

## **Unlocking the Black Box: Exploring the Mediating Effect of Flexible Work Arrangements on Compensation-Retention Linkages in Jordan's Industrial Sector**

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**Abstract:** This study analyzes the mediating effect of flexible work arrangements on the relationship between compensation and talent retention at four industrial companies in Jordan applying flexible policies. Results of path analysis using survey data from 300 managers reveal compensation has a significant positive impact on talent retention mediated by flexible working time arrangements.

**Keywords:** Compensation, Talent Retention, Flexible Working Time Arrangements, Industrial Sector in Jordan.

## **1. Introduction**

The rapid changes globally, and the resulting developments that included all aspects of social, political, and economic life, led to the necessity of competition to keep pace with these changes and developments to be able to survive in the local and global market, and what this competition included is obtaining and retaining talented human resources. Because of the talent possessed by the ability to add a competitive advantage for the benefit of organizations, and make them superior to their competitors locally and globally, and meet the aspirations of their customers in obtaining the best services, which forced those organizations to give support and great attention to talented human resources and provide the best facilities, incentives, and advantages to survive and maintain them within the organization.

McKinsey Consulting coined the term “The War for Talent” in 1997; There has been an increasing interest from researchers and academics in talent management, and since then talent management has become a common topic in business management, and within the professions of human resource management practitioners in particular, and with the intensification of talent competition, organizations had to reconsider the procedures they take to attract talent, and retain it. To start applying this, organizations have to identify the types of human resources that drive current and future levels of growth (Manna, 2019, 80).

In the era of global competition, it is necessary to retain efficient employees in the organization by developing an effective compensation (COM) program to obtain the best job performance. The willingness of employees to stay on the job is largely dependent on the COM packages of the organization, as organizations need to consider a variety of appropriate ways to reward employees to get the desired results (Onuorah et al., 2019).

The business environment today also created many challenges and the tempestuous environment put pressure on organizations to improve their ability to adapt, build flexibility, and implement promptly. Flexible working time arrangements (FWTAs) are one of the recent trends in human resource management. Organizations tend to increase the flexibility of processes, and agility of human resources, in response to numerous environmental changes. There are more opportunities within the environment, as organizations can seize and benefit from them with the agility of human resources (Al-Kasasbeh, 2016).

Talent constitutes an additional distinct force for leading an organization. It gives it the characteristic of excellence and leadership in dealing with opportunities and challenges in its environment, and since talent is one of the organization’s most important assets; most organizations today seek to retain talent; therefore, talent retention (TR) is an important element of talent management (Al-Mohaisen & Al-kasasbeh, 2021).

COM is one of the main factors companies face in retaining talent. As companies witness, in light of the current economic conditions, a severe shortage of talent, as a lot of expertise and talents have moved abroad in order to seek work and in search of better incentives and advantages. The absence of real COM systems and real satisfaction among the employees in these companies has made their managements face real and difficult challenges to address their lack of talent to achieve a balance in the interests of all parties within the organizations.

Current study was applied on the industrial companies which are among the first companies to implement FWTAs, according to a survey study on the reality of applying flexible work forms in Jordan (Ministry of Labor website, 2022). These companies are among the leading and pioneering companies in keeping pace with development, which work to achieve a balance between work and private life.

The problem of the study is exemplified in the Jordan industrial sector suffering from a high job turnover rate, reaching 20.6% for the year 2017, while the global job turnover was around 9.6% in 2016 (Amman Chamber of Industry website, 2022), this negatively affects companies’ businesses and their productivity capabilities within the sector, which reflects negatively on the Jordanian economy in general, therefore TR is a very important challenge for human resource management.

Although existing literature has extensively explored COM and TR relationship, there is a research gap that emerges in exploring the mediating role that FWTAs play in this relationship in the context of the Jordanian industrial sector. For example, there is a gap in understanding how FWTAs, such as telecommuting, compressed week, or flexible working hours, can act as an intermediary factor that improves COM satisfaction and thus increases TR levels in the Jordanian industrial sector.

This research gap enhances the importance of this current study in understanding the effects of FWTAs on the relationship between COM and TR, and meeting the need to complete the picture of how these factors are integrated in the context of the Jordanian industrial sector. Therefore, the study addresses a gap in understanding how FWTAs can enhance the efficacy of compensation packages in retaining talent, an issue of critical importance in the current competitive labor market.

Therefore, the study aims to assess the effect of COM on TR through FWTAs, and to assess the effect of direct and indirect COM on TR through FWTAs as a mediating variable at industrial companies that apply FWTAs in Jordan. This study is one of the first studies – as far as researchers know- that examine the variables of the study together, which include the impact of COM in its dimensions (direct COM and indirect COM) on TR through FWTAs as a mediating factor at industrial companies in Jordan, thus it is hoped that the study will contribute to the consolidation of these dimensions to support more studies and research in the field. The applied importance of the study is highlighted by its scientific and applied methodology that works to provide results and recommendations that are expected to contribute to helping decision-makers at industrial companies that apply FWTAs in clarifying the importance of COM and FWTAs, and their impact on preserving talent and working to reduce career turnover at companies in the industrial sector.

## **2. Literature Review**

### **Compensation**

Employee COM refers to all types of returns or wages that an employee receives in return for working in a specific job (Al-Omari, 2017).

The term COM refers to the employees' total revenues, which may be in the form of financial benefits and rewards, a method adopted by the organization to enhance culture and values and to boost moral behavior, and a tool that empowers organizations to attain their goals (Jawdah, 2014, 209).

Direct COM is the monetary quantities that the organizations pay to its employees, in return for the offerings they make to it; consequently, it was called direct, because its payment is directly associated with the level of effort and performance (Mohammad, 2015, 175).

Indirect COM indicates that this type of COM is indirect, that is, it is not linked to a specific performance level, a specific effort, or the years of service spent by the individual working within the organization. Indirect COM is granted to the individual employee as soon as he belongs to the organization and is not determined by a specific job level (Al-Hiti, 2010, 177).

Through the foregoing, it can be said that COM is all that the talents take from the companies they belong to, and it is in the form of cash revenues such as salaries, wages, bonuses, and non-monetary benefits such as vacations, health insurance, and social security as a result of carrying out various and varied tasks that lead to results that are in the interest of the organization in particular.

### **Talent retention**

TR is one of the major challenges faced by almost every organization across the world. The problem tends to be volatile economic trends along with evolving human perceptions and aspirations. Currently, most organizations find themselves in the quagmire of job turnover. TR has become essential to maintaining competitiveness in the business (Sarmad et al., 2016).

The process of retaining talent is an important indicator of the strength of the organization's identity. The employee's decision to stay or leave the organization is revealed by its ability to compete and its performance (Al-Mohaisen & Al-kasasbeh, 2021).

TR is concentrated on retaining talented employees within an organization, by providing promotion, career path plans, and participation in decision-making, and applying many moral and material motivational policies (Rodríguez-Sánchez et al., 2020; Abu-Darwish et al., 2022).

Moreover, the actual investment is the investment in retaining the human resource, because it gives higher revenues than production, and it is the primary key that controls other resources within the organization. (Shehab, 2017)

Reducing the turnover rate is a vital and strategic issue, no organization can maintain and enjoy success until it deals with the problem of turnover successfully and efficiently, and this requires an approach to human resource management to motivate talents to stay in organizations, because of the negative effects of turnover in service and product quality, productivity, and profitability, also, the cost of hiring new workers is high, so many companies have realized that all aspects of human resource management are important and that retaining talent remains an essential activity for those departments in pursuit of its goals and objectives (Kwenin et al., 2013).

As a result, obtaining and retaining talented employees is essential for any organization since the employee's experience and knowledge constitute an important part of the competitive advantage of the organization; therefore, it is expected that the organization's performance and productivity will increase when its talents stay with the company for a longer period (Alhmoud & Rjoub, 2019).

There are six critical factors to consider in retaining high-tech employees: COM and base salary; job characteristics; training and development opportunities; administrative support; employment opportunities, and balance of work/life policies (Dockel et al., 2006).

There are seven main reasons why employees leave work, which are; job or workplace was not as expected, job-person mismatch, lack of training and feedback, lack of opportunities for advancement and growth, feeling undervalued and not recognized, stress resulting from overwork and work-life imbalance, and loss of confidence in seniors leaders (Branham, 2005).

### **Flexible working time arrangements**

Today's changing environment has put a challenge on organizations to improve their ability to adapt to the environment and build their agility. FWTAs are one of the recent trends in human resource management. As organizations tend to increase the flexibility of operations and agility of human resources, to adapt to numerous environmental variables (Al-Kasasbeh, 2016)

The world of work is shifting, and it involves the need to move away from more traditional, older, and less flexible ways of working (Čiarnienė et al., 2018).

Odunayo et al. (2020) indicated that the types of work arrangements have seen a growth in popularity due to the change in the demographics of the labor force, the demands of employees for a greater work-life balance, and the increased need for flexibility and flexible working options through the last decade of the 20<sup>th</sup> century whereas flexible daily scheduling, or part-time work, and that is one of the reasons that prompted many to use flexible schedules in organizations (Bernouti, 2007, 92-93).

Al-Kasasbeh (2016) pointed out that FWTAs refer to arrangements adopted by employees and organizations to allocate fixed working time forms to meet their changing needs, such as fluctuations in production and service requirements or work-life commitments to balance work commitments and employees' private life requirements.

FWTAs include changing working hours for instance, working fewer hours, changing start or finish times, and changing work patterns such as; job sharing, changing workplaces, and working from home (Bhalla, 2016).

### **3. Theoretical Rooting of The Study Variables Relationships and Hypotheses Development**

The long-term success of any organization depends on retaining the employees who occupy important positions in the organization. There is a point of view saying that organizations today are very interested in retaining high-performance employees. As it becomes more difficult to find them, one of the most

important demands on management today in any organization is to retain and motivate the most vital and dynamic human resources, if employee retention strategies are adopted and implemented by organizations, they will surely remain working towards achieving the goals of the organization successfully (Das & Baruah 2013)

Many studies have attempted to examine COM systems as an independent variable and employee retention as a dependent variable (Hanai & Pallangyo, 2020; Manjula & Rao, 2020; Michael et al., 2016; Khan et al. 2011; Ahmed, 2017), and found that COM has a positive effect on employee retention. Abou-Moghli (2019) has investigated the compensation management strategies by structural capital approach in Jordan commercial banks. The study has revealed a significant impact of work-life balance, benefits, and satisfaction on talent retention and structural capital. Qatamin et al. (2023) assessed the role of human resource management practices on employee retention; they developed a conceptual model that links job design and job security with employee retention in the Jordanian rubber and plastic sector. The findings show that there is a significant impact of human resource management practices on employees' intention to stay.

Many studies dealt with FWTAs as an independent variable and TR as a dependent variable, including Mun (2019) study which showed that there is an important relationship between FWTAs, employee participation, job satisfaction, and balance between personal and work life, and all the mentioned variables have a positive association with employee retention.

Okemwa (2016) indicated a positive relationship between FWTAs and nurses' commitment at public hospitals in Kenya. Idowu (2020) study found that FWTAs led to improved employee performance, increased retention, and reduced stress. Al-Kasasbeh (2016) found that there is a relationship between FWTAs and faculty satisfaction and human resource retention. Govender et al. (2018) study confirmed that FWTAs can make employees stay with their current employer, and enhance employee retention and job satisfaction, leading to increased productivity.

Through the researchers' review of previous studies, they noticed that TR has a great and renewed importance in human resource management practices, and for all stakeholders in organizations, and that there is an increasing importance for organizations to preserve talent, which works to achieve the organizations' future aspirations for success and growth.

Moreover, by reviewing previous studies, it became clear the importance of the role of COM systems, which are a vital element in meeting the requirements of employees, and providing the support they need to carry out current living burdens. COM systems are a basic and important guarantee in achieving the stability and permanence of talent within organizations. Flexible work provides flexibility for talents in time and how to carry out work, it also adds the character of achieving a balance between personal, work, and family obligations and providing all means of comfort, which helps in preserving talents.

Based on previous studies the first main hypothesis and its sub hypotheses were derived

H1: There is a statistically significant effect at a significant level ( $p \leq 0.05$ ) of COM on TR through FWTAs as a mediating variable at industrial companies that apply FWTAs in Jordan.

H1-1: There is a statistically significant effect at a significant level ( $p \leq 0.05$ ) of direct COM on TR through FWTAs as a mediating variable.

H1-2: There is a statistically significant effect at a significant level ( $p \leq 0.05$ ) of indirect COM on TR through FWTAs as a mediating variable.

Based on the previous studies (Manjula & Rao, 2020; Ammam, 2018; Saravanan & Sruthi, 2017; Al-kasasbeh, 2016; Mungania et al., 2016; Sarmad, et al., 2016; Abu Fayed, 2015; Van Dyk, et al., 2013; Hanif & Yunfei, 2013; Das & Baruah, 2013; Al-Rajudi, 2012; Nawab & Bhatti, 2011; Fisher, 2010; Dockel, et al., 2006; the study model was built. Figure 1 shows the model of the study.

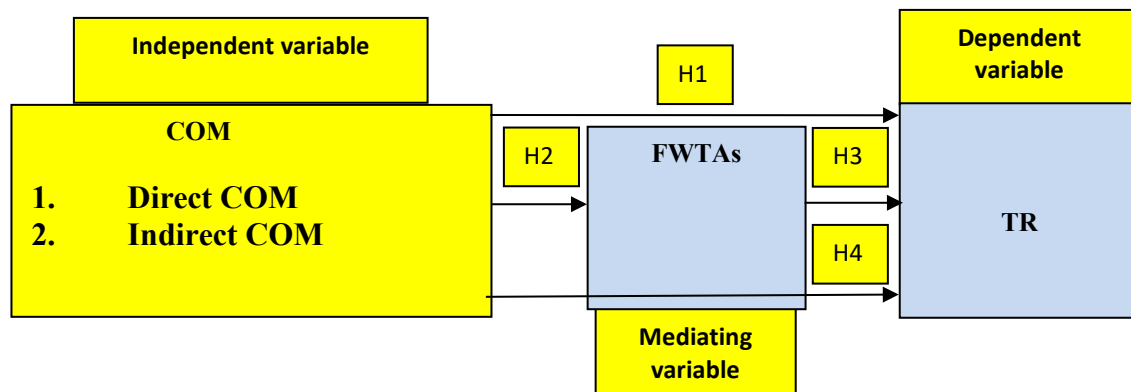


Fig. 1: Model of study

## 4. Study Methodology

### Type and nature of the study

This study is quantitative, and explanatory, as it seeks to discover the cause and effect between the variables, noting that this study takes place in the natural environment in the industrial companies that implementing FWTAs in Jordan, based on a pilot study of the Ministry of Labor on the reality of applying forms of FWTAs in Jordan.

### Study population:

The study population included all employees in the upper and middle management at four industrial companies that apply FWTAs in Jordan, and these companies are: Herfa Al-Ibra Company for the manufacture of ready-made garments, the Rainbow Company for the manufacture of ready-made garments, the Ayam Maliban Industrial Company, and the Rich Pine International Company Group, whose number is (346) employees, and this was determined based on a survey study by Ministry of Labor on the reality of implementing forms of FWTAs in Jordan during the year 2018 (Ministry of Labor Website, 2022).

### Sampling unit:

The sampling unit for the study consisted of employees in the upper and middle management at industrial companies that implement flexible working time in Jordan, from the occupants of the following job positions: deputy general manager, department manager, assistant department manager, department head, and supervisor, as the questionnaire was used as a tool for the study. The study was conducted with a comprehensive survey, where (346) questionnaires were distributed to all employees in the upper and middle management at four industrial companies that apply FWTAs in Jordan, and (295) were retrieved. After checking the questionnaires, (5) questionnaires were excluded because they were not valid for analysis. The number of questionnaires valid for statistical analysis reached (290), with a recovery rate of (83.82%).

### 4.5 Validity and reliability of the study tool:

The study questionnaire was presented to a group of specialized reviewers in several Jordanian private and public universities, for the purpose of ensuring its validity, the researchers consider this review process and the subsequent modification and correction as a test of the validity of the tool.

Cronbach's Alpha was calculated in order to ensure the reliability of the study questionnaire. Table 1 shows the outcome of Cronbach's Alpha analysis.

Table 1. Cronbach Alpha values for the items of the study variables and dimensions

The Variable or dimension	Cronbach Alpha
COM	.864
Direct COM	.772
Indirect COM	.847
FWTAs	.790
TR	.920

Cronbach alpha values for all variables and dimensions of the study ranged from (0.772-0.920), where the reliability is considered acceptable if the coefficient values are more than (0.70).

### Normality test:

It was confirmed that the data followed the normal distribution using One Sample Kolmogorov-Smirnov test, and table 2 shows the test results.

Table 2. One Sample Kolmogorov-Smirnov test results

Variable or dimension	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
COM	.535	.937
Direct COM	.498	.965
Indirect COM	.571	.900
FWTAs	.674	.754
TR	.602	.862

Table 2 shows that the values of One Sample Kolmogorov-Smirnov test for all variables and dimensions were greater than of ( $\alpha \leq 0.05$ ), which point out that these variables, follow a normal distribution.

### Testing the suitability of the study model for the used statistical methods

The linear correlation test was used to certify that there is no problem of multicollinearity between the independent variables, based on the variance inflation coefficient (VIF) test, and the tolerance test for each of the independent variables. knowing that the variance inflation coefficient should not exceed the value (10), and the value of the allowable variance test should be greater than (0.05), and by computing the coefficients for each independent variables, the results are scheduled in the table 3.

Table 3. The results of the multicollinearity between the dimensions of COM

Dimension	VIF	Tolerance
Direct COM	2.357	.424
Indirect COM	1.987	.503

Table 3 shows that the values of the variance inflation test for all dimensions are less than (10), while the value of the allowable variance test for all dimensions is greater than (0.05), consequently it can be assumed that there is no problem of multicollinearity between the variables.

## 5. Results of Testing the Hypotheses

The main hypothesis and the sub-hypotheses were subjected to path analysis, by using the AMOS program and SPSS.

### 5.1. The main hypothesis

H1: There is a statistically significant effect at a significant level ( $P \leq 0.05$ ) for COM on TR through FWTAs as a mediating variable at industrial companies that implement FWTAs in Jordan.

Table 4. Path analysis results of the effect of COM on TR through FWTAs

Model Fit												
Dependent factor	Chi <sup>2</sup>	GFI	CFI	RMSEA	Path	Direct effect	Indirect effect	Calculated value	Estimate	S.E.	C.R.	P
TR	15.232	.9792	.9921	.0123	C- FWTAs-TR	0.2588	0.4390	0.6978	.391	.034	11.501	0.00
					C- FWTAs	0.8830	-	0.8830	.960	.017	56.470	0.00
					FWTAs-TR	0.4972	-	0.8830	.690	.033	20.921	0.00
GFI					Goodness of Fit Index							
CFI					Comparative Fit Index							
NFI					Normed Fit Index							
IFI					Incremental Fit Index							
RAMSEA					Root mean square error of approximation							

The analysis results in Table 4 displayed that the value of (Chi<sup>2</sup> = 15.232), which is significant at the level of ( $P \leq 0.05$ ), which indicates the acceptance of the model. The results also showed that the GFI should be close to 1 = 0.9921, CFI should approach 1 = 0.9792, and this indicates the sufficiency of good quality fit in the model. RMSEA should approach 0 = 0.0123, which supports the good agreement of the model, and that the above confirms the suitability of the model for regression processes.

Table 4 shows that the direct effect of COM on FWTAs is (0.8830), the direct effect of FWTAs on TR is (0.4972), and the direct effect of COM on TR is (0.2588), at a significant level ( $P \leq 0.05$ )

The indirect effect of COM on TR through FWTAs was (0.4390), explaining (43.9%) of the variance, and the total effect was (0.6978). Also, the value of Variance Accounted For (VAF) is (0.6290). This indicates that the effect of FWTAs is a partial mediation. Thus, we accept the alternative hypothesis, which states that there is a statistically significant effect at a significant level ( $p \leq 0.05$ ) for COM on TR through FWTAs.

### 5.2. The first sub-hypothesis

**H1-1:** There is a statistically significant effect at a significant level ( $p \leq 0.05$ ) of direct COM in TR through FWTAs as a mediating variable in industrial companies that apply FWTAs in Jordan.





TR	11.88	.9950	.9813	.0254	Indirect C- FWTAs-TR	.3568	.4125	0.7693	.418	.028	15.201	0.00
					Indirect C- FWTAs	.8830	-	.8830	.650	.014	46.421	0.00
					FWTAs-TR	.4672	-	.4672	.685	.032	21.423	0.00
<b>GFI</b>					Goodness of Fit Index							
<b>CFI</b>					Comparative Fit Index							
<b>NFI</b>					Normed Fit Index							
<b>IFI</b>					Incremental Fit Index							
<b>RAMSEA</b>					Root mean square error of approximation							

Analysis results in Table 6 displayed that the value of (Chi2 = 11.88), which is significant at the level of ( $p \leq 0.05$ ), which indicates the acceptance of the model. The results also showed that the GFI should be close to 1 = 0.995, CFI should approach 1 = .9813, and this indicates the sufficiency of good quality fit in the model. RMSEA should approach 0 = .0254, which supports the good 'agreement of the model, and that the above confirms the suitability of the model for regression processes.

Table 6 shows that the direct effect of indirect COM on FWTAs is (.8830), the direct effect of FWTAs on TR is (.4672), and the direct effect of indirect COM on TR is (.3568), at a significant level ( $P \leq 0.05$ ).

The Indirect effect of direct COM on TR through FWTAs was (.4125), explaining (41.25%) of the variance, and the total effect was (0.7693). Also, the value of variance accounted for (VAF) is (0.536). This indicates that the effect of FWTAs is a partial mediation. Thus, we accept the alternative hypothesis, which states that there is a statistically significant effect at a significant level ( $p \leq 0.05$ ) for indirect COM on TR through FWTAs.

## 6. Discussion

Analysis results revealed that there is a statistically significant effect of COM on TR through FWTAs as a mediating variable at industrial companies that implement FWTAs in Jordan, and there is a statistically significant effect of direct COM on TR through FWTAs as a mediating variable at industrial companies that implement FWTAs in Jordan, and there is also a statistically significant effect of indirect COM on TR through FWTAs as a mediating variable at industrial firms that implement FWTAs in Jordan. The results are consistent with the results of the study by Govender et al. (2018), which confirmed that FWTAs can make employees stay with their current employer, and enhance employee retention.

One of the implications of the study on industrial companies that implement FWTAs in Jordan is to improve the awareness of the industrial companies in Jordan on developing innovative ways to involve talented human resources in the decision-making process. Another implication of the study is providing corporate management employees with learning tools to keep abreast of developments in the surrounding environment. Also, the companies' management should encourage telecommuting for those whose work requires it, and ensure that the company's employees receive training to support telecommuting. Finally, a need for corporate management to support employees with incentives in line with the level of effort that is being exerted at work and to reconsider the salary scale in line with the high rates of prices.

Moreover, the lack of talent represents one of the biggest challenges facing organizations, and Arab countries suffer from the leakage of their distinguished national competencies, this is not due to the scarcity of talent, but rather a result of the lack of sufficient motivation and a suitable environment for prosperity and development of the talent present in the individuals, creativity, and innovation.

Practical mechanisms for implementation of the recommendations are:

- Establish programs to develop and promote FWTAs at industrial companies in Jordan.
- Determine the resources and budget allocated to these programs.
- Develop training programs for employees to improve their FWTAs skills.
- Define policies and procedures to ensure effective FWTAs.
- Conduct a periodic evaluation of the work environment and update it to suit the aspirations of employees.
- Update the salary scale to ensure it is consistent with price rates.
- Create platforms to encourage employees to submit innovative ideas.
- Provide motivational incentives to employees who contribute to improving processes.
- Adopt strategies to improve the awareness of industrial companies about the importance of developing and achieving national value in human resources, and update incentive policies to match the level of effort expended at work.
- Launch initiatives to develop and enhance local competencies and address brain drain.
- Provide training courses for corporate management on developing innovative ways to engage human resources, and conduct a periodic evaluation to evaluate the impact of implementation and make the necessary adjustments.
- Identify officials to monitor and evaluate the implementation of these methods.

By implementing these mechanisms, the positive impact expected from the application of FWTAs at industrial companies in Jordan can be improved, and the sustainability of innovation and development can be enhanced.

## **7. Limitations**

As the study was limited to four industrial companies that implement FWTAs in Jordan, generalizability to other sectors might be restricted. Continually, researchers and scholars are advised to conduct further studies on other business organizations in Jordan. Furthermore, diversity can be increased by selecting participants from different sectors, geographic regions, cultures, and socio-economic backgrounds.

## **8. Conclusion and Suggestions for Further Studies**

The research provides empirical substantiation of how FWTAs and rewards programs foster employee retention. Recommendations underline the need for policy stimulus, infrastructure upgrades, and training to promote flexible strategies aligned with emerging workforce dynamics.

The topics of COM, TR, and FWTAs have received interest from many scholars and researchers. Therefore, researchers of the current study suggest several topics related to the title of the research, as complementary titles are considered, such as conducting more studies related to the study variables in other business organizations in Jordan, and it is possible to search for mediating or moderating variables that affect the relationship between COM systems and TR, such as the supportive organizational culture, and type of companies.

Based on the study findings, some suggestions can be presented to fill research gaps as follows:

- Study the impact of direct and indirect COM on the level of commitment and satisfaction among employees who work with FWTAs, and how this affects business continuity.
- Exploring how COM and FWTAs can impact employee skill development and increase their skill diversity in an industrial work environment.
- Study the challenges and problems that industrial companies may face when implementing FWTAs systems, and how these challenges can be overcome effectively.
- Understand how cultural and social factors in Jordan influence companies' response to FWTAs, and how this response can be enhanced.

- Study the impact of FWTAs on the level of job satisfaction and commitment among employees in industrial companies, and how this affects the company's performance.
- Ultimately, these research gaps can be expanded to provide more nuanced insights into how FWTAs affect the performance and sustainability of industrial firms in Jordan.

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