TALENT MANAGEMENT PRACTICES AND EMPLOYEE ENGAGEMENT: A STUDY IN MALAYSIAN GLCs

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ABSTRACT

Talent management has been proven to be an important element in Malaysian Government linked companies (GLCs) in achieving their organizational goals. In order for the GLCs to sustain and expand their operation globally, organizations will have to rethink their approaches to talent management and how it affects employee engagement. The objective of this paper is to understand the influence of talent management practices on employee engagement in GLCs. The respondents for the study are drawn from GLCs employees in Malaysia. The study uses statistical analysis to generate result. The results allow researchers to present the data acquired in a structured and accurate manner.

Keywords: Talent management, employee engagement, GLC.

INTRODUCTION

Talent management has now been identified as a critical enabler for the Government Transformation Programme (GTP), Economic Transformation Programme (ETP) and the 10th Malaysia Plan (2011-2015) to propel Malaysia towards the competitive status of a high income economy and successfully achieve a vision 2020. It is time to tap the local talents to move forward. Malaysians need to synergise the strength to achieve the Strategic Reform Initiative of ETP in developing quality workforce and reducing dependency on foreign labour. GLCs should be given the opportunity to develop their own capacities and capabilities to meet the demands of the industry. The study on talent management and employee engagement are associated with positive perceptions of talent management perceptions.

To strive for success in the era of globalization, GLCs need to have a pool of potential talent to continue creating value creation for business competitiveness. Talent that possesses high level of commitment and engagement will add value to the organization. Contemporary organizations need employees, who are psychologically connected to their work; who are willing and able to invest themselves fully in their roles; who are proactive and committed to high quality performance standards. They need employees who feel energetic and dedicated, i.e., who are engaged with their work (Bakker & Leiter, 2011). Trichet (2003a) define an engaged employee as a worker who is fully committed and passionate about the work. Engagement was essentially defined as “an innate human desire to contribute something of value in workplace. Employee engagement is the key to the retention of talent (one-of-a-kind hire in 100 employees; Glen, 2006) is an area in which the leads has been taken by practitioners (Parsley, 2006; Buamrulk et al., 2006; Woodruffe, 2005; Bennett and Bell, 2004). Employee engagement is viewed as an important construct because it is has been linked to increasing the retention of top talent as an outcome of the talent management process for e.g., Bhatnagar (2007).

Retaining and attracting the talent will require renewed focus and energy on employee value propositions, with greater flexibility to attract increasingly diverse talent (Cheese, 2010). Also, the development of talent management system for the industry is not just a pre-occupation of the HR function, but requires recognition and support from all other levels of the individual hospitality organization. This includes the implicit engagement of the individual being invested in (Scott and Revis, 2008). Macey & Scheinder (2008) quoted Bono and Judge’s (2003) study that indicated “Engagement with their work suggests that employees who see their work as consistent with their personal values will be more engaged”. From the employer perspective, workers’ expertise and knowledge must be constantly engaged for human talent to make its optimal contribution in organizations. Likewise, if employees have no involvement in defining, designing and implementing an activity, they are less likely to support it. The lack of “employee engagement” would weaken workers long-term commitment to the organization, making it even more difficult to attract, develop, align and retain highly talented employees (White, 2009). Roper (2009) describe the proposed relationship with the assumption that high levels of employee engagement are associated with positive perceptions of talent management. In contrast, low levels of employee engagement are associated with negative or counterproductive perceptions of talent management perceptions.

If employees are fully engaged it will help in the development of highly talented individual. Engagement is a crucial workplace component of effective organizations (Fairfield et al., 2009). Studies reveal that there exists a positive relationship between engagement and organization performance as reflected in revenue growth, productivity, profitability, customer satisfaction, customer loyalty, employee retention, and safety (Coffman, 2000). Work engagement are the mediator between work antecedents like work context, demographic factors etc., and job performance (Christian, Garza & Slaughter, 2011). Furthermore, Collings &
Mellahi (2011) propose that organizations which apply strategic talent management systems in this way will achieve improved performance. However, rather than suggest that strategic talent management leads directly to these firm level outcomes, as work motivation, organizational commitment, extra-role behavior. These variables recognize the importance of the talent pool in achieving financial performance.

According to Suharti & Sulliyanto (2012) employee engagement is believed to have positive impact on the organization and becomes one key factor in the success of an organization. Strong employee engagement will result in satisfactory performance from employees. Employees who have strong engagement with the organization where they work will be willing to work harder than the others. High employee engagement level to the organization is believed to increase the talents and employee’s individual performance which in turn can have a positive impact on the organizational performance (Margaretha & Saragih, 2008).

PROBLEM STATEMENT

The realization that talent shortages are increasingly becoming one of the biggest human capital concerns for organizations has prompted the war for talent. Integrated strategy-driven talent solutions that are championed by talent decisions have been recognized as an essential business strategy that drive the retention of highly talented key performance individuals and consequently reduce business risks leading the way to organizational resiliency and performance for organizations in today’s challenging and competitive business environment.

Bureaucratic meddling, conflicting objectives, over-centralization of decision making and inadequate capitalization and the lack of managerial skills are also critical problems for GLCs (Shirley&Walsh, 2000). Directorship and senior managerial positions in GLCs were political patronage positions for retired military and high level civil servants or for relatives and friends of powerful political leaders (Meggginson, Nash & Randenborg, 1994; Vining & Boardman, 1992). According to (Azman, 2004; PCG, 2005a) GLCs are facing an issues on internal control, lacking in strategic direction resulting in poorer return on capital and shareholder value, lower productivity, higher gearing ratio, inefficient procurement handling, and ineffective performance management system. Furthermore, another issue that raised;is there is a weak linkage between employee’s performance and the reward scheme in GLCs (Abdullah, 2004; Nor Mohamed, 2004). For example, bonuses are paid regardless of individual performance because performance is not tied to the compensation scheme. Kahn (1990) mentioned that people vary their personal engagements according to their perceptions of the beliefs, or the meaningfulness, and the guarantees, or the safety, they perceive in situations. In the financial sector, top management will always have a right to override the KPI points. However employees, do not have the opportunity to correct the points because it will never be shown to them and furthermore the top management does not even know some of them, they don’t even know what the employees do daily, and yet they manage to change people’s KPI points (Abu Bakar, 2013).

The human capital situation in Malaysia is not improving perhaps at this stage as Malaysia faces a difficult situation in retaining qualified talent in every sector (NEM, 2008). According to Jauhar and Mohd Yusoff (2011) massive brain drain has been occurring and this scenario has caused shortage of accountants in Malaysia. Malaysia is facing a stiff competition from other developed countries, as they preferred to recruit the local talents. Another issue that Malaysian industry is facing currently is lack of experienced electrical and electronic engineer and these critical situations thus lead to a loss of multibillion-dollar foreign investment (Jauhar & Mohd Yusoff, 2011). Penang Chief Minister Lim Guan Eng said the state lost US$ 3 billion worth of foreign investment simple because it could not ‘commit’ to having 1,000 engineers (The Straits Times, November 10, 2009) and this thus hampering current economic situation in Malaysia. Malaysian is facing a stiff competition from other country as their human capital in improving. Instead, we are losing the skilled talent needed to drive future growth. Malaysia is losing talented employees as some of the graduates preferred to work abroad. According to (NEM, 2009) some 350,000 Malaysian adults are working abroad, over half of which had tertiary education. Talent can be associated with high performers in general sense or linked to an individual or how well an individual can potentially perform in general or in relation to a specific job. According to Drucker (1994) talented employees, also known as ‘gold-collar’ workers because of their status in the labour market, are characterized as having high level of specialist skills to resolve issues and problems critical to organizational sustained advantage.

LITERATURE REVIEW

TALENT MANAGEMENT PRACTICES

In a highly volatile business environment the GLCs need to create competitive advantage for sustaining market dominance and superior performance in both the international domestic market (Grant, 1991). They must achieve favourable position to take advantage of the new markets emerging from the liberalization of world trade (Salleh & Ndubsi, 2006). Human resources are a source of competitive advantage. They are critical for transforming the organization to compete and grow in the new economy. Central to the exercise are professional management structures with the competence and capacity to reach global markets. The structure must also be geared to understanding and identifying the competitive landscape and new business opportunities (Tan, 2008). GLC can adapt to the complex and dynamic external environment by hiring managers with multiple strategic capabilities for delivering results on a global basis (David, 2005). The strategies talent management processes play a crucial role in retaining the talented talent at GLCs. According to the former Malaysian Minister of Finance II, Mohamed Nor Yakcop suggested that GLCs should design performance incentive package for attracting, retaining and motivating talent (Yakcop, 2004). The remuneration and salary structure should be in line with the private sector to include incentives like stock options and
performance based benefits. GLCs could emulate the example of the large GLIC, Khazanah Malaysia, which introduced fixed term contract for senior executives with extensions and salaries based on performance (Basu, 2005).

Employees at GLCs are the backbone that strive to achieve a success for the organizations. The in daily work may be unpredictable, multi-disciplinary and usually non-repetitive (Scott, 2005). The jobs assigned to them have long term goals and due to the relative complexity of the task, they may need to collaborate with co-workers in the accomplishment of their task (Beyerlein, Johnson and Beyerlein, 1995; Scott, 2005). Their work usually has very little structure and mostly cannot be standardized as they are required to be unique and exercise ingenuity in accomplishing their tasks (Amar, 2002). Furthermore, employees at GLCs can be classified as knowledge workers as demand reasonable security of employment, employability, autonomy, management transparency, open culture, tasks that are challenging and suit individual personality and orientation, social network, immediate and frequent feedback and rewards, ownership (Thite, 2004). Therefore, talent management is an orientation of HR practice aimed addressing competition for high value labour in widening global markets alongside key employees demand for fast track career development (Mellahi and Collings, 2010). Mone and London (2009) also found that a direct predictor of employee engagement is the extent to which employees are satisfied with their opportunities for career progression and promotion, this is supported by Seijts and Crim (2006) who suggest that employees will feel more engaged if manager provide challenging and meaningful work with opportunities for career advancement.

Talent Management as a mindset recognizes that talented individual play a key role in creating value for the organization, it is the individual’s responsibility to ensure that his or her career is well managed. According to Kaplan and Norton (2004) successful organizations today create sustainable value from leveraging their intangible assets, the most important being human capital (knowledge, skills and capabilities) inherently depends upon its potential to add to the competitive advantage of an organization. The process of talent managementemphasize on the importance of developing the most valuable source of competitive advantage - people.

Talent is an important element in every sector at GLCs in Malaysia for achieving the organization’s goals. In order for the GLCs to sustain and expanding the operation globally, organizations will have to rethink their approaches to talent management and how it affects employee engagement. Effective employee engagement fosters an environment of stimulation, development and learning, support, contribution and recognition (Lockwood, 2006). Talent management will fail without commitment from top management. Effective talent management requires strong participatory leadership, organizational buy-in and employee engagement (Lockwood, 2006). Talent management is the process of meeting the supply for the demand of right people with the right skills needed to execute the strategy. Furthermore, is placed on meeting the demand for employees with high potential within critical positions that are difficult to fill, for example, those jobs that would provide an organization with important skills to facilitate the firm’s operations (Kabwe, 2011).

Talent is used synonymously with people (Lewis and Heckman, 2006) or assets, such as individual knowledge, skills, attitudes, or competence. Talent has become one of the critical resources for organizations to attain competitive advantage (Zhang, S. et al, 2012). In Malaysia talent is clearly an important source to meet the nation’s vision. Talent management has become more important because of a growing recognition that it helps to drive organizational performance, even though the exact impact is hard to quantify (Duren, 2010). Talent is a competitive weapon and used as a source of competitive advantage (Bjorkman et al., 2007; Lewis & Heckman, 2006; Camber et al., 1998). Highly educated employees are the talent for the organization and if organization handles them in a wrong way may lead to the lack of commitment and intention to leave the organization (Tromp et al., 2010). Talent that fully engaged in organization will perform beyond and help the company succeed (Rukkhum, 2010). Grosysberg, Nanda, and Nohria (2004) defined talent as a star in organizations. It is primarily important for the organizations to specifically focus on growing talent from individual employee within the organization and do everything possible to maintain the status as the star (Rukkhum, 2010).

Thiagarajan & Renugadevi (2011) has identified ten drivers of engagement: top management’s interest in employee well-being, challenging work, decision-making authority, and management’s concern about customer satisfaction, career opportunities, company’s reputation as a good employer, efficient teams, workplace resources, inputs from employees, and leader’s vision. Retaining and attracting the talent will require renewed focus and energy on employee value propositions, with greater flexibility to attract increasingly diverse talent (Cheese, 2010). Also, the development of talent management system for the industry is not just a pre-occupation of the HR function, but requires recognition and support from all other levels of the individual hospitality organization. This includes the implicit engagement of the individual being invested in (Scott and Revis, 2008). Macey & Scheinder (2008) quoted Bono and Judge’s (2003) study that indicated “Engagement with their work suggests that employees who see their work as consistent with their personal values will be more engaged”. From the employer perspective, workers’ expertise and knowledge must be constantly engaged for human talent to make its optimal contribution in organizations. Likewise, if employees have no involvement in defining, designing and implementing an activity, they are less likely to support it. The lack of “employee engagement” would weaken workers long-term commitment to the organization, making it even more difficult to attract, develop, align and retain highly talented employees (White, 2009).

Ready and Conger (2007) define talent as a group of employees who have above average knowledge and skill, and have the opportunity to be promoted to executive position. Many GLCs are rapidly growing, improving in productivity and showing strong performance in the businesses (GLC Transformation Programme, 2012). Therefore, in order to ensure the sustainable success in GLCs the organizations need to implement an adequate talent management practices. Talent management practices are the most effective approach in identifying the right talent at the right places (Ahmadi, Ahmadi & Abbaspalangi, 2012).
Talent that fully understand the roles and responsibilities, vision and mission of the organizations, will be highly-engaged in organizations and produce an excellent result. According to Schaufeli and Salanova (2005) providing an employee with development plan, which includes structuring how and what competencies and skills, an employee can develop, would lead to increased work engagement and this is link to talent management practices in GLCs. Talent management as “a strategic activity aligned with the firm’s business strategy that aims to attract, develop, and retain talented employees at each level of the organization (Pimapanseri, 2013). Engagement is closely related with organizational environment (Schaufeli & Salanova, 2010) and it can be improved by implementing certain workplace behavioural health practices that address supervisory communication, job design, resource support, working conditions, corporate culture and leadership style and this strongly link Human Resource practices in GLCs.

According to (Bjorkman et al., 2007; Camber et al., 1998) talent and performance are associated; however there are serious issues on unfairness on the performance appraisal towards employees at GLCs. Furthermore, performance evaluations made on the basis of political considerations violate employees’ due process. When employees feel unfairly treated, they are likely to react by initially changing their job attitudes, followed in the longer term by responses that are more retaliatory such as quitting (Vigoda, 2000).

EMPLOYEE ENGAGEMENT

Employees’ psychological connection with their work has gained critical importance in the information/service sector of the 21st century. In the contemporary world of employment to compete effectively, companies not only must recruit the top talent, but also inspire and enable employees to apply their full capabilities to their work; who are willing and able to invest themselves fully in their roles; who are proactive and committed to high quality of performance standard. When an employee is engaged, he/she pro-actively seeks opportunities to serve the mission of the organization. Talent that is fully occupied in engagement is willing to be contractively critical for the good of the organization. Talent is referred to a person’s value or innate abilities (Michaels, Harfield-Jones and Alexlrod, 2001) who work in an organization. The high performing talents at those GLCs are targeted as the most important resources for contributing high income nation in Malaysia. Barney (1991) suggests that, a company will gain competitive advantage when they develop “resources that are valuable, rare and hard to imitate” and some talents is not easily replaceable.

In today’s highly competitive world, GLCs are focusing on becoming commercially-oriented enterprises rather than limiting themselves to producing public goods to satisfy societal needs. One such example is Temasek in Singapore which has taken up stakes in several multinational companies worldwide. Another is Bank Rakyat Malaysia which announced a record profit of RM 1.2 bil for 2008. This was higher than its private sector competitors like Hong Leong Bank (RM 1.0bil), Affin Holdings (RM404mil) and EON Bank which registered profits of RM 208 mil in the same year (The Star, 9 Mac, 2009). According to Blessing White (Employee Engagement Report 2006, 2006), employee engagement represents an alignment of maximum job satisfaction with maximum job contribution. Medlin & Green (2008) defined engagement as “an innate human desire to contribute something of value in workplace.”

Employee engagement is a dominant source of competitive advantage and thus, has been drawn to its reported ability to solve intractable organizational challenges such as decreasing turnover rates and increasing productivity. This is supported by (Kular, Gatenby, Rees, Soane, & Truss, 2008) that organizations with high levels of employee engagement report positive organizational outcomes. Organizations need engaged employees (Bakker & Schaufeli, 2008) and they are looking for ways to develop such a workforce. The full investment in HR practices that influencing engagement process. Enhance employee engagement by targeting qualified applicants likely to find the work interesting and challenging. Strong relationships between engaged employees and positive effects have been identified (Harter, Schmidt, & Hayer, 2002). If employees perceive more rewards and resources they tend to fully committed and occupied the objectives of the business. The perceptions of fairness and justice, and the meaningfulness of one’s work were areas that would lead to positive fit between the employee and the organization. This positive fit was considered as essential to work engagement (Maslach, Schaufelli & Leither, 2001).

From the perspective of employer, employee engagement thus lead a positive or negative result to the organization and definitely towards to the overall company’s financial performance. According to (Bates, 2004; Johnson, 2004; Kowalski, 2003; Saks, 2006) almost half of American labour force, was not engaged completely or some are disengaged which in other words called “engagement gap” that have caused losses in productivity. Talent that leads to committed employee will be fully engaged in the workplace and perform consistently and passionate about the work.

Talents are the main sources of competitive advantage in GLCs and by adequately providing extensive training and development, it can enhanced the level of engagement on the employees (Gill, 1996).According to Davies and Davies (2010) it is important to consider; what is in place for the development of all staff and where does talent enablement fit in. This is supported by Schaufeli and Salanova (2005) by identifying the skills needed by employees and providing them with an adequate training would lead to increased work engagement. Consequently, employee engagement has significant effect on productivity or output of employees and in retention of talent (Bano, Khan, Rehman & Humayoun, 2010).
METHODOLOGY

The unit of analysis for the study is individual. The respondents for the study are drawn from GLCs employees in Malaysia. In this research, a judgmental sampling technique will be used to select qualified candidate respondents. This sampling is appropriate because the sample of the study requires specific attributes to be attached to the sample in order to make the interpretation of the data meaningful (Sekaran, 2000). The specific attribute for the purpose of the study is the position of the respondents; they must be at the executive level. Therefore, the population for the study comprised of executive employee or higher ranking officers who serve in GLCs. Out of the 495 GLCs, the sample organizations will be randomly chosen based on systematic sampling technique. All odd numbered companies will be chosen as sample companies. The data collected from the questionnaires will be analysed using the SPSS version 20.0 software. The results allow researchers to present the data acquired in a structured and accurate manner. In this study, the questionnaire for employee engagement will be adopted from Schaufeli et al. (2006) and to measure talent management practices based on Oehley (2007).

CONCLUSION

As Malaysia aspires to transform into a developed and more competitive economy by 2020, talent will play a crucial role in order to strive for success and to sustain strong economic growth. In order for the GLCs to retain the talent it is important for the organization to focus on nurturing and developing talent of the human capital in GLCs. Talent management practices is the process of helping high performance employees to perform efficiently and effectively. Schaufeli and Salanova (2005) reported that by providing an employee with a development plan, which includes structuring competencies and skills which an employee can develop, would lead to increased work engagement. Additionally, an extensive work training and a comprehensive career planning will enable the employees to continue to develop new skills and abilities.

It is primarily important for the GLCs to successfully implement an effective talent strategy as it is considered as an asset for the organization. Talent has been empirically proven to be an important element in every sector for GLCs in Malaysia in achieving their organizational goals. In order for the GLCs to sustain and expand their operation globally, organizations have to rethink their approaches to talent management and how it affects employee engagement. Highly engaged talent will be committed to the organization and this leads to positive impact on the organization. High level of employee engagement in the organization is believed to improve talent retention and employee’s individual performance which in turn can have a positive impact on the organizational performance (Margaretha & Saragih, 2008). The findings will assist GLCs in minimizing talent shortage and retaining the potential talent in organizations. Talents are crucial for competitive advantage and for GLCs to enhance their contribution towards the country’s economic development; GLCs need to place its role in creating firm value at the forefront (Tong & Lau, 2008).

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