

Talent Management Practices And Employee Retention Among Professional Workers In Five Selected Government Linked Companies In Malaysia

Zarina Begum Ebrahim, Nur Alia Abdul Razak, Nurul Ain Mustakim, Noorzalya Mokhtar,
Muna Kameelah Sauid

Faculty of Business Management, Universiti Teknologi MARA, Campus Bandaraya Melaka
zarinal48@melaka.uitm.edu.my; aliarazak@gmail.com.my;
ainmustakim@melaka.uitm.edu.my; noorzalya@melaka.uitm.edu.my;
munasauid@melaka.uitm.edu.my

Abstract: In today's global business environment, talent becomes the potentially powerful source of competitive advantage. The talent management and employee retention has always been brought up by researchers, top management as well as HR Professionals to address its importance. Thus, the aims of this research are to examines the relationship between talent management practice and employee retention among professional workers in five Government-linked companies (GLC) in Malaysia. Five core talent management practices tested in this study were performance recruitment, performance management, succession planning, training and development and rewards and compensations. The population consists of 140 professional workers from five GLC companies. Data have been collected by questionnaire and analyzed using SPSS. The findings indicate all the five talent management practices have positive correlation on employee retention. Meanwhile, the result of multiple regressions shows only performance management and recruitment positively effect on employee retention. The limitations of the study include a small sample size, (N= 140) and was not longitudinal in nature and could be limited to generalizability to other samples. This study is significant for HR practitioners in setting the direction for future research in the area of talent management and help managers understand the significant roles of talent perception to design employee retention policies that are evidence based because the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance. Future study also should incorporate a more strategic and holistic approach of investigation to include talent identification, talent development and talent management culture as important contributors to talent management competency.

Keywords: Talent Management, Employee retention, GLC

Introduction

Organisations are increasingly recognising that employee retention is as critical a part of the talent portfolio as employee attraction. As the shortage of highly talented employees have becoming one of the biggest problems and for organization, retain employees has become one of the main challenges in an organization (Kibui, Gachunga & Namusonge, 2014). Furthermore, in highly competitive global markets, organizations from all over the world are facing challenges in the global talent management (Orwa & Njeri, 2014). For Government Linked Companies in Malaysia, each of the companies had their own unique characteristics of government ownership and not many other countries had such a structure among their listed companies (Halisah, 2012). Therefore, the companies should be better governed and performed well in terms of operations, resources and business opportunities since GLCs were under constant shareholder by public investor and government (Halisah, 2012). She also stated that most GLCs' corporate performance especially market and financial was lower than non-GLCs. According to Halisah, (2012), the most important factor that causes of Malaysian businesses lagging behind other companies from other country such as Singapore in terms of sustainability was because of Malaysia's lack of highly talented talent in their organization. Moreover, Halisah (2012) reported, there was now an increased demand for highly skilled professional workers in GLC that able to meet the changing requirements of an increasingly globalized and borderless workplace. The impact of not managing the talent is on the low of organization's productivity, and lost opportunities to succeeding in the future of the business. GLCs itself must take action and concerns that Malaysia did not have enough

talent to meet the business demand. Shrinking talent pools were building a heavy competition for the best talent and skills mismatch in GLCs exacerbated this growing problem. Furthermore, it would be a huge problem and challengers for GLCs as they need to compete with other private companies for highest performance. To the best of our knowledge, very few studies have attempted to study the talent management practices in Asian countries especially in Malaysia. Shortage of data is usually cited as the main reason for the lack of research on talent management practices in Asian countries like Malaysia. One of the main contributions of the study is that by researching in Malaysia especially GLC companies, researcher can help provide further insight for organizations on how to adapt their talent management practices to fit different industries as well.

Thus, this study need to be undertaken because as GLC is being the key drivers of the Malaysian economy, GLCs are now depends on the management and the talent itself for future growth and business success. GLCs must manage their workforce especially highly talented workers effectively regardless of the workforce or economic conditions. GLCs also must cope with its challenges and develop talent solutions to meet these challenges. Hence, this study aims to highlight the importance of talent management practices in retaining professional workers in five selected GLCs Companies in Port Dickson, Negeri Sembilan.

Research objectives

The objective of this study is to identify the relationship between talent management practices and employee retention among professional workers in five selected Government Linked Companies in Port Dickson, Negeri Sembilan.

Review of Literature

Retention

Retention is viewed as a strategic planning and how the organizations maintain valuable employees in the organization (Oladapo, 2014). According to Isfahani and Boustani (2014), the relationships in valued the employee in organization is important and it can be accomplished by constantly respond to the needs of employees. Moreover, Oladapo (2014) said, retention will be improved when employees are offered rewards and compensation and can balance work and life activities. Most of the organizations were experiencing difficulties in recruitment and retention of employees especially when they have to compete with other organizations for skilled and talented employees (Kibui, Gachunga & Namusonge, 2014). Therefore, the organizations have to plan on how they manage and retain as it has an economic impact when some organization losses any of its talented employees. And once people do leave, there are significant cost and social impacts (Bersin 2013). There are many factors influencing employee retention in an organization. According to the researchers, talent management overlap practically about all activities of human resource management, such as recruitment, selection, hiring, developing, rewarding, etc., however the substance of these activities has differences. Torington (2014), in his study found training appears to play a crucial role in employee retention as it encourages or demands some level of engagement form the trained worker. Olladapo (2014) concluded that there is impact of talent management on attracting, hiring and developing employees as well as on retaining employees. Thus, employee retention will be most effective if it is aligned to other activities in the people management 'cycle' such as talent management, reward strategy and employee engagement. A holistic approach to the subject is an important success criterion. Thus, effective talent management and retention practices are likely to attract individuals to the organization and increase the chance of retaining them.

Talent Management

Talent management and employee retention have been debated for few years. The topic has been studied and investigated from a few researchers. Talent management can be defined as a well-planned and systematic process of identifying, developing and sustaining talent (Oladapo, 2014). Tiwari and Shrivastava (2013) defined that talent management as a process which includes some of organizational activities such as identifying, selecting, developing, and retaining the best employees. According to

Aibeyi & Henry (2015), talent is important and acts as core competencies towards and organizations. They determine that talent refers to core employees that able to contribute to drive the business forward. This lack of consensus and the absence of a precise definition, is seen by some researcher as contributing to our limited understanding of talent management (Collings and Scullion, 2009; Mellahi and Collings, 2010). On the other hand, there are some researchers who admit to not being able to define talent management (Frank and Taylor, 2004; Ashton and Morton, 2005).

The Relationship Between Talent Management Practice and Employee Retention

Recruitment and Employee Retention

Hughes et. al. (2008) in Research "A strategy for improving employee recruitment, retention and engagement within hospitality organizations" investigated the effect of Talent management on employee recruitment, retention and engagement. The study revealed that the benefits of an effectively implemented talent management strategy include improved employee recruitment and staffs' retention rates, and enhanced staffs engagement. These outcomes have been associated with improved operational and financial performance. Further, as mentioned by Alleyne et al. (2012), employee retention begins with better recruitment. Therefore, it is hypothesized:

Hypothesis 1 (H1): There is significant relationship between talent management practice (recruitment) and employee retention.

A. Performance Management and Employee Retention

Other than that, in the research of "Talent management and employees retention in Nigerian Universities" by Aibeyi and Henry (2015), talent management in this study represented by performance management, employee's empowerment and compensation and reward. The study shown that performance management and rewards do have positive relationship in in retaining employees. Therefore, it is hypothesized:

Hypothesis 2 (H2): There is significant relationship between talent management practice (performance management) and employee retention.

B. Succession Planning and Employee Retention

Eshiteti et al (2013) researched on effects of succession planning programs on staff retention amongst sugar companies in Kenya and concluded that more employees had high job satisfaction because of going through the succession planning process with the hope of being next in line of management. This had a positive effect on the retention of staff in the sugar firms under study. Therefore, it is hypothesized

Hypothesis 3 (H3): There is significant relationship between talent management practice (succession planning) and employee retention.

C. Rewards and Compensation and Employee Retention

Armstrong (2009) says rewards play a more significant role in staff retention. In the sense that, if employees do not find their work to be rewarding, they will most likely begin to look for more alternatives. Meanwhile, D'Souza (2008) says that focus on effective rewards always requires a package which is attractive enough to prevent people from becoming dissatisfied looking elsewhere for career development opportunities. Therefore, it is hypothesized:

Hypothesis 4 (H4): There is significant relationship between talent management practice (rewards and compensation) and employee retention.

D. Training and Development and Employee Retention

Kibui (2014) stated that the highly talented people are very determining to have their own goals in developing their career. They also require the help and support of the organization to achieve that development. Therefore, they will stay in the firm only if the employer gives them every opportunity to develop their potential. Therefore, it is hypothesized:

Hypothesis 5 (H5): There is significant relationship between talent management practice (training and development) and employee retention.

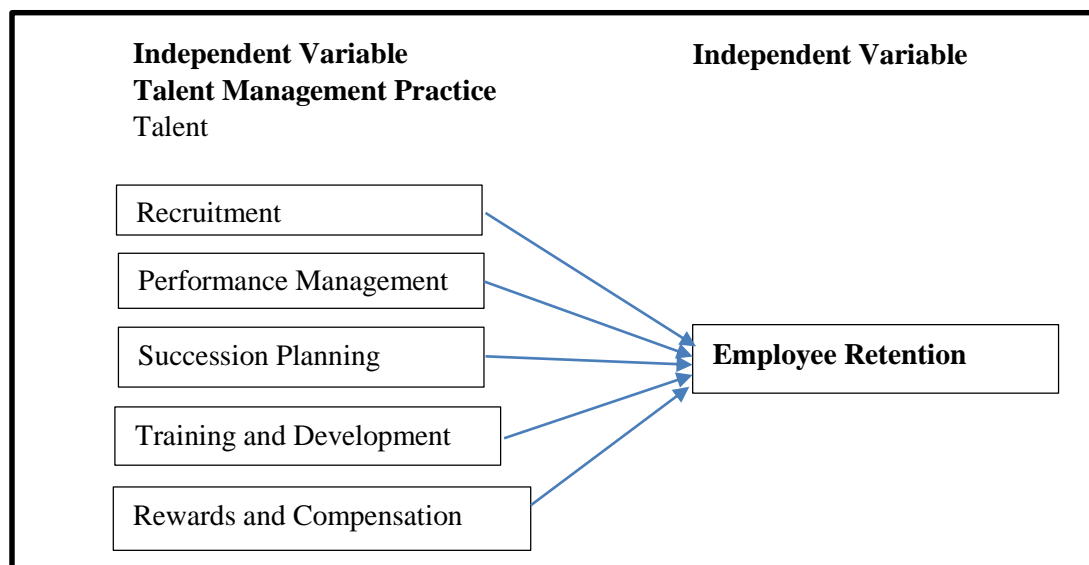


Figure 1: Theoretical Framework of Recruitment, Performance Management, Succession Planning, Training and Development and Rewards and Compensation that influence employee retention.

Theory Related to Talent Management

There are many models and theories on talent management leading to employee retention. To explore the relationship between talent management and employee retention, the researcher focused on three theories as debated by various researchers: Social Exchange Theory (SET), Human Capital Theory (HCT), and Equity theory all of which are relevant to this study. Social exchange theory (SET) is among the most influential conceptual paradigms for understanding workplace behaviour. The theory is used as the basis in explaining how employee decided to be engage in their work. Based on the SET view on organizational commitment and engagement, it suggests that individuals remain or attach themselves to an organization in return for positive rewards from the organizations. Further, this theory indicates that an employee decision to remain as a member of the organization is determine by the employee view of fairness in the organization and also the employee's contribution. Wilson (2015) also emphasized the Human Capital Theory (HCT)to explicate talent management in organizations. The theory suggested that investment is the main driver for the process of the organization which includes the correlation between inputs and outputs. The researchers explained that, HCT focused on the organization's investment in a talent employees' development and training. Meanwhile, Equity theory developed by Adams (1960) describes the relationship between fairness and worker motivation. This theory is concerned with perceptions people have about how they are being treated as compared to others in a similar sector. For instance, an individual's motivation level is determined by how he/she perceives equity, fairness and justice practiced by management. The implication is that the higher the degree of employees perceiving fairness, the more they are motivated to perform, and their levels of commitment increases hence they are likely remain there for long.

Research Methodologies

The research design chosen for the study is correlational research. In this study, the population consists of 140 professional workers from five selected GLC companies. The sampling technique used was census sampling since the whole population of professional workers in five Government Linked Companies in Port Dickson, Negeri Sembilan were involved in this study. The items in the constructs were measured using likert scale ranging from strongly disagree (1) to strongly agree (5). The questions for the recruitment, performance management and succession planning were adapted from Chikumbi

(2011). Rewards and compensation was adapted from Spector (1997). While the questions for the training and development and employee retention was adapted from Tetteh (2015). In testing the reliability of the instrument, the results indicate all the items were more than 0.7. The results of the data collected were obtained using Statistical Package for Social Sciences program (SPSS). A pilot test was conducted with 30 respondents to check the reliability and validity of the questionnaire. Pearson correlation and regression method were used to analyze the data.

Research Findings

Demographical Findings

For demographic information of respondent, the result shows that most of the respondents were female which is 57.5% (n=69) compared to male 42.5% (n=51). For the age of respondent, the respondents with age of 40 years and above is the highest which is 35% (n=42) compared to respondents with age 25 to 29 years which is only 19.2% (n=23). Most of the professional workers hold the position of middle managers which is 67.5% (n=81) while there were only 32.5% (n=39) of respondents hold the position of senior managers. For education, the respondents that hold Bachelor's Degree is the highest 43.3% (n=52) compared to PhD holder which is 5% (n=6). While for length of service, most of respondents worked in the organization for more than 11 years 35.8% (n=43) than 1 to 2 years of working 6.7% (n=8).

Data Analysis

The researcher had used Pearson's Correlation in this study in order to examine the association of talent management practice and employee retention. Based on the data analysis, the results show that all the five variables were positively associated with employee retention.

What is the association between talent management practice and employee retention among professional workers in five selected GLC companies?

The correlation matrix in Table 1 displays correlation coefficients between the independent and dependent variables. The results of the correlation matrix show that the dimensions of the independent variable and dependent variables were positively correlated to each other (see Table 1).

Table 1: Correlation Matrix

Research Variable	M	S.D.	1	2	3	4	5
Recruitment	3.27	.74					
Performance Management	3.35	.79	.612**				
Succession Planning	3.22	.82	.570**	.614**			
Compensation & Reward	3.15	.92	.466**	.521**	.530**		
Training & Development	3.11	.89	.421**	.662**	.469**	.567**	
Employee Retention			.616**	.667**	.555**	.531**	.513**

The finding shows that all the five variables are significantly correlate to employee retention where the p value is (p<0.05). Performance management and recruitment show the highest correlation on employee retention. Meanwhile succession planning, compensation and reward and training and development has moderate relationship on employee retention.

Hypothesis Results

Table 2: Regression Results between Dependent and Independent Variables

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739 ^a	.546	.527	.61634

Almost 54.6% of the variance in employee retention is explained by variation in the five independent variables (recruitment, performance management, succession planning, compensation & reward and training and development), ($F = 27.473$, $p < .05$).

A total of five hypotheses were tested through linear regression analysis. The results of hypothesis are as follows:

Table 3: Analyzing the hypothesis of research

Hypothesis	Independent Variable	Dependent Variable	Beta	T	Sig.	Result
H ₁	Recruitment	Employee Retention	.266	3.131	.002	Accept
H ₂	Performance Management	Employee Retention	.335	3.034	.001	Accept
H ₃	Succession Planning	Employee Retention	.093	1.071	.286	Reject
H ₄	Compensation & Reward	Employee Retention	.157	1.887	.062	Reject
H ₅	Training & Development	Employee Retention	.047	.523	.602	Reject

H₁ = There is significant relationship between talent management practice (recruitment) and employee retention.

This hypothesis is accepted ($p < 0.05$). This means that a one-unit change in recruitment would increase employee retention by 0.266 (on a five-point scale).

H₂ = There is significant relationship between talent management practice (performance management) and employee retention.

This hypothesis is accepted ($p < 0.05$). This means that a one-unit change in performance management would increase employee retention by 0.335 (on a five-point scale).

H₃ = There is significant relationship between talent management practice (succession planning) and employee retention.

The third hypothesis suggested that succession planning positively effects on employees' retention. However, contrary to our expectations, succession planning does not affect employee retention ($p > .05$). Hypothesis 3, therefore, is not supported.

H₄ = There is significant relationship between talent management practice (rewards and compensation) and employee retention.

Hypothesis 4 suggested that compensation & reward positively affects employee retention. However, this hypothesis too is not supported ($p. >0.05$).

H₅= There is significant relationship between talent management practice (training and development) and employee retention.

Hypothesis 5 suggested that training & development positively affects employee retention. However, this hypothesis also not supported ($p. >0.05$).

Discussion

The findings of this study add important information to the theoretical understanding of how strong the relationships are between talent management practice among professional worker and employee retention. This research demonstrated that all five the talent management practice had a greater impact in retaining the employees on correlational analysis. This finding is consistent with previous studies where talent management practice does influence employee retention. Surprisingly, Table 2 shows only performance management and recruitment positively effect on employee retention. Succession planning, rewards and compensation and training and development was found to be insignificant. Thus, these studies have however reported mixed findings with some reporting a positive relationship while others reporting a negative relationship.

The research also indicates performance management had a greater positive impact on job satisfaction as compared to other talent management practice. The results indicate that most of the employees in Government Linked Companies will keep retain in the organization if their performance were well managed such as giving feedback of performance appraisal and recognition for good performance by the organization. The findings also imply that, at GLC organization performance management is carried out and performance review focuses on evaluating employee competencies and abilities and performance appraisal is discussed with the supervisors. This findings is in line with Dhanabhakym and Kokilambal (2014), they states performance management would encourage and help to retain employees that have the best talent if the supervisor and employees shared their understanding of work expectations and goals, exchange performance feedback, identify learning and evaluate performance results. Kibui (2015) also stated that it is important of managing employees in all level as if the organization do not focus on their performance, the organization will face difficulties in finding competitive advantage through the talented employees in the organizations. The findings also show that Government Linked Companies in Port Dickson done well in recruiting their staffs whether from within the organization or from the outside and the new talent were well recruited by the organization. It is also influence in retaining the talent in the organization. This finding was in line with previous study conducted by Oladapo (2014), he stated that effective retention practices starts with good hiring practices from the organization. Organizations talent management strategy also should contribute to employee engagement and effective recruitment as this will create positive employer brand and employees will minimize turnover (Oladapo, 2014).

On the other hand, succession planning, rewards and compensation and training and development do not influence employee retention. The result, shows that the succession might not well implement throughout the organization. Some of the employees may not get the opportunity to be trained or to be developed by the senior manager to fill out their position in the future. According to previous research by Tetteh (2015), succession planning module is necessity and required to ensure long term of stability in management positions of an organization. By engaging talented people in organization, the organization will meet the organizational objectives by retaining the experts who are innovative while motivating them and allowing them to apply their knowledge to ensure global competitiveness. Findings from the study indicate that majority of the respondents felt they don't have a chance for salary increase and disagree the benefits they received are as good as most other organization offer. Lockwood and Walton (2008) noted, a good compensation is important in retaining employees. By offering an attractive compensation package, it will motivate employees to give full commitment towards an organization. Thus, the GLC organization need revise back on the benefit being offered to retain the employees. Most people feel a greater sense of accomplishment and self-worth when recognised by the organisation. Training and development also does not influence in retaining talent in the

organization. Majority of the respondents felt the organization should ensure the employee have received the necessary training and development. Previous research done by Tetteh, (2015), revealed training and development plays an important role as an investment in employees and retention by provides for career progression and their job satisfaction for a long time. He also stated that it can be consider as one of strategy for organization to motivate the employee.

Conclusion and Implications

Overall, the findings of the present study have provided answers to the research questions. The research results show performance management and recruitment has positive and significant relationship on talent management practice and employee retention among professional workers in five selected GLC companies. Since these elements of talent management practice have a significant impact on employee retention, they are accounted as valuable factors to enhance employee retention of its employees. Therefore, it is suggested GLC to use appropriate strategies to achieve the most possible productivity. Thus, the researcher hopes the future studies would continue to investigate talent management practice and employee retention among professional workers at GLC in wider scope of sample so that the findings will be more diverse and obtain more accurate findings. The researcher recommends that future research of talent management practices and employee retention should be conducted. The study should include other variables of talent management practices such as job security, employee empowerment, selection, and communication. Other than that, career development and induction may be another factor of employee retention. Besides, the research also can be made at other places such as the public sector, hospitality industry or oil and gas industry as the talent management practices that the places practice may be differ than GLCs companies. The study should include all the employees in Government Linked Companies instead of professional worker, such as skilled worker, and semi-skilled labor as the research sample can expand and get different result.

The study also has both theoretical and practical implications. To the best of our knowledge, very few studies have been conducted on talent management practices in Malaysia especially in GLC companies which examined both talent management practice and employee retention, as a result of a talent management system or lack thereof, or the perceived importance of the former derived from the latter. As a result, our study can be considered as an internal exploratory study of Human Resource to design employee retention policies that are evidence based because the most potent action HR managers can take to ensure their strategic contribution is to develop a measurement system that convincingly showcases HR's impact on business performance. By having more sophisticated information, the organisation will be able to formulate a response that is targeted at those individuals or groups of individuals who would benefit most from such an intervention. Instead of blanket responses to retention, using better people metrics enables targeting and positioning. The objectives of focus and fit in talent strategy would then be satisfied.' (Turner and Kalman 2014). Moreover, the practical implications of the study include helping GLC companies identify the importance of talent management among their employees and determining the factors that cause their employees to leave their jobs. Hence, the GLC management should develop a successful talent management strategy that is inclusive and that can address and resolve any incongruity between supply and demand of talent. Thus, the alignment of employee retention with the talent strategy and ultimately with the business strategy will be an important consideration.

References

- Aibieyi, S. & Henry, O. I. (2015). Talent management and employees retention in Nigerian universities. *Journal of Social Development*, 5(1), 23-31.
- Alleyne, P, Greenidge, D, Grant, S & Parris, P 2012, „A comparative study of recruitment and training practices between small and large businesses in an emerging market economy“, *Journal Of Small Business And Enterprise Development*, Vol. 19, No. 1, pp. 164 – 182.
- Armstrong, M. (2009). *A Handbook of Human Resource Management Practice: (11th Edition)*, Cambrian Printers Ltd, London.
- Ashton, C., & Morton, L. (2005). Managing talent for competitive advantage. *Strategic HR Review*, 4(5), 28-31.
- Bersin, J. (2013) Employee Retention Now a Big Issue: Why the Tide has Turned
<https://www.linkedin.com/.../20130816200159-131079-employee-retent>.

- Chikumbi R (2011), *The Relationship between Talent Management and Staff Retention at the Bank of Zambia*, University of South Africa, Published
- Collings, D., & Scullion, H. (2009). Global staffing: A review and thematic research agenda. *International Journal of Human Resource Management*, 20(6), 1249-1272.
<http://dx.doi.org/10.1080/09585190902909806>
- Dhanabhakyaam, M & Kokilambal, K. (2014). A Study on Existing Talent Management Practice and its Benefits Across Industries. *IMPACT: International Journal of Research in Business Management*, 2(7), 23-36.
- D'Souza (2008): *Leadership - Triology on Leadership and Effective Management*; Koble Press, Kenya.
- Eshiteti et al (2012). Effects of succession planning on staff retention at sugar companies in Kenya: (Unpublished MBA project); Masinde Muliro University.
- Frank, F., & Taylor, C. (2004). Talent management trends that will shape the future. *Human Resource Planning*, 27(1), 33-41.
- Halisah A., (2012). *Talent Solutions in Government-Linked Companies in Malaysia*. Retrieved from https://books.google.com.my/books/about/Talent_Solutions_in_Government_Linked_Co.html?id=qLGxnQAACAAJ&redir_esc=y
- Hughes JC, Rog E (2008) Talent management: a strategy for improving employee recruitment, retention and engagement within hospitality organizations. *Int J Contemp Hosp Management* 20(7):743–757.
- Istafahani M & Bustani A (2014), *The Effects of Talent Management on Retention of Staff of the University of Isfahan in Iran*, Published, University of Isfahan
- Kibui, A. W., Gachunga, H. & Namusonge, G. S. (2014). Role of Talent Management on Employees Retention in Kenya: A Survey of State Corporations in Kenya: Empirical Review. *International Journal of Science and Research*, 3(2), 414424.
- Kibui, A.W. (2015). Effect of talent management on employees retention in Kenya's State Corporations.
- Lockwood T and Walton W, 2008. *Developing an Innovative Organisation*. Allworth Press, New York.
- Mellahi, K., & Collings, D. (2010). The barriers to effective global talent management: The example of corporate elites in MNEs. *Journal of Work Business*, 45(2), 143-149.
- Oladapo E. (2014), *The Effects of Talent Management on Retention*, Published, USA
- Orwa, B.H. & Njeri K.J. (2014). An empirical study of challenges affecting implementation of talent management in the public sector in Kenya: A case of Kenya Broadcasting Corporation. *International Journal of Humanities and Social Science*. 4(7).
- Tetteh, J. (2015). *Succession Planning, Employee Retention and Organisational Effectiveness Among Some Selected Organisations In Ghana*.
- Tiwari, U. & Shrivastava, D. (2013). Strategies And Practices of Talent Management And Their Impact on Employee Retention and Effectiveness. *The International Journal of Management*, 2(4).
- Torrington, D., Hall, L. & Taylor, S. 2005. *Human Resource Management*. 6th Ed. London: Prentice Hall.
- Turner, P. A. and Kalman, D. (2014) *Make Your People Before You Make Your Products*, Wiley, London.
- Wilson, M. D., 2015, "A Qualitative Case Study Of The Talent Management Process Across Project-Oriented Companies Within The Intellect Industry", A Dissertation Presented in Partial Fulfillment Of the Requirements for the Degree Doctor of Philosophy, Capella University.