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The Need of Talent Management as a Business Strategy for Malaysian Banking Institutions

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ABSTRACT

Talent management generally deals with selection, recruitment, development and retention of talented people in an organization. It must be practiced at all levels of organization as it requires investment in intangible assets and is seen as a vehicle for future corporate growth in Malaysia. Malaysian banking institutions are now facing acute and shortage of banking talents. This need is justified as Malaysian banking institutions are in the phases of consolidations due to Asian currency crisis in 1997 and the era of globalization of Malaysian banks. The aim of the study is to examine talent management practices in the Malaysian banking institutions in an attempt to propose it as a business strategy for consistent growth and profit. To realize this purpose, three variables, namely Talent Management Practices (TMP), Employee Value Proposition (EVP) and Talent Brand Strategy (TBS) are examined against 12 indicators of Malaysian banking talents by testifying their direct and indirect relationships. This study also attempts to fulfil five research objectives and research questions by employing the Structural Equation Modelling (SEM). The five hypotheses of the study revealed that there are significant positive relationships between Talent Management Practices, Employee Value Proposition and Talent Brand Strategy in Malaysian banks. The study also found that Employee Value Proposition mediates the relationship between Talent Management Practices and Talent Brand Strategy in Malaysian banks. With these significant findings it is suggested that Malaysian local banks regard talent strategy as a business strategy; hence expected to innovate financial products and services. Moreover, due to the acute shortage of banking talents in Malaysia, there is a strong need to promote talent management practices at all levels of organization. This is further reinforced as talent management requires investment in intangible assets in order for Malaysian banks to sustain competitiveness in this era of global banking. For that purpose, talent management needs to become a business strategy for Malaysian banking institutions for their continuous growth and profits.

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INTRODUCTION

According to the human source literature, talent management is a fundamental principle when creating an organization capable of learning, innovating and changing, and executing new processes. According to Blass (2007), talent management can be generally defined as additional management processes and opportunities that are made available to people who are talented in the organization. As businesses today are borderless within a global environment, talent is seen to be having the potential of a powerful source of competitive advantage. As such, talent requires finding, acquiring and retaining the right talent and these should have the full support of management that is necessary for sustainable competitiveness (Malaysia Productivity Corporation, 2009). Additionally, according to Morton (2005), in order to effectively recruit and retain scarce labour, an organization needs to create and perpetually refine employee value proposition. On this basis, the researchers will identify the level of employee value proposition of talented people within the Malaysian banking sector. Specifically, according to Dell and Hickey (2002), employee value proposition makes clear to employees what extrinsic and intrinsic benefits they will expect in exchange for their labour, both now and in the future. To retain the best and brightest workforce, companies will need to optimize human capital through human resource

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and organization development strategy (Sweem, 2009). This means turning talent strategy to become a business strategy (Ong, 2009). On this premise, this study attempts to highlight the evolution of talent brand strategy and employee value proposition and subsequently the impact of talent management on talent brand strategy in the Malaysian banking industry. These three variables have linkage with strategic human resource so as to improve the business value of identifying, developing and retaining banking talents (Dewi, 2013). These are essential in turning talent strategy into business strategy for strong growth and better profits (Ong, 2009).

Objectives and Hypotheses of the Study:

The general objective of this study is to examine the relationship between organizational differences (Talent Management Practices) and individual (or employee) effectiveness (Employee Value Proposition and Talent Brand Strategy).

Specifically, this study attempts to:

1. Examine the levels of Talent Management Practices, Employee Value Proposition and Talent Brand Strategy in the Malaysian banking industry.
2. Examine the relationship between Talent Management Practices and Employee Value Proposition.
3. Examine the relationship between Talent Management Practices and Talent Brand Strategy.
4. Examine the relationship between Employee Value Proposition and Talent Brand Strategy.
5. Ascertain the mediating effect of Employee Value Proposition by examining its relationship with organizational differences, namely Talent Management Practices and Talent Brand Strategy.

This study attempts to test the following hypotheses:

H1: There is a positive relationship between Talent Management Practices and Employee Value Proposition

H2: There is a positive relationship between Talent Management Practices and Talent Brand Strategy.

H3: There is a positive relationship between Employee Value Proposition and Talent Brand Strategy.

H4: Employee Value Proposition mediates the relationship between Talent Management Practices and Talent Brand Strategy.

Ultimately, this study attempts to testify that the relationship between Talent Management Practices and Talent Brand Strategy is mediated by Employee Value Proposition; hence proposing talent strategy to become a business strategy for Malaysian banking institutions.

Literature Review:

The most effective talent management practices should be organization-specific and be responsive to the organization's unique business and its human capital context. Since this statement is based on D'Annunzio-Green *et al.* (2008), in ensuring individuals are given opportunities to develop skills and enhance their careers, talent management practices should encompass the whole of the talent management pipeline. For that to happen, Talent Management Practices must be completely aligned with an organization's mission, vision and values, and fully integrated into the organization's long term strategic planning. These aims are proposed by Hannum, Martineau and Reinelt (2007), in an in-depth review of designs for evaluating leadership development and using the evaluation to increase its impact on business.

The above needs were further reinforced by a subsequent report in August 2008 by McKinsey Malaysia & Co. quoted as confirming talent to be an important Malaysian corporate resource over the next 20 years. As such, as demand goes up and supply of talent goes down, more and more Malaysian organizations will realize the importance of having talent strategy. In other words, companies should plan for management strategic focus on talent brand strategy and employee value proposition. This is essential to be done as there is acute shortage of banking talents in Malaysia (Taing, 2010) and supported by Zeti (2008) on the need for talent development in the Malaysian banking sector.

The researchers of this study are motivated to examine issues related to talent management practices in the Malaysian banking industry. This is done by examining Employee Value Proposition within an organization. These are important as Talent Management Practices form a powerful and systematic framework for understanding why employees differ in terms of their effectiveness in the banking industry (Boudreau & Ramstad, 2007; Lewis and Heckman, 2006; and O'Donnell, 2002). Since talent management practices is a business strategy and not a human resources strategy as proposed by Ong (2009), it can be generalized that the aim of talent management practices is to identify people in the organization who have more talent than others, and hence, proposing talent management as a business strategy becomes the thrust of this study.

Research Framework and Methodology:

The research framework of this study comprises Talent Management Practices (TMP) as the independent variable, Employee Value Proposition (EVP) as the mediating variable, and Talent Brand Strategy (TBS) as the dependent variable. TMP consists of five dimensions, namely talent acquisition, competency management, leadership development, succession planning and performance management. TBS consists of three dimensions,

namely leadership brand, employee brand and working environment. EVP consists of four dimensions, namely EVP task, EVP contextual, EVP assignment specific and EVP sustainability. As a mediating variable, Employee Value Proposition is expected to mediate the relationship between Talent Management Practices and Talent Brand Strategy.

The population of this study consists of 1413 bank employees in the Malaysian banking industry. The population of bank employees will then be divided into I) Commercial Bank II) Development Financial Institution, and III) Islamic Bank. The differences between banks' employees and banks' category will determine the effects of Talent Management Practices on Employee Value Proposition in the Malaysian Banking industry. For this reason, the study has mailed 82 questionnaires to 1400 respondents with a return of 342 responses.

As this study employs the survey method, for data analysis, the authors use Structural Equation Modelling (SEM) as a model to test for direct and mediating effects, followed by Confirmatory Factor Analysis (CFA) to test for reliability and validity the survey instrument. After the questionnaires were collected, a running number was assigned to each individual respondent before the data were entered into the computer for analysis. The running number functions as an identification code for each respondent for the purpose of checking their responses if there was a problem with the quality and validity of data collected. The collected data were analyzed using the Statistical Package for the Social Sciences (SPSS) 17.0 program and Structural Equation Modelling (SEM).

RESULTS AND DISCUSSIONS

In this section, a summary of the research findings are provided in relation to the four research objectives of this study.

Research Objective 1: The Relationship between Talent Management Practice and Employee Value Proposition:

The first objective of this study is to examine the relationship between Talent Management Practices and Employee Value Proposition in Malaysian banks. The results indicated that Talent Management Practices were significantly positively related to Employee Value Proposition. This supports Dell and Hickey (2002) whose study confirmed that Employee Value Proposition is an important component that makes clear to employees 'what is in it for them'. In fact, Morton (2005, p 11) asserts that, 'Talent Management is integral to engaging employees in the organization'. This statement has brought together effective Talent Management Practices (TMP) and Employee Value Proposition (EVP) to the organization to make sure the organization can successfully acquire and retain the essential talents. As such, this study has confirmed on the significant relationship between TMP (that represents processes of talent program) and EVP (that represents retaining talented employees).

Going forward, Talent Management Practices were found to be positively related to Employee Value Proposition, thus supported the study by American Productivity and Quality Centre (2004). The 2004 study found the followings: Talent Management components and accountabilities of senior leadership roles, finding talent (competency models, talent gaps, recruiting and assessment techniques), delivering performance (development performance management and retention) and talent metrics. This means that organizations differ with respect to some key issues such as level of management involvement, and the application of Talent Management components, processes and practices by different organizations. In addition, this study also reports that Talent Management Practices (TMP) focus on the most valued talent, such as having committed Chief Executive Officers and senior executives. This shows that the various Talent Management components can be coordinated into a larger system, as verified by the current study in which TMP represents the process system of talent development that is to be practiced and coordinated at all levels of the organization (Malaysia Productivity Corporation, 2009). Moreover, this is testified by the significant relationship between the system (TMP) and employees (EVP) in this study.

Interestingly, the findings of this study revealed that overall, the significance of the link between Talent Management Practices and Employee Value Proposition was found to favour large number of employees in Malaysian banks. The findings also indicated that employees in Malaysian banks possess a higher level of capability to function and manage effectively Talent Management Practices as a system of talent development, and Employee Value Proposition in terms of valuing employees' commitment.

In summary, the first objective of the study was achieved as the results indicated that after examining the relationship between Talent Management Practices and Employee Value Proposition, Talent Management Practices were found to be significantly positively related to Employee Value Proposition.

Research Objective 2: The Relationship between Talent Management Practices and Talent Brand Strategy:

The second objective of this study is to examine the relationship between Talent Management Practices and Talent Brand Strategy in relation to employees in Malaysian banks. The results indicated that after accounting

for the relationship between Talent Management Practices and Talent Brand Strategy among employees in Malaysian banks, Talent Management Practices were found to be significantly positively related to Talent Brand Strategy. Therefore, the second objective of this study was also achieved.

The findings of this study supported the work of Guthridge *et al.* (2008). This means that it provided empirical evidence with regards to connecting people to strategy to serve customers as this will build extraordinary results and having long term value. For this, they described the Hewitt alignment model of aligning strategy with talent and outcomes, and made the argument that there is a talent solution to many business problems; hence talent should become a business strategy. As documented earlier, after five years of extensive survey studies involving 120 companies by McKinsey & Company, Michael *et al.* (2001) highlighted the importance of ways to attract, develop and retain talent. As the present study testified that talented people are drawn to organizations that will help the organizations to develop new skills, knowledge and experience, it describes how Talent Management is integrated into the system and this integrative talent program can grow over time in the Malaysian banking sector. As such this requires an investment in talent (Zeti, 2008) due to the acute shortage of banking talents (Taing, 2010).

Therefore, the findings of this study indicated that attributes and behaviors support Malaysian banks' talent strategy. This is supported by a strong, significant relationship between Talent Management Practices (TMP) and Talent Brand Strategy (TBS). As such, the results of this study suggested that Malaysian banks need to be aware of the fundamentals of a corporate culture by diagnosing the organization's relationship with its employees and deciding on the form of management-employee relationship. This implies that banks need to have their own systematic talent program (TMP) and strategic leadership branding (TBS).

Research Objective 3: The Relationship between Employee Value Proposition and Talent Brand Strategy:

The third objective of this study is to examine the relationship between the Employee Value Proposition and Talent Brand Strategy among the employees of Malaysian banks. The results indicated that the two variables were significantly positively related to each other. The results supported the research by Kunerth & Mosley (2011). This means that the organizations in this study (i.e., banks) can also create an Employee Value Proposition, which is regarded as the central reference point for both their employees' engagement strategy and recruitment communication.

As expected, the relationship between Employee Value Proposition and Talent Brand was significant. This supported the findings of Schlager, Bodderas and Cachelin (2011). As such, this study also seeks to focus on how to create favourable employee attitudes that are relevant for the creation of service branding in the Malaysian banking industry. In this context, the aim is to develop a framework that combines the concept of perceived employer brand and employees' outcomes, which are relevant in service branding for Malaysian banks.

In addition, the findings also supported Dell and Hickey (2002) who empirically verified the relationship between Employee Value Proposition (EVP) and employer brand (Talent Brand Strategy). At this point, this study validates on the need for Malaysian banks (organization as represented by TBS) to identify, recruit, develop and retain a pool of talents (employees as represented by EVP). Likewise, this study supported the research by Morton (2005) regarding effective recruitment and retention of scarce employees. Therefore, this study has successfully achieved significant relationship between EVP and TBS, in the Malaysian banking sector. Thus, this study concludes with positive findings in relation to the relationship between Employee Value Proposition and Talent Brand Strategy. This also indicated that employees in Malaysian banks possess higher levels of capability to function and manage effectively Employee Value Proposition and Talent Brand Strategy.

In summary, the third objective of the study was achieved as the results indicated that after examining for the relationship between Employee Value Proposition and Talent Brand Strategy, it was found that the two variables were significantly positively related to each other. The results also revealed a positive relationship between Employee Value Proposition and Talent Brand Strategy.

Research Objective 4: Mediating effect of Employee Value Proposition on the relationship between Talent Management Practices a Talent Brand Strategy:

The fourth objective of this study was to examine the mediating effect of Employee Value Proposition on the relationship between Talent Management Practices and Talent Brand Strategy. The results revealed that Employee Value Proposition has partially mediated the relationship between Talent Management Practices and Talent Brand Strategy. This has fulfilled the fifth research objective of this study. One major implication of the inclusion of Employee Value Proposition in this study is to put to realization that an organization is responsible for the effects of Talent Management Practices and Talent Brand Strategy on employees. As such, this study has validated on the need to have an integrated system of talent programs (TMP) involving recruitment, development and retention of talented employees (EVP) by Malaysian banks (TBS) due to the intensity of banking competitions (Zeti, 2008) and acute shortage of banking talents (Taing, 2010). This also calls for an integrated banking talent development (Syed *et al.*, 2012).

Likewise, the results of this study appeared to be in line with Erickson and Gratton (2007), in that highly engaged employees articulate their values and attributes in order for their employer companies to succeed. With reference to Dell and Hickey (2002), employer branding establishes the identity of a company as an employer. Additionally, the results of this study are also in line with Morton (2005) as noted earlier on the significant relationship between TMP as a system of talent management, TBS as an organizational leadership branding and EVP as valuing the commitment of employees, with respect to the Malaysian banking sector.

Based on these premises, the researcher has provided some evidence in relation to the mediating role of Employee Value Proposition on the relationship between Talent Management Practices and Talent Brand Strategy. In this regard, the present study was the first to examine the mediating effects of Employee Value Proposition on the relationship between Talent Management Practices and Talent Brand Strategy, by using employees of Malaysian banks.

Concluding Remarks:

Talent Management Practices (TMP) as a variable was found to be a significant predictor of Employee Value Proposition (EVP) and Talent Brand Strategy (TBS). This implies that TMP is an essential mechanism to generate creativity out of employees. This is important as TMP is able to facilitate EVP and TBS in Malaysian local banks. In addition, EVP in the empirical model is also found to mediate the relationship between TMP and TBS. In other words, EVP carries the influence of the TMP on TBS. This indicates that TMP will predispose bank employees in the Malaysian local banks to have effective EVP, which in turn will provoke TBS to develop talent systems, and enhance employers' commitment and employees' development. This study also provides critical insights by emphasizing and reinforcing on the importance of talent system for successful accomplishment of talent programs in Malaysian local banks. Particularly in this era of financial globalization, Bank Negara Malaysia has since 2008 been concerned about the acute shortage of banking talents; hence justifying the need for talent management to be a useful business strategy for banking businesses to remain competitive and profitable in the long run.

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