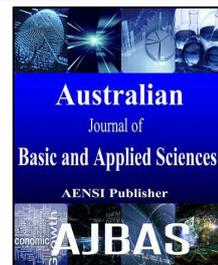




AUSTRALIAN JOURNAL OF BASIC AND APPLIED SCIENCES

ISSN:1991-8178 EISSN: 2309-8414
Journal home page: www.ajbasweb.com



Exploring Issues and Challenges and Talent Management In Islamic Banking Industry In Malaysia

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ARTICLE INFO

Article history:

Received 3 March 2016

Accepted 2 May 2016

published 26 May 2016

Keywords:

Talent Management, Challenges, Islamic financial industries, Islamic banks

ABSTRACT

Background: The Islamic banking and financial industries are facing a shortage of talent and this situation has become a challenge that would affect the industry's growth and development. The objective of this study is to determine the issues and challenges of talent management in Islamic banking industry in Malaysia. This study employed 86 respondents representing bank officers of Bank XYX (one of the full-fledged Islamic banks in Malaysia) in the northern region of Malaysia. The results obtained from this study identified five dimensions of issues and challenges of talent management: (1) challenge in talent management, (2) challenge in product knowledge, (3) appropriate talent issue, (4) fresh graduates' abilities issue, and (5) fresh graduates' skills issue. The results indicate that these are the dimensions of issues and challenges that need to be focused by the employers to ensure that the Islamic banking industry will continue growing by selecting effort to enhance talents for the industry

INTRODUCTION

Malaysia has been known as a country with Islamic banking and finance practices over 40 years ago. Islamic banking industry in Malaysia is the third largest in the world after Iran and Saudi Arabia, with Islamic banking assets contributing to 16.7% of global Islamic banking assets worldwide as at end-2013 (Ernst & Young, 2014). Currently, Islamic banking assets in Malaysia stood up to 21 percent of the overall total banking assets. Moody's Investor Service in Malaysia expects the strong growth trends for Islamic financing in Malaysia to continue, underpinned by the strong demand from the predominantly Muslim population and the government's strategy (Mstar Online, 2014).

In view of the growth in the industry, the most crucial contributors in the development are the talents that meet the needs of important areas in the industry, particularly in product innovation, research development and also in Shariah matters (Malaysia International Islamic Financial Centre, 2014). Dr. Zeti Akhtar Aziz, the governor of Bank Negara Malaysia (BNM), in her speech highlighted that the development of the vital Islamic financial institution sector could be achieved with the support of appropriate human capital development. Islamic financial industry needs to be equipped with a new breed of innovators, risk managers, regulators and supervisors who have a right blend of knowledge of finance and the understanding of Shariah. Due to this purpose, the International Centre for Education in Islamic Finance (INCEIF) was established in 2006 in Malaysia aiming to develop talents in Islamic Finance. Higher educations in Malaysia also are not excluded as the domestic and foreign higher institutions offers Degrees, Masters and PhD programs in Islamic finance and banking. Malaysia International Islamic Financial Centre (MIFC) claims that the country has the most

Open Access Journal

Published BY AENSI Publication

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To Cite This Article: Zairani Zainol, Zulkiflee Daud and Aini Nur Hajjar Khairol Nizam., Exploring Issues And Challenges And Talent Management In Islamic Banking Industry In Malaysia. *Aust. J. Basic & Appl. Sci.*, 10(11): 81-86, 2016

comprehensive talents approach in Islamic finance industry as it opens the window of opportunities in practical experience and also in terms of research and development.

Other than that, Aziz (2015) views that due to the development and the evolutions of the products offered in Islamic banking industry, the demand for the Islamic banking expertise increase greatly. Moreover, the complexity of Islamic banking business operation demands for the appropriate talents in the market. The MIFC also stated that the demand for talents is set to grow in tandem with a rapidly expanding industry. Going forward, human capital needs will become more apparent and critical as the Islamic finance evolves into a more competitive and sophisticated industry.

However, it is found that the industry is having a shortage of talents in Islamic finance industry particularly in wealth management, Islamic finance, and advisory services. Consequently, it becomes a challenge that would affect the industry's growth and development as it is expected to continue for the foreseeable future. At the same time, limited pool of talents in senior positions has been found to be a major impediment to the future (Vyanos, Wackerbeck, Golder, & Haimari, 2008).

Islamic finance task forces of the COMCEC Capital Market Regulator report for 2013 stated that 82% of its survey respondent experience talent shortage in the Islamic finance. Capital market is the most affected area with 88% identified shortage followed by legal and takaful (63%) while banking sector is the least affected with only 50% shortage relatively (Hassan, 2015). According to Nasser and Muhammed (2013) by the year 2020, the Islamic financial market would require about 200,000 workforce to fill various positions in IBIs. However, the total workforces currently only constitutes 11% of the total overall financial institution requirement.

The Malaysian Insider also reported that the country are now facing problems with employers that seem to recruit professionals rather than young graduates from universities. Employers have been said to be choosy in terms of the qualifications and skills while claiming that the young graduates are not meeting their standards in employment (Reuters, 2013).

The above scenario shows that talent management in the Islamic banking and financial industries is not strong enough to overcome the talents shortage as the lack of skilled resources will limit the development of the industry. The talents shortage to meet the demand of Islamic banking and finance products led to the difficulty of practices in the industry (Saad, 2012).

Talent Management:

According to the Oxford Dictionary, talent is defined as the natural aptitude of an individual. Talent is often conceptualised and measured as educational attainment (Garneet, Guppy & Veenstra, 2008). Lewis and Heckman (2006) noted that talent can be categorised as valuable, rare and hard to imitate, but the specific prescriptions regarding talent are not always clear. To them, the dimension most closely linked to talent is imitability. They further quoted Barney (1995), who stated that 'companies, through their people, gain skills and abilities over time and develop a culture, social networks, and an organisational/ management structure that manages those skills and abilities and is hard for competitors to duplicate' (Heckman & Lewis, 2006, p.145).

Lewis and Heckman (2006) further elaborated that the word 'talent' usually referred to by practitioners of talent management. Michaels, Hardfield-Jones and Axelrod (2001) explained talent as a key employee who possesses a sharp strategic mind, leadership ability, communication skills, ability to attract and inspire people, entrepreneurial instincts, functional skills and the ability to deliver results. Further, the Chartered Institute of Personnel and Development (2007), quoted in Tansley (2011), provided a useful definition of talent: 'Talented individuals are those who can make greatest difference to organisational performance, either through their immediate contribution or in the longer term by demonstrating the highest level of potential' (Tansley, 2011 p. 272).

Talent involves persistency of a person who do not seek appreciation from others to motivate them. Thus, Aziz (2015) opined that talent is a person who are able to work independently without assistance from others to support and will give their best in fulfilling their job requirement in a particular organization.

Therefore talent is an individual who works in the organisation and has inborn, inherent abilities or capabilities that are exhibited based on experience and knowledge. Such individuals can make a profound difference to organisational performance or, in other words, they possess the deep knowledge, skills and attitude to make things happen within the company.

Issues and Challenges:

An organisation needs talented employees to maintain its sustainable competitive advantage, and individuals require career opportunities to develop and grow their competencies (Prince, 2005 as cited in Fatima, 2011). Thus, managing talent is very crucial for organisations nowadays. According to Ellstrom and Nilsson (2011), the notion of talent management appears to be closely related to concepts that include human resource planning, strategic human resources management and employability. Talent management is the most satisfying and productive aspect of human resource management. The talent has to be spotted, carefully nurtured and preserved, and this effort is well worthwhile (Santhoshkumar & Rajasekar, 2012).

Thus, it is important to the employers to employ the right talents for the right roles or positions in their organization so that it would balance the practices in the industry. Other than that, the employers should be able to assess the qualities of their talents as stressed by CEO of Asian Institute of Finance (AIF), Dr. Raymond Madden that the industry needs talents that have the soft skills and possessing the knowledge both in Shariah and finance. He also added the importance to attract and retain the Gen Y as they supply 40% of the workforce in Malaysia (Asian Institute of Finance, 2013).

Talent management nowadays emerges as an important part in Islamic finance industry. Dr. Zeti Akhtar Aziz (2011) also said that the purpose of managing talents is to harness the full potential of the workforce so that they could fit in the positions in this industry to meet the demand. She then added that talent development need be addressed along with the talent management as it becomes more significantly challenging. It has been acknowledged that in the future, investment in talent management in the industry will be the core subject in determining the success and performance of the industry. In addition, Dr. Zeti also stressed on the important of talents with highly-skilled knowledge that are capable to face the changing of the globalization.

The development of talents management in Islamic banking industry in Malaysia has evolved since the establishment of the Pilgrimage Fund in 1960s (Aziz, 2015). As the industry growth rapidly with the emergence of Islamic windows bank in conventional bank, the talents constrain in Islamic banking industry has become more visible as both Islamic and conventional banking workforce at that time are the same individuals due to the scarcity of the talents pools in Islamic banking industry.

The issues of talents in this industry questioned the effectiveness of human capital division in managing their talents. Muduli (2008) stated that skills, traits and personality of a person or a job seeker are the criteria needed in talent management to match the right position for him while Lockwood (2006) focused on five areas in talent management namely attracting, selecting, engaging, developing and retaining the employees.

The talents gap in the industry shows that Islamic banking industry in Malaysia is lacking behind in terms of talent management. This is because there might be some organizations which do not have a strategic talent management that could avoid the waste or shortage of talents in their organization. In order to assess the best strategy for talent management, it depends on what the organizations regards the talents as. For some organizations, they referred "talent" as the exclusive and elite batch of employees that having high potentials in their organization while there are some organizations considered all of their employees are the talents (Singh & Sabharwal, 2010). It is important to have a clear picture on what they claimed the talents of their organizations are as different definition given might lead to the different approach the organizations should have. Singh and Sabharwal (2010) listed three kinds of approaches for the three level of talents in an organization which are the high potential talents, the top performer talents, the underperforming talents.

On the other hand, several factors that constitute talents found in Singh and Sabharwal (2010) proved that talents in an organization can be measured and thus the measurement can be used to manage the talents in an effective manner. Santhoshkumar and Rajasekar (2012) in examining the talent measure sculpt for the effective of talent management found seven important factors that constitute talents namely creativity and innovation, leadership, teamwork, interpersonal sensitivity, personal motivation, association and team spirit.

Kotze and Roodt (2005) in their research tested Veldsman model to identify the factors affected employees' retention, one of the talent management processes. They found that factors pertaining to job satisfaction includes job involvement and task characteristic, opportunity to learn new skills, advancement opportunities, prospect of better pay, working conditions, fair treatment, and better communication. These factors would get the employees to have high motivations in increasing their productivity and continue serving their workplace. On another note, Dewa and Zakaria (2012) added that the enhancement and improvement of skills and knowledge of employees as one of the factors that leads to the human talents development in an organization. They are also acknowledged that skills, knowledge, commitment and motivation are the key criteria that required encouragements and enhancement from the organizations (Dewa & Zakaria, 2012).

Study by Fisher (2014) claimed that graduates are believed to be lacking basic workplace proficiencies, like adaptability, communication skills, and the ability to solve complex problems. Many employers consider both technical and non-technical skills specifically soft skills to be equally important, and search for professional employees possessing both types of skills (Bailey & Stefanizk, 2002). Soft skills is as an integral part that characterize and compliment the skills of hard or technical that graduates need to include in their career path (Bancino & Zevalkink, 2007). Consequently, for a successful career, Islamic finance graduates have to possess and exhibit both technical and non-technical or soft skills.

Other than that, Nasser and Muhammed, (2013) suggested that the teaching and training as one of the challenges that need to be tapped in talents management in Islamic banking sectors. Nasser and Muhammed (2013) further added that some of the workforce in Islamic banking industry are not provided with Islamic banking background.

Nevertheless, according to Hassan (2015), despite the effort from the stakeholders in the industry to tap the human capital needs, there are few challenges that need to be addressed in order to ensure the development of the Islamic banking industry. Hassan (2015) stated that the quality of the training program offered in the

industry does not meet their requirement. There are a few major concerns that need improvements which includes the contents of the programme, the components and applications of practical and also the lack of input from the practitioner. The other challenge that need to be addressed is the lack of interaction between the industry and the trainer or the education provider. Apart from that, Hassan (2015) added that the absence of a subject-specific and the professional accreditation body for Islamic finance also posed as one of the challenges that need to be overcome.

Therefore, in order to meet a requirement skills demanded by Islamic banking institutions, Aziz (2015) views that the talents development should be associated with the needs of Islamic banking industry skill requirement and learning and development existing plans. The existence of the talent development programme that compatible with the needs of the industry is importance. Nevertheless, this matter also will be benefited for individuals by gaining a clear views in the career path while pursuing their education in Islamic banking programs. Thus, a collaboration between the industry and higher learning education will boost a better talent development for the industry.

By looking to the issue and challenges of talent management in the Islamic financial industries in Malaysia specifically in Islamic banks therefore, this study focused on exploring the issues and challenges of talent management in Islamic banking industry in Malaysia.

Methodology:

This study involved bank officers and managers who work at an Islamic Bank of Malaysia located at the Northern Region of Peninsular Malaysia. By using stratified disproportionate random sampling, the total sample of this study is 86. There are 20 items employed to measure issues and challenges in the Islamic Banking sector. A pilot study was performed to test the initial reliability of the measurement which scored 0.879 for Cronbach Alpha value that indicates that it is reliable to be used.

Factor analysis has been used to examine the components extracted for issues and challenges of talent management in banking industry. Before executing factor analysis, a few prerequisites have been performed including KMO, Bartlett, MSA and partial correlation tests. According to Meyers, Gamst and Guarino (2006), the value of KMO must exceed 0.5 and the Bartlett test must be significant at $p < 0.05$. Moreover, the MSA value must well above 0.5 and the partial correlation value must below 0.7.

For factor analysis, varimax rotation has been employed with loading factor 0.5 according to total of sample which suggested by Hair, Black, Babin and Tatham (1998). To identify the total components extracted for the variable, this study will rely on the eigenvalue and total cumulative eigenvalue percentage. The eigenvalue must exceeding 1 and total cumulative eigenvalue must exceeding 60%. After extracting the components in issues and challenges in talent management, reliability test is performed to conform the reliability of the variable.

Data Analysis:

The majority of respondents in this study involving officers and managers aged 25 to 35 (47.7%) and 36 to 50 (44.2%) years old. This range of age identifies that respondents involved in this study have wide experiences in Islamic Banking products and transactions. These respondents are viable to indicate the reliable issues and challenges face by Islamic Banking workers.

The issues and challenges examined in this study were summarized into factors by performing factor analysis. The pre requisite tests have been executed before factor analysis. The KMO value was 0.753 and the Bartlett test was significant at $p < 0.05$. The MSA values for all items were ranging 0.630 and 0.856, while partial correlation values for all items were well below 0.7. Thus, all pre requisite requirements are met.

To determine the total of components in variable understudied, the researchers examined the value of eigenvalue. In this study, there are 5 components that scored eigenvalue above 1.0. Hence, issues and challenges in Islamic Banking in Northern Region of Peninsular Malaysia were represented by 5 dimensions. This study employed factor loading 0.5 in order to indicate items clustered into identified dimension.

The first dimension is represented by 5 items including "The bank must develop the talents in the organization in order to retain these assets for future growth", "The bank should establish good talent management strategies so that the talents in the organization are utilized fully", "Appropriate training must be given to the staff/bankers to develop their skills and knowledge on Islamic finance industry", "Graduates should be well prepared to meet the market demands", and "Graduates should fully understand the theories studied and their practicality in the work environment". This dimension is named as challenges in talent management.

The second dimension consisted with 4 items including "Bank officers are familiar with the products and services offered", "Bank officers have knowledge of the products and services offered", "Bank officers understand the products offered", and "It is important to have good talents in the Islamic financial industry". This second dimension is labelled as product knowledge challenges.

The third dimension filled by 3 items including "The right talent must be placed in the right position in the bank", "The Islamic banking and finance industry should be equipped with talents that have the right blend of knowledge in finance and understanding of Shariah", and "Soft skills are very important in the working

environment". This dimension is named as appropriate talent issue. The fourth dimension converged by 4 items including "Fresh graduates are well equipped with current information on the Islamic finance industry", "The fresh graduates are well prepared to enter the industry" and "Graduates should be able to apply the theories studied, in the real world". This dimension is named as fresh graduates' ability issue. The fifth dimension is represented by 2 items including "The bank finds difficulty in hiring fresh graduates with the right skills" and "The fresh graduates lack soft skills". This dimension is named as fresh graduates' skills issue.

To test the reliability of dimensions after factor analysis, reliability test was performed. Table 1 show that all dimensions extracted and items converged by factor analysis were reliable as the Cronbach Alpha values are well above 0.7.

Table 1: Reliability Test after Factor Analysis.

Variable	Dimensions	Cronbach Alpha Values
Issues and Challenges	Challenge in talent management	0.855
	Challenge in product knowledge	0.850
	Appropriate talent issue	0.741
	Fresh graduates' skills issue	0.775
	Fresh graduates' abilities issue	0.831

Conclusion:

This study set out to determine the issues and challenges of talent management in Islamic banking industry in Malaysia. The results of this study identified five dimensions of issues and challenges of talent management: (1) challenge in talent management, (2) challenge in product knowledge, (3) appropriate talent issue, (4) fresh graduates' abilities issue and (5) fresh graduates' skills issue. The results of this study indicate that these are the dimensions of issues and challenges that need to be focused by the Islamic financial industries to ensure that the industry will continue growing by selecting effort to enhance talents for the industry.

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