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### “Creating Young Talented Takaful Operators with Talent Management Framework”

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**ABSTRACT**

Talent strategy is seen as a systematic business strategy aim to identify, recruit, develop and retain talented employees in organizations. Despite the importance of managing talent, many organizations, however, seem to spend a bigger portion of their time on selecting and developing their talented employees but less focus on retaining them, notably the banking institutions, including takaful sector in Malaysia. Takaful is insurance sector that offers products and services based on the Islamic laws and guided by Islamic economy that appoint its authorized agents, referred as takaful operators. Even though the government has formed Syarikat Takaful as the first Islamic insurance firm since 1984, it still having problem of developing and maintaining talented takaful operators for sustainable growth and profitability due to acute shortage of takaful talents. Therefore, this paper aims to propose talent management framework that can assist the enterprising takaful operators to identify, recruit, develop and retain talented personnel and help them compete successfully with the conventional insurance operators. The study discusses on Talent Management Program (TMP), Employee Value Proposition (EVP) and Talent Brand Strategy (TBS) as its three underlying variables with 12 indicators of Malaysian takaful' talents management dimensions by testifying their direct and indirect relationships. The findings of the study reveal that there are significant positive relationships between TMP, EVP and TBS for the Malaysian takaful. The study also verify that EVP with reference to intention to leave for Malaysian takaful operators partially mediates the relationship between TMP and TBS for Malaysian takaful sector, signify its significant presence between talent development and talent retention. With these significant relationships, the findings of this study suggest that it is timely for Malaysian takaful industry to develop their own integrated talent management program and framework for successful young takaful operators by adopting and aligning talent strategy with the organization business strategy.

### INTRODUCTION

The growing of Muslims population all over the world has created more steps in meeting the needs that could fulfill the *shariah* principles with the rapid development of Islamic Finance industry. As such, Islamic financial institutions and Islamic Financial products have also moved together over the development of the Islamic Finance industry, in which insurance or takaful industry that supports strongly in mobilizing Islamic economic resources, notably Malaysia. In Malaysia, Islamic Insurance (Takaful) services started in 1985 due to the drive towards Islamization of financial sector when the first takaful operator was established to fulfil the need of the general public to be protected based on the Islamic principles. The legal basis for the establishment of Takaful operators was the Takaful Act, which came into effect in 1984 in which currently more than 11

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Takaful Operators in Malaysia licensed for Family Takaful business and both General Takaful business. Takaful operators and businesses in Malaysia are regulated and supervised by Bank Negara Malaysia as they are also part of the Islamic Financial Institutions.

Takaful originates from the Islamic word '*kafalah*', which means 'guaranteeing each other' or 'joint guarantee'. In principle, Takaful system is based on mutual co-operation, responsibility, assurance, protection and assistance between groups of participants. Takaful is the Islamic alternative to conventional insurance is based on the idea of social solidarity, cooperation and joint indemnification of losses of the members. The basic objection to conventional insurance is that it involves three main problems that are prohibited in Islamic Law which is *riba* (interest), *gharar* (uncertainty) and *maisir* (gambling). Like banking industry, Malaysia is having acute shortage of takaful talents due the lack of an integrated talent strategy.

Talent strategy is generally used as a business strategy to identify, recruit, develop and retain talented employees in organizations. 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. Currently, talent is seen to become potential powerful source of competitive advantage. This is because financial capital is broadly available and no longer serves a barrier that separates competitors. New technologies and processes innovations can easily be replicated by competitors and generate only temporary competitive advantages. Thus, as highlighted by Heinen and O'Neill (2004), an effective talent management practices that operate as a system can contribute to significant financial returns. Despite the importance of managing talent, many organizations, however, seem to spend much time on selecting and developing their talented employees but less focus 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. Among the organizations very much affected by this phenomenon of having high turnover among their talent are the SMEs. In Malaysia, SMEs contribute 98% of Malaysia Gross Domestic Product. It is imperative to effectively manage talent as shortage of talent can have a far reaching implication on the Malaysian economy. Therefore, there is a need for Malaysian SMEs sector to develop their own integrated talent management program and model that not only help develop but also retain their talented entrepreneurs for going global with competitive edge, and hence, sustain strong growths and profits, locally as well as globally.

According to Morton (2005), in order to effectively recruit and retain scarce labour, 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 SMEs going global. 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. To keep the best and the brightest workforce, therefore, companies will need to optimize human capital satisfaction through human resource management practices and organization development strategy (Sweem, 2009), and hence, turning talent strategy as a business strategy (Ong, 2009). As such, undertaking firms will have to depend on their talent or quality human capital that can generate business growth and profit, as in the case of Malaysian SMEs going global with competitive edge.

To support the importance of talent management and the relationship with talent brand strategy and employee value proposition in the Malaysian SMEs, this paper examine the impact of talent management practices on talent brand strategy and mediating effect by employee value proposition in the global Malaysian SMEs. 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 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 SMEs with the global business operations. These three underlying variables have a link to strategic human resource to improve business value on identifying, developing and retaining talents (Dewi, 2013), and hence turning talent strategy as a business strategy (Ong, 2009) for strong growth for SME industry to go global

### **1. 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). Based on the level and type of relationship, researchers will be able to identify and conclude on which factors influence their relationship what factors talent value the most to keep them in the company.

#### **Specifically, this study attempts to:**

1. Examine the level of Talent Management Program, Employee Value Proposition and Talent Brand Strategy in the Malaysian takaful industry.

2. Examine the relationship between Talent Management Program and Employee Value Proposition.
3. Examine the relationship between Talent Management Program 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 Program and Employee Value Proposition
- H2: There is a positive relationship between Talent Management Program and Talent Brand Strategy.
- H3: There is a positive relationship between Employee Value Proposition and talent brand strategy.
- H4: Relationship between Talent Management Program and Talent Brand Strategy is mediated by Employee Value Proposition.
- H5: There is relationship between Talent Management Program and Talent Brand Strategy is mediated by Employee Value Proposition.

**2. Literature Review:**

Talent strategy as a business strategy is seen as a powerful source of growth of human capital 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. D'Annunzio-Green *et al* (2008) in ensuring individuals are given opportunities to develop skills and enhance their careers, the talent management practices should encompass the whole of the talent management pipeline. The concept of talent management practices additionally implies to a level of strategic integration, notably as a set of talent management activities. As such, it is integrated and aligned with internal organizational system and external environmental factors as suggested by Hughes and Rog (2008). Therefore, the effective talent management practices aims in advancing business strategy, driving competitive advantage and strengthening the long term viability of organization. Talent management practices also must be completely aligned with an organization's mission, vision and values and fully integrated into its long term strategic planning. These aims are presented by Hannum, Martineau and Reinelt (2007), in an in-depth review of designs for evaluating leadership development and using the evaluation itself to increase business impact.

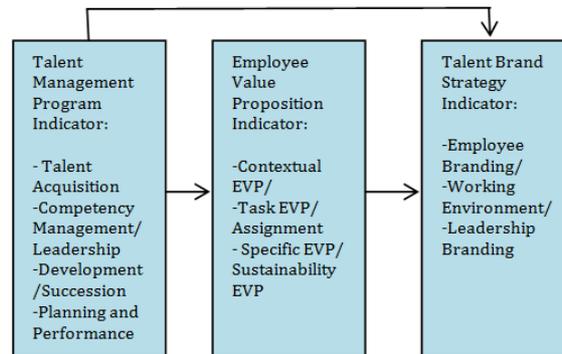
The above need was further reinforced by a subsequent report in August 2008 by McKinsey Malaysia & Co highlighted that the important Malaysian corporate resource over the next 20 years will be talent. As such, as demand goes up and supply of talent goes down, more and more Malaysian organizations realize 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 entrepreneurs in Malaysian SMEs. 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. As postulated by Michaels, Handfield-Jones and Axelrod (2001), talented people will work hard to fulfill their need in which if not, they will be inclined to leave the organization.

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 entrepreneurs with attractive employment packages, and hence becomes the thrust of this study. The researchers are therefore motivated to study on the talent management practices in Malaysian SMEs with global industry by examining the employee value proposition (EVP) within an organization needs to be a 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 found to have more talent than others and then to develop these people so that they become more experienced and competent, able to play a greater part in the success of the organization, notably in the competitive environment of global SME sector.

**3. Research framework and Methodology:**

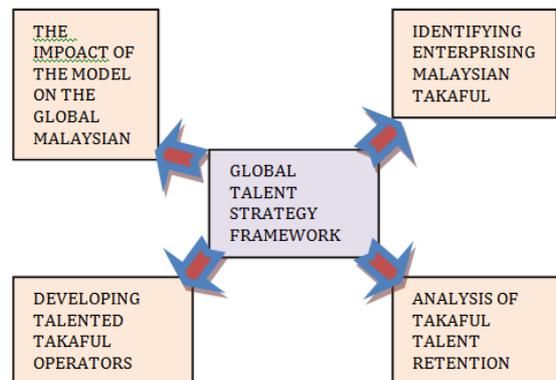
The research framework of the study comprises of talent management program (TMP) as the independent variable, employee value proposition (EVP) as mediating variable and talent brand strategy (TBS) as dependent variable. TMP consists of five dimensions; namely talent acquisition, competency management, 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 as illustrated by the following Figure 1:



**Fig. 1:** Theoretical Research Framework.

On the above premises of three research variables and 12 indicators, the study proposes the following theoretical talent strategy as follows to promote strategic takaful operators in Malaysia as follows:



**Fig. 2:** Proposed Talent Strategy for Malaysian SME.

## 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.

### **Results of hypotheses are discussed as follows:**

*Hypothesis H1: There is positive relationship between talent management programs (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 program (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 program (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 program (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 takaful to build rather than buying talents by not only focusing on talent development but also on talent retention for their sustainability in the growing takaful environments.

#### **4. Concluding Remarks:**

Talent management program (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 takaful industry. 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 the Malaysian takaful industry 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 provides critical insights by emphasizing and reinforcing on the importance of talent strategy for successful accomplishment of talent management programs as a business strategy in the Malaysian takaful sector in the era of globalization. Talented employees are able attract more customers and improve companies branding. An effective talent management framework will help enhance employees' commitment and engagement and eventually reduces turnover. Career planning, acceptable remuneration packages, strong management support, technology advances, excellent training and development program are some of the factors that have strong influence on employees' decision to stay, and hence retain talented entrepreneurs. Therefore, with integrated talent management programs, the Malaysian takaful industry could manage well against expected enterprising talent crisis by attracting, developing and retaining their talented takaful operators as their successful business strategy for future annual growths and profits, and hence, paving the healthy landscape for takaful industry to manage opportunities and challenges as a strategic human capital development with global competitive edge.

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