



“INVESTMENT IN HUMAN CAPITAL FOR SUSTAINABLE GROWTHS AND PROFITS: THE NEED OF TALENT MANAGEMENT FRAMEWORK FOR MALAYSIAN BANKS”

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ABSTRACT

Malaysian banking industry is having problem in retaining young talented bankers for sustainable growth due to the acute shortage of banking talent, stiff competition and war of talent among banking industries' players both locally and globally. Therefore, this paper aims to identify major factors influencing talents' retention and propose talent program framework that can help local banking industry to develop and retain the talented Malaysian bankers. The study discusses Talent Management Practices (TMP), Employee Value Proposition (EVP) and Talent Brand Strategy (TBS) as its three variables with 12 indicators of Malaysian banking industry by testifying their direct and indirect relationships. The study also verified that EVP with reference to intention to leave for young Malaysian bankers partially mediates the relationship between TMP and TBS for Malaysian banks, signifying its significant presence between talent development and talent retention, and hence may have competitive edge and sustainable growth of the Malaysian banking industry in the future. The study concludes that since talent management requires investment in human capital, Malaysian banks as

major players of capital markets, the need to have an integrated talent program is crucial and timely for their sustainable growths and profits.

Keywords: Human capital; banking talent; talent retention; sustainable growth; capital markets.

Introduction

Investment in human capital refers to activities that involve improving the capabilities and competencies of the human capital in organization. In the banking sector, investment in intangible assets relate to investment in banking talent. Talent is defined as individual having the high capabilities and potentials to contribute significantly to organization growth in the future. Thus, talent is seen as a powerful source of growth and profits. In talent management, talent program starts from identifying, recruiting, developing and retaining talented employees of banking sector. A lot of money had been spent on attracting and developing talents in the banking sectors, however, the Malaysian banking industry is, in turn, facing problem of retaining young talented bankers for sustainable growth and profitability. This is due to acute shortage of banking talent and stiff competition within financial services industry locally and abroad.

Talent management strategy is generally used as a business strategy to identify, recruit, develop and retain talented employees in organisations. With reference to Blass (2007), talent management can be generally defined as the additional management process and opportunities that are made available to people in the organization that are considered to be talented. As business today is borderless, talent is seen to become potential powerful source of competitive advantage. Many big organisations, however, seem to spend much time on selecting and developing their talented employees but less focus their effort and time on retaining them (Malaysia Productivity Corporation, 2009), as a result, many of their talented employees were found moving out to the greener pasture without them realizing. This scenario eventually affects their strategic and long term

growth plans. Among companies much affected by problems of retaining talents are the Malaysian banks (Taing, 2010 and Hussain, 2013). Therefore, it is timely for Malaysian banking sector to develop their own integrated talent management program framework that not only develop but also helps retain their young talented bankers.

According to Morton (2005) , in order to effectively recruit and retain scarce labor, organization needs to create and perpetually refine an employee value proposition. On this basis, researchers will identify the level of employee value proposition of talented people within Malaysian banking sector. With reference to Blass (2007), talent management can be generally defined as the additional management process and opportunities that are made available to people in the organization that are considered to be talented, and shall focus from recruiting to retaining talented staff (Malaysia Productivity Center, 2009) as talent program requires investment in human capital (Zeti, 2008). To keep the best and the brightest workforce, therefore, companies will need to optimize human capital through human resource and organization development strategy (Sweem, 2009), and hence, turning talent strategy as a business strategy (Ong, 2009) for sustainable growth and profit.

To support the importance of talent management and its relationship with talent brand strategy and employee value proposition in the Malaysian banks, this paper examine the impact of talent management practices on talent brand strategy and mediating effect of employee value proposition in the Malaysian banking industry. Based on study by Bhatnagar (2007), talent management was initially designed to improve the process of developing people with the required skills and aptitude to meet current organization needs. The high performing organizations are more likely to have a formalized employee value proposition, and as an employee value proposition helps to identify, engage and retain critical workforce segments, it has probably contributed to their success (Deloitte, 2010). On these premises, this

research will highlight the evolution of talent brand strategy and employee value proposition and subsequently on the impact of talent management on talent brand strategy in the Malaysian banking sectors. These three underlying variables have a link to strategic human resource to improve business value on identifying, developing and retaining banking talents (Dewi, 2013), and hence turning talent strategy as a business strategy (Ong, 2009) for strong growth of the Malaysian banking industry.

Objectives and Hypotheses of the Study

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

Specifically, this study attempts to:

1. Measure the level of Talent Management Practices, Employee Value Proposition and Talent Brand Strategy in the Malaysian banks.
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 on the relationship between organizational differences (Talent Management Program and Talent Brand Strategy)

As a quantitative analysis, the study tests 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: Relationship between Talent Management Practices and Talent Brand Strategy is mediated by

Employee Value Proposition.

H5: There is relationship between Talent Management Practices and Talent Brand Strategy is mediated

by Employee Value Proposition)

Literature Review

Effective talent management is seen as a powerful source of human capital development and growth in any organizations. In human resource management, talent management program starts from identifying, recruiting, developing and retaining talented employees of an organization. From financial planning perspective, talent development requires investment in intangible assets. The above need was further reinforced by a subsequent report McKinsey Malaysia & Co (2008) highlighted that the important Malaysian corporate resource over the next 20 years will be talent. As such, as demand goes up and supply of talent goes down, more and more Malaysian organizations realize the importance of talent

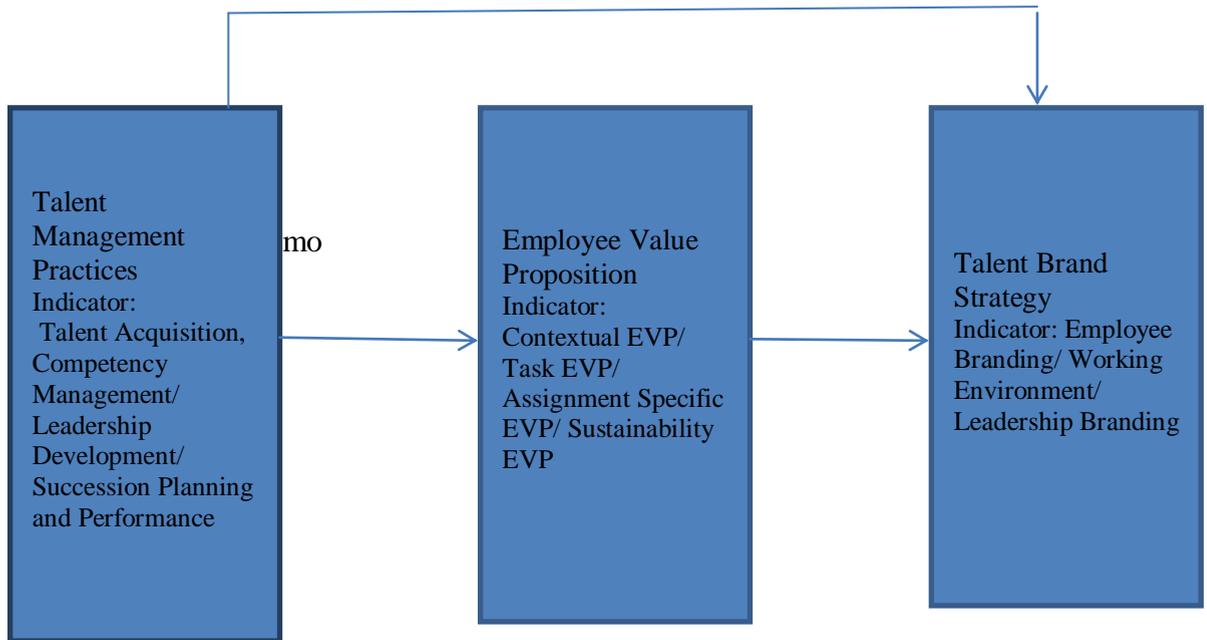
strategy and planning as part of the management strategic focus on talent brand strategy and employee value proposition, notably the acute shortage of talented young bankers in the Malaysian banking sector. Based on the above premises, it is clear that the talent brand strategy and employee value proposition within an organization remains operationally and strategically important to attract, develop and retain talents for organizational future success.

Likewise, in their study of intention to leave towards employment engagement or employee value proposition, Hussain et.al (2013) found that young bankers in Malaysia are constantly having intention to leave due to lack of integrated talent programs and less attractive salary packages for them. As such, it is noteworthy to mention that talent management will be a critical success factor for its human resource strategy and as part of a business strategy to develop and retain talented young bankers with attractive employment packages, and hence becoming the thrust of this study. The researchers are therefore motivated to study on the talent management practices, specially with regards to retention, in Malaysian banking industry by examining the employee value proposition (EVP) within an organization which will be the focal discussion point. Since talent management practices is a business strategy and not only a human resources strategy as proposed by Ong (2009), it can be generalized that the aim of talent management practices is to identify the people in the organization who are so called ‘talented’ than others and then to develop these people to become more capable and competent, able to play a greater part in the success of the organization in the future. This is seen as very important, notably, in the competitive environment of the Malaysian financial services industry that have recorded a turnover rate from barely 9% in 2010 to an alarming 13% in 2013.

Research Framework and Methodology

The research framework explains the roles and relationships between variables in helping to retain the talents. The study comprises of talent management practices (TMP) as the independent variable, employee value proposition (EVP) as mediating variable and talent brand strategy (TBS) as 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. Talent Management Process, Employee Value Proposition and Talent Brand Strategy will become additional management process and opportunities that are made available to highlight the developing talent management crisis model for quality life of banks employees in Malaysia. Talent Management Process should be develop based on Built-To-Change Theory, Integrated Strategic Change Theory (ISC), and Social-Cognitive Theory and combine with Talent Brand Strategy for organizations' effectiveness based on the employee value proposition and implemented to the Malaysian banking industry as illustrated below:

FIGURE 1: 3 VARIABLES WITH 12 INDICATORS



Researchers are motivated to conduct this study as it was found that an organization's leadership brand has a relationship with leadership recruitment and leadership development. Working environment, therefore, closely follows the process of creating and articulating critical thinking involving relationship with talent branding strategy. Likewise, employee value proposition (EVP) is one of strategic business challenges and a critical driver of corporate performance. Another important conception of talent management practices is that it has varied impact on the associations of employment such as commitment, turnover intention, differences between generations and differences between an exclusive and an inclusive approach. The unit of analysis for this study is bank employees, selected randomly from a list of 3417 listed in the directory of Malaysian banks. For this study, the researchers use only 342 samples based on the rule of thumb for determining sample size from a given population.

Results and Discussions

The constructs of talent management practices (TMP) and employee value proposition (EVP), the definition for level of significance for regression weight, the probability of getting a critical ratio as large as 11.389 in absolute indicates the p-value <0.0001 . This highlights that the regression weight for TMP in the prediction of EVP is significantly different from zero at the 0.05 level (two-tailed test). The definition for level of significance for regression weight for TMP and talent brand strategy (TBS), the probability of getting a critical ratio as large as 6.955 in an absolute indicates the p-value <0.0001 . In other words, the regression weight for TMP in the prediction of TBS is significantly different from zero at the 0.05 level (two-tailed test). EVP in the prediction of TBS is also significantly different from zero at the 0.05 level (two-tailed test). This refers to the definition for level of significance for regression weight and the probability of getting a critical ratio as large as 3.023 in absolute indicates the p-value <0.0001 .

The three variables of Talent Management Practices, Employee Value Proposition and Talent Brand Strategy are significant and this implies that that the convergent validity is therefore achieved as presented by the three following tables based on the Structural Equation Modelling (SEM):

Table 1: Goodness-of-Fit Indices of Measurement Model

Fit Indices	Accepted Value	Model Value
Absolute Fit Measures		247.080
		51.00
χ^2 (Chi-square)	<3	4.845
df (Degrees of Freedom)	>0.9	0.883
Chi-square/df (χ^2 /df)	<0.10	0.110
GFI (Goodness of Fit Index)		0.821
		0.944
RMSEA (Root Mean Square Error of Approximation)	>0.80	
	>0.90	
Incremental Fit Measures		
AGFI (Adjusted Goodness of Fit Index)		
CFI (Comparative Fit Index)		

Table 2: Model Fit Summary for Structural Model

<u>Fit Indices</u>	<u>Accepted value</u>	<u>Model Value</u>
Absolute Fit Measures		
x ² (Chi-square)		125.355
df(Degrees of Freedom)		49
Chi-square/df(x ² /df)	<3	2.558
GFI (Goodness of Fit Index)	>0.9	.941
RMSEA (Root Mean Square Error of Approximation)		
	<0.10	.070
Incremental Fit Measures		
AGFI (Adjusted Goodness of Fit Index)		
	>0.80	.906
CFI (Comparative Fit Index)		
	>0.90	.978

Table 3: Reliability and Validity Analysis for the Measurement Model

Construct	Cronbach Alpha (Above 0.7)	CR (Above 0.5)	AVE (Above 0.6)
Talent Management Practices	0.890	0.889	0.626
Employee Value Proposition	0.862	0.859	0.785
Talent Brand Strategy	0.971	0.973	0.922

Results of hypotheses are discussed as follows:

Hypothesis H1: There is positive relationship between talent management practices (TMP), employee value proposition (EVP) and talent brand strategy (TBS).

H1: Beta is not zero (the regression relation of TMP, EVP and TBS is significant). The hypothesis testing for causal effect of (TMP-EVP), (TMP-TBS) and (EVP-TBS) is also significant as there is positive relationship between TMP, EVP and TBS.

Hypothesis H2: There is positive relationship between talent management practices (TMP) and employee value proposition (EVP).

H2: Beta is not zero (the regression relation of TMP and EVP is significant). The hypothesis testing for causal effect of TMP and EVP is significant as there is positive relationship between TMP and EVP.

Hypothesis H3: There is positive relationship between talent management practices (TMP) and talent brand strategy (TBS).

H3: Beta is not zero (the regression relation of TMP and TBS is significant). The hypothesis testing for causal effect of TMP and TBS is significant as there is positive relationship between TMP and TBS.

Hypothesis H4: There is positive relationship between employee value proposition (EVP) and talent brand strategy (TBS).

H4: Beta is not zero (the regression relation of EVP and TBS is significant). The hypothesis testing for causal effect of EVP and TBS is significant as there is positive relationship between EVP and TBS.

H5: There is relationship between talent management practices (TMP) and talent brand strategy (TBS) is mediated by employee value proposition (EVP).

Refer to Lacobucci (2008), a theoretical premise posits that a mediating variable is an indicative measure of the process through which an independent variables is to effect a dependent variable. The researcher needs to assess the extent to which the effect of the independent variables on the dependent variables is direct or indirect via the mediator.

The findings of this study reveal that TMP is positively related to TBS effectiveness of EVP. This implies that greater the TMP level, greater the EVP and TBS level will be. Specifically, the findings of this study suggest that improving the creativity and human skill in TMP's dimension on talent acquisition, competency management, succession planning, leadership development and performance management will help to improve on all three dimensions of EVP; contextual, assignment specific, task and sustainability of EVP, and hence it represents a quality of employee experience. In addition, improving on the talent acquisition, competency management, succession planning, leadership development and performance management as dimension of TMP will help individuals to perform in their quality or experience specifically on the contextual, assignment-specific, task and sustainability of EVP.

The results of this study also suggest that improving on EVP will help to improve the TBS. Specifically, the findings of this study imply that improving on quality of employees' experience will help also to improve all three dimensions of TBS; namely employee brand, working environment and leadership brand. This study

also reveals that EVP has significant mediating effect on the relationship between TMP and TBS. Interestingly, the results of this study found that EVP partially mediates the relationship between TMP and TBS, testifying that TMP represents a talent system, TBS represents employers' commitment and EVP represents employees' development; and hence, suggesting Malaysian banks to build rather than buying talents by not only focusing on talent development but also on talent retention for their sustainability in the competitive banking environments.

With these significant relationships, the findings of this study suggest that it is timely for Malaysian banking industry to develop their own integrated talent program model that not only helps developing but also retaining their talented bankers with attractive salary packages and succession planning for higher managerial posts. In view of competitive banking sector in Malaysia, there is a strong need to use talent program model in managing talent crisis as talent management requires investment in human capital. Therefore, Malaysian banks have to develop their own talent management model in order to retain their talented bankers and to ensure a continuous high productivity and quality products and services. This is deemed critical for the banking sector to compete and remain competitive and able to sustain its growths and profits in the Malaysian and global banking industry in the future.

Concluding Remarks

Talent management practices' (TMP) factor was found to be significant predictors of employee value proposition (EVP) and talent brand strategy (TBS). This implies that TMP is the vital creativity of human skill to facilitate EVP and TBS in the Malaysian local banks. In addition, EVP in this model is also found to mediate the relationship between TMP and TBS. In other words, EVP carries the influence of the TMP on the TBS. This indicates that TMP will predispose bank employees in the Malaysian SMEs to have effective EVP which in turn will help to have their

TBS in terms of their significant relationships for the talent system, employers' commitment and employees' development. This study also provides critical insights by emphasizing and reinforcing on the importance of talent management system for successful accomplishment of talent management programs as a business strategy in the Malaysian banking industry in the era of globalization. Talented employees are more engaged, able to attract more customers and improve companies branding. An effective talent management framework will enhance employees' commitment, engagement, retention and eventually reduces turnover. Therefore, with integrated talent management programs in place, the Malaysian banks as major players of Malaysian capital markets, could manage well against expected banking talent crisis. By adopting a sound strategies in attracting, developing and retaining their talented young bankers as their successful business strategy for future annual growths and profits, will eventually pave the healthy landscape for capital market with reference to banking industry to successfully manage opportunities and challenges of changing global banking environments.

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