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# TALENT MANAGEMENT: FROM HR COST TO HR INVESTMENT

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The development of an increasingly uncertain era, commonly referred to as the Volatility, Uncertainty, Complexity, and Ambiguity (VUCA) era, demands that every organisation creates significant added values through competitiveness, innovation, and a long-term growth (Azeem et al., 2021). One of the challenges faced by organisations today is the willingness to shift paradigms related to talent management. Often, human-resource management is perceived merely as an expense to be minimised rather than being viewed as a long-term strategic investment that can strengthen the financial health of a company. A principle that every organisation must understand is a recognition that individuals within the organisation play a crucial role in the effectiveness and success of sustainable strategies (Opoku-Dakwa et al., 2018). Talent management, which needs to be developed by organisations within the financial system, is commonly referred to as intellectual capital. This intellectual capital is an asset owned by the organisations stemming from the knowledge, skills, and the expertise of individuals within them. Additionally, intellectual capital can include intangible assets, such as trademarks, customer relationships, or business partnerships (Morley et al., 2015). Therefore, this paper will focus on how to enhance intellectual capital through investment strategies in talent management.

Enhancing skills through talent policies is a long-term investment to increase knowledge, skills, and competencies that help employees to advance their careers and organisations in achieving their goals. One concrete example illustrating that talent management is a strategic investment yielding returns for the organisation is seen during the COVID-19 pandemic, when many organisations retrained their employees as a short-term, sustainable strategy to drive and sustain their organisational growth by addressing skill gaps in crisis management. Many organisations have revealed that investing in skill development enhances the performance and reliability of their employees, which impacts organisational performance and finances (Pickett, 1998). However, organisations that fail to prioritise talent development within would typically incur complex costs and mitigations in improving employee productivity, which affects performance and finances (Vroman & Tiffany Danko, 2022).

The strategy for improving financial performance can begin with how an organisation invests in its human-resource department. Starting from recruiting employees based on meritocracy, skill development, such as reskilling and upskilling, from focusing on employee welfare to creating an inclusive working environment. Creating a working environment that fosters growth allows employees to contribute maximally to organisational revenue. For example, when they feel that their skills and welfare are met, they will be enthusiastic in providing customer-oriented services, thereby, achieving financial-performance targets (Harvey & Sotardi, 2018). Meanwhile, investing in skill development will also help employees to adopt new tools to expedite some of their tasks. With rapid changes in social and economic conditions, including the emergence of automation and AI, which not only create opportunities for new job fields but also lead to a shortage of skilled labour, organisations are compelled to increase such investment (Acemoglu & Restrepo, 2019). Investing in talent development is akin to investment strategies in other fields requiring calculation to ensure long-term returns. Metrics used to measure talent investment in the era of Industry 4.0 are no longer soft metrics, such as satisfaction scores, employee feedback, and completion rates. Instead, measures, such as revenue, productivity, and employee retention, can be used to equate talent-management investment to investments in other areas, as revealed by the McGowan (2021).

The first strategy is for organisations to identify skills needed by their employees. This identification cannot be achieved through the one-way questioning of employees about their needs. The strategy can be executed in three stages: (1) The organisations need to establish talent-requirement standards to achieve short-term and long-term plans, subsequently identifying the current level of employee abilities. This aims to determine clear organisational standards and direction, allowing a comparison between goals and preparedness; (2) The organisations can survey employees regarding the skills they need to facilitate performance improvement and career development; and (3) Establishing skill-development priorities by considering short-term and long-term plans related to organisational goals. Investment considerations for the human-resource department also involve weighing the current talent pool's abilities through reskilling and upskilling against recruiting new members, with obligations to invest in recruitment processes, orientation periods, and development. Ensuring that the current employees are motivated to grow and learn new things should also be put into consideration. Having said that, employees with low learning agility may render talent-development investment concepts suboptimal.

The second strategy involves calculating the expenditure for investment against the returns that the organisations will receive. Employee skill development is usually qualitatively measured. In this investment concept, it can be measured quantitatively like other investments. Organisations that have invested in talent management can measure their results through organisational and financial performances. Returns for the organisations after implementing this investment policy could include innovations emerging from employees, whether in services, products, or operational processes within the organisations. Employee productivity, retention, and brand, or organisational image enhancement, are measurable outcomes after these organisations allocate resources for human-resource development and empowerment.

The third strategy involves concrete steps to shift the perspective of a human-resource-development expenditure from being seen as a cost to being considered an investment. This step involves categorising such expenditure as the investment in financial reports. This approach reaffirms that the organisations explicitly state that the budget allocation invested in training, employee development, and welfare programmes is not a burdensome expense but rather creates added value that enhances organisational performance. Those organisations that implement this policy prioritise talent management as a long-term strategy to improve and manage intellectual capital. The hope is that the policy will assist the organisations in achieving their goals by enhancing profitability, revenue growth, and financial sustainability.

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