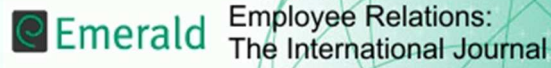


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### Talent management practice effectiveness: investigating employee perspective

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Employee Relations

## Talent management practice effectiveness: investigating employee perspective

### INTRODUCTION

Academics and practitioners agree that talent management (TM) continues to be one of the priorities for organizations worldwide, since it can represent a source of sustainable competitive advantage in the highly dynamic and often uncertain market environment of the 21st century (Cascio and Boudreau, 2016; Meyers and van Woerkom, 2014; Vaiman *et al.*, 2012). Building on other existing definitions, we refer to TM as one of those HRM-related ‘activities and processes that involve the systematic identification of key positions that differentially contribute to the organization’s sustainable competitive advantage, the development of a talent pool of high-potential and high-performing incumbents to fill these roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents, and to ensure their continued commitment to the organization’ (Collings and Mellahi, 2009, p. 305).

Notwithstanding the magnitude of TM, organizations continue to face severe difficulties in keeping high-potential employees committed and satisfied (Beaumont *et al.*, 2016). It is not surprising thus that both academics and practitioners have become increasingly interested in studying the attitudes of this type of employee (Farndale *et al.*, 2014; Meyers and van Woerkom, 2014; Swailes and Blackburn, 2016). However, although the significance of TM practices has been widely acknowledged by both scholars and practitioners (Björkman and Mäkelä, 2013; Hartmann *et al.*, 2010; Thunnissen, 2016), there has been limited research on the association between the effectiveness of TM practices and high-potential employees’ attitudes and behaviours (Hartmann *et al.*, 2010). This may be a serious omission for several reasons.

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3 First, TM practices (also sometimes referred to as developmental activities or leadership  
4 development activities) are priority practices widely used by many organizations for the  
5 development of high-potential employees (Hartmann *et al.*, 2010; Khoreva and Vaiman, 2015;  
6 Thunnissen, 2016). TM practices can be defined as demanding assignments that expand the  
7 capacity of high-potential employees to perform global leadership roles in the future (Björkman  
8 and Mäkela, 2013). TM practices may fulfill high-potential employees' needs and generate  
9 favourable attitudes and behaviours that can result in superior performance (Kuvaas, 2008).  
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11 Second, TM practices can facilitate greater commitment by high-potential employees to the  
12 organization and increase their motivation to work hard to support organizational effectiveness  
13 (Lee and Bruvold, 2003). Next, TM practices allow high-potential employees to become more  
14 agile, which is necessary in order to compete in a modern unpredictable business world and  
15 expand high-potential employees' capacity to be effective in leadership roles and processes.  
16  
17 Finally, these practices fulfill the need for organizations to meet their future requirements for  
18 high-potential human capital (Collings and Mellahi, 2009). Yet, lack of effective TM practices  
19 may lead to failed assignments and significant financial costs (Yan *et al.*, 2002), or to high-  
20 potential employees shying away from developmental but high-risk activities (Björkman and  
21 Mäkela, 2013). This may indicate missed opportunities for both high-potential employees and  
22 their employers.  
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46 Commitment to leadership competence development among high-potential employees is central  
47 to the overall competitiveness of organizations; it may also lead to better leadership and superior  
48 performance (Collings and Mellahi, 2009). With a commitment to leadership development,  
49 high-potential employees tend to compete for higher positions, develop their knowledge and  
50 skills and thus strengthen the overall organizational effectiveness (Björkman *et al.*, 2013). Even  
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3 though commitment to leadership competence development has been found to be a vital  
4 antecedent of positive organizational outcomes in previous empirical research (Björkman *et al.*,  
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8 2013), there have not been any studies, to the best of our knowledge, which have focused on the  
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10 association between TM practice effectiveness and commitment to leadership competence  
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12 development among talented employees.  
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16 Against a background of the discussion above, the aim of this study is to examine the association  
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18 between TM practice effectiveness and high-potential employees' commitment to leadership  
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20 competence development. In line with other scholars (e.g., Nishii and Wright, 2008), we believe  
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22 that the causal chain between TM practice effectiveness and high-potential employees' attitudes  
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24 may be more complex than previously thought simply because high-potential employees are  
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26 likely to perceive, value and react to these practices differently. Research models were thus  
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28 encouraged to contain appropriate controls, perhaps going beyond those that are typically used  
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30 and to consider more explicitly alternative explanations. Particularly, several studies have  
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32 suggested that since psychological contract (Rousseau, 1995) between employers and employees  
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34 is changing, and high-potential employees worldwide are becoming less loyal (e.g., Hartmann *et*  
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36 *al.*, 2010), the role of psychological contract fulfilment needs to be investigated in TM research.  
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43 In addition, gender inequalities in recruitment, retention and career development were suggested  
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45 to prevent female high-potential employees from achieving equal outcomes at work as similarly  
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47 to male high-potential employees (Tatli *et al.*, 2013). The interplay of TM and gender studies  
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49 were recommended as a fruitful avenue for future studies (Böhmer and Schinnenburg, 2016;  
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51 Tatli *et al.*, 2013). Thereby, in this study, in line with social exchange theory (Blau, 1964), we  
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53 investigate the mediating role of psychological contract fulfilment in the association between TM  
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3 practice effectiveness and high-potential employees' commitment to leadership competence  
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5 development and the moderating role of gender in that association.  
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9 Building on social exchange theory (Blau, 1964), the study makes several contributions to TM  
10 literature. First, the study investigates high-potential employees' perceptions of TM practice  
11 effectiveness and their attitudes towards it. Rather than investigating TM practice effectiveness  
12 through the assertions made by supervisors, we focus on *high-potential employees' perceptions*  
13 of TM practice effectiveness (Boxall *et al.*, 2011; Paauwe, 2009). Secondly, rather than assuming  
14 that all employees are subject to the same HRM-related practices, we focus on identifying the  
15 target employee group in the examined organizations and on TM practices designed particularly  
16 for this employee group (Boxall *et al.*, 2011). The target group for this study is defined as high-  
17 potential employees that multinational corporations (MNCs) estimated to be potential top  
18 managers/management team members in the year 2020, based on an explicit formal talent review  
19 process. Finally, in this study, we investigate both mediators and moderators. We study the  
20 factors that connect TM practices to high-potential employees' attitudes that have largely  
21 remained a void (Chang, 2005). By highlighting the intervening function of these intermediary  
22 factors, we aim to provide a deeper understanding of the TM process.  
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## 43 DEVELOPMENT OF HYPOTHESES

### 44 Talent Management Practice Effectiveness

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46 Social exchange theory provides a useful lens for understanding how perceived TM  
47 practice effectiveness may generate positive high-potential employees' attitudes. The  
48 theory suggests that when organizations invest in their employees, they are likely to  
49 reciprocate these corporate investments in positive ways (Björkman *et al.*, 2013;  
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3 Cropanzano and Mitchell, 2005). The empirical evidence, based on the concept of social  
4 exchange and the norm of reciprocity, also suggests that inducements, such as positive and  
5 beneficial actions directed at employees by the organizations, create conditions for  
6 employees to reciprocate in positive ways (Settoon *et al.*, 1996).  
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13 In line with social exchange theory, we argue that TM practices provide an arena for high-  
14 potential employees to reciprocate in positive ways. TM practices may influence how high-  
15 potential employees perceive and react to organizational signals; they can, intentionally or  
16 unintentionally, send signals that high-potential employees interpret and make sense of to  
17 form an understanding of desired reactions (Collings and Mellahi, 2009). Overall, the goal  
18 of designing and implementing TM practices is to structure it in a way that leads to  
19 increased cognitive skills relevant to the job and/or the organization, increased task  
20 productivity and increased contextual behaviours of high-potential employees (Collings and  
21 Mellahi, 2009). Hence, when organizations invest in their high-potential employees by  
22 getting them involved in TM practices, high-potential employees can reciprocate this  
23 investment by committing to leadership competence development. In order to do so,  
24 employees may look for TM practices which they perceive to be the most effective (De  
25 Pater *et al.*, 2009; Khoreva and Vaiman, 2015).  
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45 Since commitment to leadership competence development represents one of the desired  
46 high-potential employees' attitudes to TM (Björkman *et al.*, 2013), we suggest that when  
47 high-potential employees undertake TM practices offered by organizations and perceive  
48 them to be effective, they will return this organizational investment in a form of increased  
49 commitment towards leadership competence development. In other words, high-potential  
50 employees are unlikely to reciprocate in a form of increased commitment to leadership  
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3 competence development unless they perceive TM practices to be effective. Therefore, we  
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5 expect:  
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9 *Hypothesis 1:* TM practice effectiveness is positively related to commitment to  
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11 leadership competence development.  
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### 14 **Psychological contract fulfilment**

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17 Although scholars agree that TM practice effectiveness is likely to be associated with  
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19 positive high-potential employees' attitudes (Chang, 2005), the causal chain may be more  
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21 complex than previously thought, since high-potential employees are likely to perceive,  
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23 value, and react to TM practices differently. Within the psychological contracts literature,  
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25 these dynamics have been studied in terms of employee perceived inducements and  
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27 employee-felt obligations to contribute to the organization (Rousseau, 1995).  
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33 Psychological contract reflects employee perceptions of the rules of the exchange  
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35 relationship between the employer and the employee, as well as the resources that are  
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37 exchanged. Psychological contract describes what employees believe they owe to their  
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39 employer and what they believe they are owed in return (Dulac *et al.*, 2008). In essence,  
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41 psychological contract indicates the nature of organizational inducements and the  
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43 behavioural criteria upon which they are provided (Shaw *et al.*, 2009). Psychological  
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45 contract fulfilment can significantly impact an array of employee attitudes and behaviours  
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47 such as job satisfaction, organizational commitment, turnover intentions, and actual  
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49 turnover and performance (Rousseau *et al.*, 2011).  
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55 TM practices can convey the employer's future intentions, which suggest future  
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57 opportunities for high-potential employees. High-potential employees who perceive that the  
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3 organization has invested in the employment relationship may feel an obligation to repay  
4 the investment (Cole *et al.*, 2002). Furthermore, given the prevailing notion of reciprocity,  
5 such signals can impact the way high-potential employees feel about and behave towards  
6 the organization through the psychological contracts they create (Rousseau, 1995). To the  
7 extent that high-potential employees perceive that qualities and behaviours that reflect their  
8 development are valued and rewarded, they may have an incentive to align their behaviours  
9 and develop desired qualities.  
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11  
12 Following the logic of social exchange theory, it seems reasonable to assume that TM  
13 practice effectiveness may not be enough for reciprocity. High-potential employees may  
14 need not only to perceive TM practices to be effective, but they also would need to agree  
15 with the values and logic behind those TM practices, namely in terms of fairness and  
16 appropriateness (Chang, 2005). Psychological contract fulfilment may encompass this  
17 alignment in terms of TM practice fairness and appropriateness (King, 2016; McDermott *et*  
18 *al.*, 2013). Hence, the association between TM practice effectiveness and commitment to  
19 leadership competence development may depend on psychological contract fulfilment. In  
20 light of this discussion, we hypothesize:  
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43 *Hypothesis 2:* Psychological contract fulfilment mediates the association  
44 between TM practice effectiveness and commitment to leadership competence  
45 development.  
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## 50 **Gender**

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54 Some attention has been paid to studying the moderators in TM (Paauwe, 2009). Moderated  
55 relationships, theoretically, assume that the impact of one variable on another variable  
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differs depending upon the level of a third variable (e.g., employee background). Indeed, employee background may influence the way employees collect, process, store, and use information from their environments (Shaw, 1990). The association between TM practice effectiveness and high-potential employees' attitudes may also involve the concept of moderation.

Although we recognize that male and female employees are more similar than different, they may react differently to particular TM practices (Böhmer and Schinnenburg, 2016). Female employees continue to face greater barriers to advancement than their male counterparts (i.e., glass ceiling). In order to succeed in their careers, female employees may thus spend the same commitment (as male employees) on undertaking various TM practices, but they might expect fewer benefits from their efforts. In addition, earlier studies have shown that male employees tend to support HR practices to a greater extent than female employees, perhaps because on average, female employees work fewer hours than male employees (Altonji and Spletzer, 1991). In a similar vein, in a study of male and female executives, Lyness and Thompson (2000) found that mentoring was more strongly related to career success of male managers than of female managers. Likewise, Boatwright and Egidio (2003) revealed that female employees sought feedback to a lesser extent than their male colleagues, in part because of their own lack of confidence about the nature of the results likely to be obtained, and in part because of their unwillingness to impose on others' time. Finally, Brammer, Millington and Rayton (2007) suggested that HR practices were of a lower salience to female employees in their evaluations of the organization they worked for than for male employees.

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3 Consistent with previous empirical research, we expect male and female high-potential  
4 employees to differ considerably in their perceptions of TM practice effectiveness. Male  
5 high-potential employees are suggested to show stronger reactions to TM practice  
6 effectiveness by demonstrating higher levels of commitment to leadership competence  
7 development than female high-potential employees:  
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16 *Hypothesis 3:* Gender moderates the association between TM practice  
17 effectiveness and commitment to leadership competence development, so that  
18 the relationship is stronger for male than for female high-potential employees.  
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## 24 METHOD

### 25 *Participants and Sample*

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28 The data for this study was obtained in the context of a large-scale project on TM entitled  
29 ‘Leadership 2020 Talent Survey’. The project was designed and conducted in cooperation  
30 between Hanken & Stockholm School of Economics Executive Education. The largest Finnish  
31 MNCs were invited to participate in the project. The selected MNCs were required to exhibit  
32 superior business performance and reputation as employers. The selected MNCs also needed to  
33 have formal yearly corporate TM systems in place. Eight MNCs joined the project in 2012 and  
34 five joined in 2013. Two MNCs participated in the study in both years. Altogether, eleven  
35 Finnish MNCs took part in the survey and delivered a sample based on a target group definition:  
36 high-potential employees the corporations estimated would be potential top  
37 managers/management team members in the year 2020 based on an explicit formal talent review  
38 process.  
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3 The target group of high-potential employees received an invitation by e-mail to take part in the  
4 survey, which they completed online. A cover letter explaining the purpose and scope of the  
5 project accompanied the online survey, assuring respondents of anonymity and stating that  
6 participation in the project was voluntary. Two reminders were sent by e-mail during the data  
7 collection period. During the first year, the responses numbered 330 (response rate 56%), and  
8 during the second year, they numbered 109 (response rate 69%). We combined both  
9 measurements, creating a total sample of  $n = 439$ . We explored differences between the two  
10 years by adding time of measurement as a covariate in all analyses. The detailed statistics are  
11 reported in Table 1.  
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### 28 *Operationalization*

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31 **TM practice effectiveness.** Based on the previous empirical research of Björkman and Mäkela  
32 (2013), we operationalized TM practice effectiveness by asking the respondents to indicate how  
33 effective they believed the following TM practices were: ‘Moving to new positions (for at least  
34 one year) in other countries’, ‘Moving to new positions (for at least one year) in other  
35 division/business unit’, ‘Moving to new positions (for at least one year) in other functions (e.g.,  
36 service, sales, HR, finance)’, ‘Doing shorter term job assignments in other countries (for 2-12  
37 months)’, ‘Doing shorter term job assignments in another division/business unit (for 2-12  
38 months)’, ‘Doing shorter term (for 2-12 months) job assignments in other functions (e.g., service,  
39 HR, finance)’, and ‘Working on cross-boundary (borders, functions, business units/division)  
40 project assignments alongside regular job’. The questions were rated on a seven-point Likert  
41 scale (from 1 = Not at all, to 7 = To a great extent).  
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3 To ensure that the respondents participated in the examined TM practices, they were given the  
4 option to check the appropriate column if they had personal experience of the examined  
5 practices. To be included in the study, the respondents needed to have personal experiences of at  
6 least half of the practices. No one was removed from the study using this criterion suggesting  
7 that they all participated in a substantial number of the examined TM practices.  
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16 **Commitment to leadership competence development.** Based on the previous research of  
17 Björkman *et al.* (2013), we operationalized the respondents' commitment to leadership  
18 competence development by asking them to rate the extent to which they had made the following  
19 commitments to their employer: 'To seek out developmental opportunities that enhance my value  
20 to my employer', 'To build skills to increase my value to my employer', and 'To make myself  
21 increasingly valuable to my employer'. The questions were rated on a seven-point Likert scale  
22 (from 1 = Not at all, to 7 = To a great extent).  
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33 **Psychological contract fulfilment.** This was measured using three items taken from a six-item  
34 scale developed by Robinson and Morrison (2000) to capture a measure of high-potential  
35 employees' perceptions of how well their psychological contracts had been fulfilled by their  
36 employer. Tekleab *et al.* (2005) reported the Cronbach alpha of .83 for the three-item scale  
37 which was taken from the original scale of Robinson and Morrison (2000). Thus the same  
38 shortened measure was adopted in our study. Answers were provided on a seven-point Likert  
39 scale (from 1 = Do not agree, to 7 = Agree entirely). The respondents were asked to indicate  
40 their level of agreement on how well their employer (corporation) had fulfilled the promises it  
41 had made to the employee. The following items were applied: 'All the promises made by my  
42 employer during recruitment have been kept so far'; 'I feel that my employer has fulfilled the  
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3 promises communicated to me’; ‘So far my employer has done an excellent job of fulfilling its  
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5 promises to me’. The Cronbach alpha was .95.  
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9 **Gender.** This was measured as a dummy variable (1 = male, 0 = female) and controlled for in  
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11 all analyses.  
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14 **Control variables.** Research has indicated that older employees, having built up more stable  
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16 psychological contracts, may react differently to psychological contract fulfilment than younger  
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18 employees (Epitropaki, 2013). Additional variance may be introduced by the respondent’s  
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20 educational background and length of organizational tenure indicating differences in current  
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22 capabilities, which can influence the need for further development. We thus added four control  
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24 variables to our model: age (1 = -30 years, 2 = 31-35 years, 3 = 36-40 years, 4 = 41-45 years, 5 =  
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26 46-50 years, 6 = 51+ years), education (1 = Bachelor, 2 = Master, 3 = Doctoral), organizational  
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28 tenure (1 = 0-6 months, 2 = 7-12 months, 3 = 1-2 years, 4 = 3-5 years, 5 = 6-10 years, 6 = 10+  
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30 years), and participation year (1 = 2012, 2 = 2013).  
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### 36 *Strategy of analysis*

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40 Our main research questions concerned the direct and indirect effects between TM practice  
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42 effectiveness, commitment to leadership competence development, psychological contract  
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44 fulfilment and gender. To examine these effects, we used the software program Mplus. This  
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46 program allows modeling latent variables, which provide an estimate of the association without  
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48 measurement error (Kline, 2005). We thus applied a latent model identification procedure  
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50 suggested by Kline, where the sample was first divided in two random halves. We then  
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52 performed an Exploratory Factor Analysis (EFA) on one half of the sample, and attempted to  
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54 confirm the best solution with a Confirmatory Factor Analysis (CFA) on the second half of the  
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3 sample. In doing so, we establish the most robust solution while controlling for measurement  
4 error in the latent constructs (see Little, 2013, for a full discussion).  
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9 In the first EFA, we included all the items of TM practice effectiveness. The advantage of using  
10 EFA in Mplus is that missing data is estimated using Full Information Maximum Likelihood,  
11 which provides more robust estimates of missing data than list wise deletion or mean-  
12 supplementation methods (Muthen and Muthen, 1998-2012). We evaluated the solutions based  
13 on the four criteria given by Kline (2005): Eigen Values (solutions with values above 1 are  
14 preferred), low cross-loadings, significant and high (i.e.,  $> .40$ ) loadings to one latent factor per  
15 item, and model fit. The model fit was evaluated according to Little's (2013) criteria, with the  
16 Comparative Fit Index (CFI)  $> .90$ , the Root Mean Square Error of Approximation (RMSEA)  
17  $< .05$ , and the Standardized Root Mean Square Residual (SRMSR)  $< .05$ . The solution provided  
18 with the acceptable result according to these criteria was subsequently modeled in the second  
19 half of the sample with the CFA using the effect coding method (Little, 2013). In effect coding,  
20 each indicator is constrained to be equal to other indicators giving them equal weight. We  
21 evaluated the CFA by using the model fit statistics specified above, and by judging the factor  
22 loading based on their significance and size of the regression weights. In sum, we created a latent  
23 variable of TM practice effectiveness by first performing the EFA on the first half of the sample,  
24 followed by the CFA on the second half of the sample. We performed the same procedure for  
25 psychological contract fulfilment and commitment to leadership competence development, thus  
26 creating three latent variables.  
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3 Next, we created a Structural Regression Model (Kline, 2005) where the three latent variables  
4 were combined<sup>1</sup>. A graphical representation of the model we hypothesized and finally tested is  
5 shown in Figure 1. We used the entire sample for this step. Hypothesis 1 concerned the positive  
6 association between TM practice effectiveness and commitment to leadership competence  
7 development. We thus specified a direct path from TM practice effectiveness to commitment to  
8 leadership competence development. In Hypothesis 2, we expected that psychological contract  
9 fulfilment would mediate the association between TM practice effectiveness and commitment to  
10 leadership competence development. To examine this hypothesis, we specified two additional  
11 paths: one from psychological contract fulfilment to commitment to leadership competence  
12 development, and another from TM practice effectiveness to psychological contract fulfilment.  
13 To be able to examine the indirect effects, we estimated bias-corrected bootstrapped intervals ( $t$   
14 = 10,000) of the indirect effect of TM practice effectiveness on commitment to leadership  
15 competence development via psychological contract fulfilment.  
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35 Finally, according to Hypothesis 3, gender would moderate the association between TM practice  
36 effectiveness and commitment to leadership competence development, so that the association is  
37 stronger for male than for female employees. We examined this hypothesis by creating an  
38 interaction effect between gender and TM practice effectiveness. The interaction effect was then  
39 used to predict commitment to leadership competence development, while controlling for all  
40 main effects. All effects in the model were centred. We explored the interaction effect by  
41 plotting the effect using Aiken and West's (1991) procedure.  
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55 <sup>1</sup> We also tested an alternative mediation model, as suggested by Kline (2005). Specifically, when using TM practice  
56 effectiveness as mediator, with psychological contract fulfilment as independent variable and commitment to  
57 leadership competence development as dependent variable, the model fit was unacceptable and worse ( $\chi^2 =$   
58 1245.31,  $df = 146$ ,  $p > .0001$ ; CFA = 0.67, RMSEA = 0.235, SRMR = 0.321).  
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3 --- INSERT FIGURE 1 ABOUT HERE ---  
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## 7 RESULTS

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9 Table 2 shows the descriptives of all variables used in this study. To keep consistent with the  
10 analyses used to test the specific hypotheses, the means, standard deviations, and correlations  
11 were estimated in Mplus.  
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17 --- INSERT TABLE 2 ABOUT HERE ---  
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19 In all solutions, the one-factor solution had the best model fit. Models with a two-factor solution  
20 did not have a significantly ( $p > .10$ ) better model fit, supporting the one-factor model fit (Table  
21 3). Moreover, the Eigen Values were higher than 1.00, the cross-loadings were non-significant,  
22 and each item loaded significantly ( $p < .001$ ) and highly ( $p > .88$ ) on one latent factor. Thus, the  
23 one-factor solution received most empirical support. As this is also consistent with the theoretical  
24 expectations, we retained the one-factor solution. We subsequently examined the one-factor  
25 solution with CFA (Table 3). All model fit indices supported the one-factor solution. Thus, we  
26 proceeded with the models where the items were used as indicators for a one-model fit.  
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40 --- INSERT TABLES 3 AND 4 ABOUT HERE ---  
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45 We combined CFA in one single model using the entire sample to examine the three hypotheses.  
46 Results are shown in Table 4 and Figure 1. According to Hypothesis 1, TM practice  
47 effectiveness was positively associated with commitment to leadership competence development.  
48 This hypothesis was supported, even when controlling for effects of gender, age, education,  
49 organizational tenure, and participation year.  
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3 According to Hypothesis 2, psychological contract fulfilment mediated the effects of TM  
4 practice effectiveness on commitment to leadership competence development. Table 3 shows  
5 that the indirect effect of TM practice effectiveness on commitment to leadership competence  
6 development was mediated by psychological contract fulfilment. Hypothesis 2 was thus  
7 supported.  
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17 Hypothesis 3 posited that the effect of TM practice effectiveness on commitment to leadership  
18 competence development was moderated by gender. We tested this hypothesis by entering the  
19 interaction between gender and TM practice effectiveness while controlling for all main effects.  
20 Findings in Table 4 show that this interaction effect was negative and significant. We explored  
21 the interaction effect by plotting it, as shown in Figure 2 (see Aiken and West, 1991, for details).  
22 A simple slope analysis showed that both slopes for male ( $s = 2.01$ ) and female ( $s = 0.84$ )  
23 employees were significant ( $p < .05$ ). However, in contrast to our expectations, the effects of TM  
24 practice effectiveness on commitment to leadership competence development were significantly  
25 stronger ( $p < .05$ ) for female employees than for male employees. Hypothesis 3 was thus not  
26 supported.  
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43 Finally, we explored whether the effects we found depended on the corporation the respondents  
44 belonged to, as it might be conceivable that in some MNCs TM practice effectiveness has a  
45 larger impact on commitment to leadership competence development than in other MNCs. The  
46 same may hold true for the mediation and moderation effects. We tested this assumption by  
47 examining the interaction effects between MNC on the one hand, and both independent  
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3 variables, the interaction term, and the mediating variable, on the other. All interaction effects  
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5 were non-significant ( $\beta < .01$ ,  $p > .10$ ).  
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8 --- INSERT FIGURE 2 ABOUT HERE ---  
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## 10 11 **DISCUSSION** 12

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14 The global economy generates a competitive environment that is becoming progressively more  
15 dynamic and uncertain for organizations in general and MNCs in particular. Employees who can  
16 cope effectively with this complex, vibrant and often uncertain global environment are crucial  
17 for future organizational effectiveness and sustainable growth (Caligiuri and Tarique, 2009).  
18  
19 These employees are commonly known as high-potential employees. In line with calls for  
20 literature and empirical studies in the field of TM to pay specific attention to high-potential  
21 employees, this study examines the antecedents of commitment to competence development  
22 among this group of employees. Specifically, by applying social exchange theory, we  
23 investigated whether TM practice effectiveness resulted in increased levels of commitment to  
24 competence development among high-potential employees. Additionally, we analysed whether  
25 psychological contract fulfilment had a mediating role, and gender – a moderating role, in this  
26 association. The model was tested on a data set comprised of 439 high-potential employees from  
27 eleven Finnish MNCs.  
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46 Our findings suggest that the more high-potential employees perceived TM practices to be  
47 effective the more they were committed to leadership competence development. This finding is  
48 in line with social exchange theory, according to which, inducements such as positive and  
49 beneficial actions directed at employees by the organization create conditions for employees to  
50 reciprocate in positive ways. This finding also indicates that TM practices may help high-  
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3 potential employees to make sense of their employment relationship and to communicate to  
4 employees those attitudes and behaviours that organizations value.  
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9 Our results also reveal that the association between TM practice effectiveness and high-potential  
10 employees' attitudes is more complex than typically assumed. Specifically, in line with social  
11 exchange theory, our findings demonstrate that it is through the fulfilment of psychological  
12 contract that high-potential employees become more committed to leadership competence  
13 development in response to TM practice effectiveness. This finding leads to the conclusion that  
14 TM practice effectiveness shapes high-potential employees' interpretations of the terms of their  
15 psychological contract, and signals the kinds of attitude that are desired and rewarded within the  
16 organization. High-potential employees may not only need to perceive TM practices as effective  
17 but they may also need to align with the values and logic behind those TM practices, whereas  
18 psychological contract fulfilment may embody this alignment in terms of TM practice fairness  
19 and appropriateness (King, 2016).  
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36 Finally, we found that female high-potential employees possess a stronger reaction to TM  
37 practice effectiveness by demonstrating higher levels of commitment to leadership competence  
38 development than male high-potential employees. As Tatli *et al.* (2013) pointed out, female  
39 employees are less likely than male employees to compete for higher status roles as female  
40 employees shy away from competition and male employees embrace it. Female high-potential  
41 employees might thus consider that their talent remains less visible and under-valued (Acker,  
42 2006), and thus express a stronger reaction to TM practice effectiveness. This finding also  
43 validates the argument made by both Nishii and Wright (2008) and Nishii *et al.* (2008) that a  
44 meaningful variability exists within organizations in terms of employee perceptions of and  
45 reactions to HR practices, and that ignoring the differences among employees and generalizing  
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3 all types of employees may damage our ability to understand the process through which HR  
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5 practices become associated with employees' attitudes.  
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### 8 9 **PRACTICAL IMPLICATIONS**

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12 The results of this empirical study should be of interest to practitioners. Perceived TM practice  
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14 effectiveness was found to positively relate to high-potential employees' commitment to  
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16 leadership competence development. We thus advocate that in order to have the desired effect,  
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18 such as for instance, the increased commitment to leadership competence development, it is  
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20 crucial for organizations to invest in those TM practices that are perceived as effective by  
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22 employees. Organizations should keep communicating the availability and effectiveness of TM  
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24 practices. Organizations should keep communicating the availability and effectiveness of TM  
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26 practices.  
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30 Since the degree of psychological contract fulfilment was found to be a good predictor of such an  
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32 essential attitude as the commitment to leadership competence development, it can provide  
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34 valuable insights into why TM practices achieve (or do not achieve) organizational goals.  
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36 Organizations should pay closer attention to the fulfilment of psychological contract as well as  
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38 focusing on TM practices themselves. Doing so may help organizations to shed some light on the  
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40 problematic areas that are not viewed as problematic by organizations but are perceived as such  
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42 by high-potential employees.  
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47 Finally, we also found that female high-potential employees possess a stronger reaction to TM  
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49 practice effectiveness by demonstrating higher levels of commitment to leadership competence  
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51 development than male high-potential employees. In practical terms, this finding indicates that  
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53 female high-potential employees might be more sensitive to opportunities for professional  
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55 development offered by organizations than their male counterparts. Although the intuitive  
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3 explanation of this finding can be that female high-potential employees have a greater  
4 appreciation for the availability of developmental opportunities than male high-potential  
5 employees, we assume that organizations should not take it for granted that male and female  
6 high-potential employees differ in their attitudes. Instead, organizations should minimize the  
7 difference in the perceptions of male and female high-potential employees towards TM practice  
8 effectiveness in order to increase commitment towards leadership competence development  
9 among both male and female high-potential employees. By communicating more thoroughly the  
10 value of TM practices to both male and female high-potential employees and encouraging them  
11 to undertake developmental initiatives, organizations can make best use of the talent available to  
12 them. To do this, they need to encourage, motivate and develop their high-potential employees  
13 regardless of gender.  
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### 30 **LIMITATIONS AND FUTURE RESEARCH**

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33 Employees, and especially high-potential employees, play a central role in organizations.  
34 Uncovering mediators, moderators and outcomes in the management of these employees may  
35 enable us to identify the current trends within TM, and hopefully, avoid tension in the future.  
36 Our study provides foremost insights into the underlying process by which TM by means of TM  
37 practices becomes reflected in desired high-potential employees' attitudes.  
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46 The results of this study must be interpreted cautiously. It is possible that some of the reported  
47 results are inflated by single-source response bias. However, there are several reasons to suggest  
48 that response bias may not be a significant concern here. First, the construct of TM practice  
49 effectiveness was conceptually distinct from the construct of commitment to leadership  
50 competence development. Second, this was supported by the results of both EFA and CFA,  
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3 which were reported previously. Next, recent literature has suggested that single-source response  
4 bias is not as prevalent as scholars assumed (e.g., Nishii *et al.*, 2008) and is seldom a severe  
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6 enough issue to invalidate research findings. The seemingly frequent criticism of self-reported  
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8 data is somewhat exaggerated, since there is rather little evidence that single-source response  
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10 method alone is sufficient to produce biases (Spector, 2006). Finally, our study examined *high-*  
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12 *potential employees'* perceptions of TM practice effectiveness and their attitudes towards it. We  
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14 thus questioned *high-potential employees* themselves and considered them a relevant source for  
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16 the information targeted. Nevertheless, future research may consider applying other measures of  
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18 high-potential employees' perceptions and attitudes in order to overcome the risk of single-  
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20 source response bias.  
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28 Another limitation refers to the question of causality. A frequently cited problem with most of  
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30 the research on HRM and TM and its outcomes is that it is difficult to be confident about the  
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32 cause and effect relationship (Guest, 2011). For instance, the longitudinal study by Schneider *et*  
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34 *al.* (2003) challenged the standard assumption that satisfaction, perhaps resulting from good  
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36 HRM, leads to higher performance and concluded that the opposite direction of causality is also  
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38 feasible. In a similar vein, high-potential employees who are committed to leadership  
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40 competence development may be provided with further developmental opportunities. Future  
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42 longitudinal research designed to examine the evolving nature of TM practices over time may  
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44 thus be beneficial. In addition, future research may investigate other mediators (e.g., perceived  
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46 organizational support, perceived status, organizational identity), and other high-potential  
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48 employees' attitudes (e.g., citizenship behaviour, turnover intentions, absenteeism) in order to  
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50 provide a more profound understanding of the TM process.  
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3 Finally, considering the external validity of the findings of our study, it should be mentioned that  
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5 our sample consisted of only Finnish MNCs, and the employee group in question were high-  
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7 potential employees. We call for future research on organizations from other countries and on  
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9 other categories of employees to examine whether there are any contextual limitations to the  
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11 generalizability of our results.  
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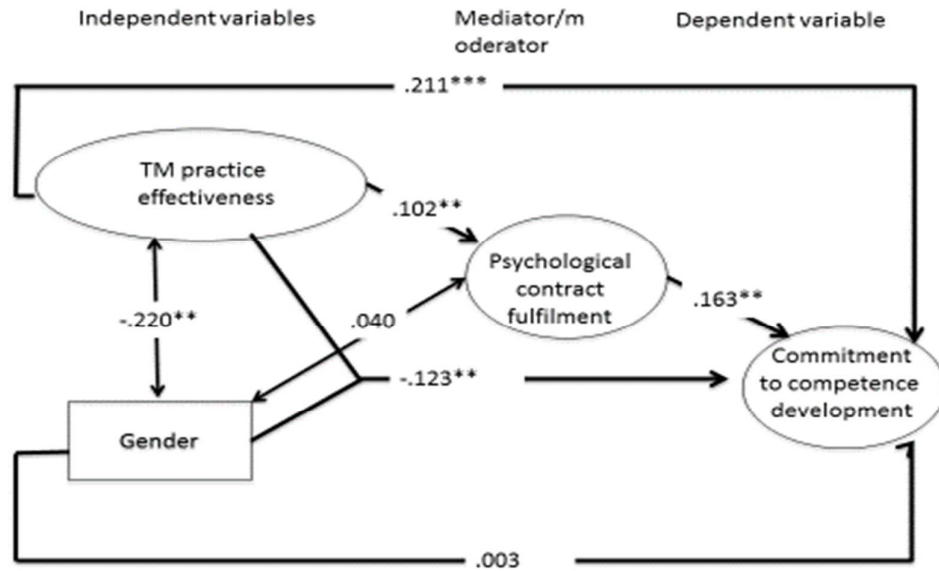
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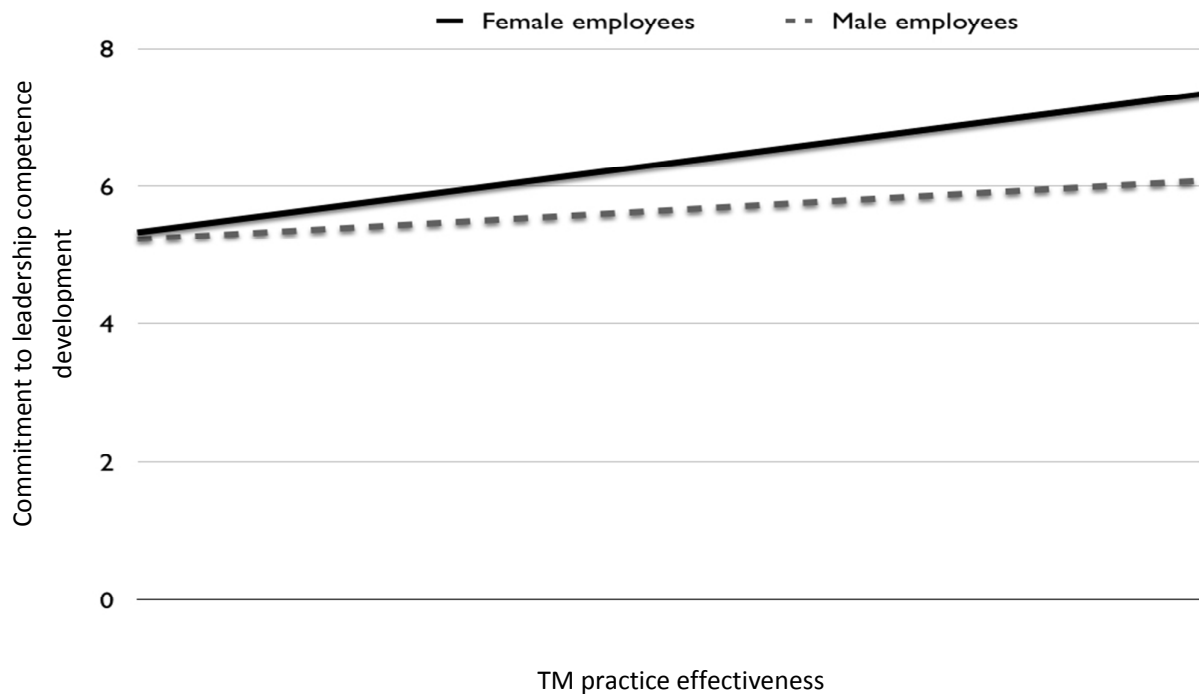
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Review, Vol. 27 No. 3, pp. 373-391.

**Figure 1.** Final model results for Structural Regression Model with standardized regression weights and correlations



Note. The indirect effect of TM practice effectiveness on commitment to leadership competence development via psychological contract fulfilment was  $\beta = .012$ ,  $p = .01$ .

**Figure 2.** Interaction effects between TM practice effectiveness with gender on commitment to leadership competence development



**Table 1.** Descriptive statistics

Category	%
<i>Organization size</i>	
< 5,000 employees	45.4
5-10,000 employees	27.3
>10,000 employees	27.3
<i>Industry</i>	
Industrial machinery and services	45.5
Financial services	18.2
Pharmaceuticals	9.05
Public-service provider	18.2
IT services	9.05
<i>Gender</i>	
Male	66.9
Female	20.8
<i>Age</i>	
-30	2.4
31-35	15
36-40	21.8
41-45	15
46-50	8.4
51+	4.2
<i>Organizational tenure</i>	
0-6 months	1.6
7-12 months	3.6
1-2 years	18.4
3-5 years	30.5
6-10 years	17.8
10+ years	15.2

Notes: n = 439; Sums may not amount to 100 % due to missing values

**Table 2.** Estimated Means, Standard Deviations, and Correlations between Latent and Observed Variables

Variables	M	SD	1	2	3	4	5	6	7
1. Organizational tenure	1.412	0.843							
2. Education	5.103	1.212	-0.037						
3. Age	3.834	1.412	0.287***	-0.083**					
4. Participation year	1.247	0.421	-0.340***	0.109**	-0.288***				
5. Commitment to competence development	2.984	1.109	-0.118**	-0.080*	-0.084**	-0.051			
6. Psychological contract fulfilment	5.086	1.138	-0.094**	0.004	-0.019	0.061	0.186**		
7. TM practice effectiveness	5.344	1.067	-0.100**	0.025	-0.032	-0.018	0.242**	0.099*	
8. Gender	0.763	0.419	-0.005	0.109**	0.055*	0.132*	-0.082*	0.040	-0.216***

All two-tailed tests. \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < .001$ . All means, standard deviation, and correlations were obtained by maximum likelihood estimation in Mplus.

**Table 3.** Model fit indices for Exploratory Factor Analyses, Confirmatory Factor Analyses and Structural Regression Model

	$\chi^2$	<i>df</i>	<i>CFI</i>	<i>RMSEA</i>	<i>SRSMR</i>
EFA TM practice effectiveness	253.905	20	.991	.011	.041
EFA Psychological contract fulfilment	3.129	1	.99	.012	.010
EFA Commitment to competence development	1.932	1	.990	.031	.031
CFA TM practice effectiveness	190.29	20	.993	.022	.030
CFA Psychological contract fulfilment	4.003	1	.992	.021	.021
CFA Commitment to competence development	2.821	1	.991	.032	.034
Structural Regression Model	517.51	146	.910	.041	.049

Note. The EFA's were performed on one randomly selected half of the sample ( $n = 220$ ) and the CFA's on the other half of the sample ( $n = 219$ ). The Structural Regression Model was performed on the entire sample.

**Table 4.** Structural Regression Model with Mediation and Moderation Effects

	Standardized parameters	s.e.	95% Confidence Intervals	
			Lower bound	Upper bound
Gender → Commitment to competence development	-0.003	0.048	-0.082	0.077
Age → Commitment to competence development	-0.100*	0.049	-0.298	-0.011
Organizational tenure → Commitment to competence development	-0.101*	0.043	-0.256	-0.021
Participation year → Commitment to competence development	-0.104*	0.042	-0.234	-0.012
Education → Commitment to competence development	-0.074	0.065	-0.263	0.043
TM practice effectiveness → Commitment to competence development	0.211***	0.043	0.043	0.452
Psychological contract fulfillment → Commitment to competence development	0.163***	0.012	0.021	0.215
TM practice effectiveness → Psychological contract fulfillment	0.102*	0.049	0.012	0.481



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3 Indirect effects  
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5 Mediation  
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7 TM practice effectiveness → 0.012\*\* 0.002 0.002 0.060  
8 Psychological contract fulfillment  
9 → Commitment to competence  
10 development  
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12 Moderation  
13

14  
15 Gender \* TM practice -0.123\*\*\* 0.019 -0.223 -0.06  
16 effectiveness →  
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18 \*  $p < .05$ , \*\*  $p < .01$ , \*\*\*  $p < .001$   
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