought to predict competitive advantage of Commercial Banks on the basis of HR Planning, HR Procurement, HR Development and HR Retention. It also sought to establish the effect of the firm's HR Capability on the relationship between talent management strategies for Generation Y and competitive advantage of commercial banks in Kenya. The five hypotheses in the study were subjected to a test at 95% confidence level which formed a statistical basis for drawing conclusions. Each research variable was combined using SPSS to generate composite scores. Analysis of Variance (ANOVA) was used to examine if the overall models were statistically significant by indicating whether or not  $R^2$

could have occurred by chance alone.

## 6. Findings

### 6.1. Response Rate

A total number of 258 questionnaires were distributed to units of observation out of which the researcher collected 184 giving a response rate of 71.32% which as considered satisfactory for data analysis. The respondents' age groups between 26-40 were the majority of employees in the middle and senior management levels. This implies that majority of employees belong to Generation Y demographic group with working experience of between 4-10 years.

### 6.2. Descriptive Findings

Table 1 below shows the summary of aggregate mean score, standard deviation and Alpha score for each variable. The scales used in the questionnaire for each independent variable was: 5=Very High Extent 4=Good Extent 3=Fair Extent 2=Slight Extent 1=None at All. The questionnaire for

the mediating variable was: 5=Definitely True 4=Somewhat True 3=Neither 2=False 1=Definitely False.

**Table 2. Reliability Test.**

Variable	$\alpha$	No of Items	M	Std Dev
HR Planning	0.922	9	3.84	1.07
HR Procurement	0.902	12	3.77	1.11
HR Development	0.929	10	3.81	1.10
HR Retention	0.910	10	3.76	1.04
HR Capability	0.898	10	3.77	0.94
Total/Aggregate	0.907	51	3.79	1.01

Source: Survey data, 2015.

All the mean scores for the independent variables rounded off to the nearest whole number measured at 4 which corresponded to the level of good extent according to the scale of the questionnaire.

### 6.3. Test of Hypotheses

The regression output results are summarized in table 3 below:

**Table 3. Summary of Multiple Regression.**

Model Summary <sup>b</sup>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.750 <sup>a</sup>	.563	.553	.319	1.582	

ANOVA <sup>b</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23.528	4	5.882	57.650	.000 <sup>a</sup>
	Residual	18.263	179	.102		
	Total	41.791	183			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.325	.120		19.364	.000
	HR planning Strategy	-.184	.087	-.323	-2.119	.036
	HR procurement Strategy	.197	.089	.322	2.203	.029
	HR development Strategy	.092	.061	.162	1.502	.135
	HR retention Strategy	.368	.082	.599	4.491	.000

Source: Survey data, 2015.

The first hypothesis sought to test whether there exists a significant statistical relationship between Human Resource Planning activities for Generation Y workforce and the competitive advantage of commercial banks in Kenya. The hypothesis was tested using multiple regression equation. The Beta coefficient of HR Planning was  $\beta = -0.323$  and indicates a negative relationship. Since the p value is less than 0.05, the study fails to accept the null hypothesis. It concluded that there is a statistically significant but a negative relationship between HR planning strategies for Generation Y and the competitive advantage of Commercial Banks in Kenya hence the study adopted the Alternate Hypothesis.

The second hypothesis sought to find out whether there is a significant relationship between employee procurement strategies for Generation Y workforce and the competitive

advantage of Commercial banks in Kenya. The Beta coefficient was  $\beta = 0.322$  which signified a positive relationship between HR procurement Strategy and competitive advantage. The statistical level of significance was 0.029 indicating the variable was significant at  $p < 0.05$ . As a result, the study failed to accept the Null hypothesis and adopted the Alternate hypothesis. The conclusion made from this hypothesis and judged from previous researches shows HR procurement strategies are essential in enabling the firm gain a competitive advantage.

The third hypothesis sought to find out whether there is a statistically significant relationship between Human Resource Development strategies for Generation Y workforce and competitive advantage of commercial banks in Kenya. The Beta coefficient of the hypothesis was  $\beta = 0.162$  indicating a positive relationship. The level of



statistical significance was 0.135 indicating the variable was not significant ( $p > 0.05$ ). Since the  $p$  value was greater than 0.05, the study accepted the null hypothesis and concludes that there is no statistically significant relationship between HR Development strategies for Generation Y workforce and the Competitive Advantage of Commercial banks in Kenya. The conclusion made from this hypothesis shows that HR Development strategies have not been considered essential in helping the firm gain a competitive advantage.

The fourth hypothesis sought to find out whether there is a significant relationship between Employee retention strategies for Generation Y and competitive advantage of commercial banks in Kenya. The Beta coefficient for the hypothesis was  $\beta = 0.599$  indicates that Human Resource Retention Strategy was positively related to competitive advantage. The level of statistical significance was 0.000 indicating the variable was significant at  $p < 0.05$ . As a result, the study failed to accept the Null hypothesis hence the Alternate Hypothesis was adopted. The study thus concludes there is a statistically significant positive relationship

between HR Retention strategies for Generation Y and Competitive advantage of Commercial Banks in Kenya.

From the summary table 3 above,  $R^2 = 0.553$  indicating that 55.3% of variation in competitive advantage is explained by the corresponding change in HR retention Strategy, HR development Strategy, HR procurement Strategy and HR planning Strategy. The first step tested the relationship between talent management strategies of generation Y workforce and competitive advantage. The beta coefficients of Human Resource planning Strategy, Human Resource procurement Strategy, Human Resource development Strategy and Human Resource retention Strategy were -0.323, 0.322, 0.162 and 0.599 respectively. Human Resource development Strategy was the only variable not significant at  $p < 0.05$ .

Hypothesis five tested mediating role of human resource capability on the relationship between talent management strategies for generation Y and competitive advantage of commercial banks in Kenya.

*Table 4. Summary of Mediated Relationship.*

Model Summary <sup>b</sup>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.755 <sup>a</sup>	.570	.558	.318	1.607	

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.814	5	4.763	47.160	.000 <sup>b</sup>
	Residual	17.977	178	.101		
	Total	41.791	183			

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	2.177	.148		14.667	.000
	HR planning Strategy	-.142	.090	-.249	-1.578	.116
	HR procurement Strategy	.151	.093	.247	1.622	.107
	HR development Strategy	.102	.061	.179	1.666	.097
	HR retention Strategy	.295	.092	.480	3.197	.002
	HR capability	.102	.060	.139	1.683	.094

Source: Survey data, 2015.

The three steps are summarized in table 5 below:

*Table 5. Summary of parameters.*

Parameter	Model 1: Independent and Dependent	Model 2: Mediator only	Model 3: Independent and Mediator present	Change	Direction of Change after Mediation
$\beta$ Constant	2.325***	2.294	2.177***	Decrease by 0.148	Negative but Significant
$\beta$ Human Resource planning Strategy	-0.323**		-0.249*	Increases by 0.074	Positive but not significant
$\beta$ Human Resource procurement Strategy	0.322**		0.247*	Decreased by 0.075	Negative and not significant
$\beta$ Human Resource development Strategy	0.162*		0.179*	Increases by 0.017	Positive but not significant
$\beta$ Human Resource retention Strategy	0.599***		0.480**	Decreased by 0.119	Negative but Significant
$\beta$ Human Resource capability		0.633***	0.139*	Decreased by 0.494	Negative and Significant
$R^2$	0.563	0.401	0.570	Increases by 0.007	Marginal increase



Parameter	Model 1: Independent and Dependent	Model 2: Mediator only	Model 3: Independent and Mediator present	Change	Direction of Change after Mediation
$\bar{R}^2$	0.553	0.398	0.558	Increase by 0.005	Marginal increase
F	57.650***	121.905***	47.160***		Regression model significant

Source: Survey data, 2015.

\*\*\*significant at  $p < 0.001$  \*\*significant at  $p < 0.05$  \*Not significant at  $p < 0.05$ .

The  $\bar{R}^2 = 0.558$ , an increase in the value of  $\bar{R}^2$  by 0.005. This indicates that the mediating variable has a statistically significant effect on the relationship between talent management strategies and the competitive advantage. The F-calculated decreased by 10.49 with p value consistent at  $p = 0.000$  when the mediator variable was introduced. The beta co-efficient of HR planning Strategy rose by 0.074, HR procurement Strategy by -0.075, HR development Strategy by 0.017 and HR retention Strategy rose by -0.119.

The results were interpreted such that model 1 is the non-mediated or direct effect, model 3 is the mediated or indirect effect. Researchers [51] observed that if the treatment coefficient is zero when the mediator is included in the model, then the relationship is entirely mediated by the mediating variable. If, however, the absolute size of the direct effect between the independent variable and the dependent variable is reduced after controlling for the mediator variable, but the direct effect is still significantly different from zero, the mediation effect is said to be partial. According to this criterion, the results presented in tables 3, 4 and 5 show evidence of partial mediation. The study concludes that HR Capability derived from the application of talent management strategies has a partial mediating effect on the relationship between talent management strategies for generation Y and competitive advantage of commercial banks in Kenya. Thus, the study notes that the strength of the relationship between talent management strategies for generation Y depends on the level of HR Capability arising from the strategies.

#### 6.4. Discussion and Implications

The results of hypothesis one and its conclusions can be supported by the findings of previous researches and the theory of SHRM that linked SHRM with business strategies and concluded that HR must be involved with the firm's strategic objectives [52, 2]. More researches indicated that human resources are sources of competitive advantage, however strategic planning on its own may not be an indicator of competitive advantage due to varying levels of sustainability such as rarity and as such, can highly be imitable. The researcher further argues that the highly competitive environment of the banking sector is a major factor that is now leading to imitation of competitor strategies by rival firms [53, 14]. The study indicated that a mere implementation of HR Planning strategy may not yield the desired result have concluded that a resource qualifies as a source of sustained competitive advantage only if it increases value to the firm and must be rare, inimitable and non-substitutable [14]. Other researchers have argued that if management trust their workers and give them challenging assignments, workers in return will respond with high motivation, high commitment and high

performance. Further, it has been concluded that the clearest link between business strategy and human resources is based on the creation of Strategic Differentiating Capabilities (SDC) [29]. Other researchers concluded that elements of human resource capability which are valuable, rare, inimitable and non-substitutable can implement value creating enhance the relationship between talent management and competitive advantage.

The study explained the findings on the mediated relationship with the observation that human resource management generates strategic capability to enable the banks achieve competitive advantage. It was further noted that banks have the ability to transform resources in a way that enables them to be leaders in the market. It was further observed that the mediating effect of human resource capability causes a positive increase in the strength of the relationship between talent management strategies and competitive advantage highlighting the importance of firms in leveraging on their employees' capability.

## 7. Conclusion and Recommendation

The study sought to establish if human resource capability affected the relationship between talent management strategies for Generation Y and competitive advantage of commercial banks in Kenya. From the findings presented and explanations offered, the researcher concludes that firstly; talent management strategies for Generation Y positively affect the commercial banks' competitive advantage at a level of 56.3% meaning that this cohort of employees requires consideration when making organization's strategic policies and decisions. Based on the results of the hypotheses, the researcher concludes that the banks have put in place the right mechanisms of retaining Generation Y workforce to a great extent leveraging on their talents and capabilities which enable the banks meet its strategic goals and objectives.

Further research on the effects of the mediating variable, Human Resource Capability on the relationship between Talent Management Strategies for Generation Y and the Competitive Advantage of Commercial Banks in Kenya gave a positive conclusion. Results from the test of hypothesis identified a strong positive effect that was statistically significant on the mediated relationship between talent management strategies of generation Y workforce and competitive advantage. The Beta coefficient was 0.633 ( $\beta = 0.633$ ). Based on the results of this hypothesis, the researcher concludes that Human Resource Capability partially mediates the relationship between Talent Management Strategies for Gen Y and Competitive Advantage of

Commercial Banks in Kenya. The study therefore recommends that a firms' competitive advantage is largely dependent on the ability of the organization to transform its resources in a way that enables it to be a leader in the market. It is further observed that the mediating effect of human resource capability causes a positive increase in the strength of the relationship between talent management strategies and competitive advantage highlighting the importance of firms in leveraging on their employees' capability.

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