



ISSN:1991-8178

Australian Journal of Basic and Applied Sciences

Journal home page: www.ajbasweb.com

'A Research on Talent Management Practices as a Strategy to Influence Employee Engagement and its Affect the Organization Performance'

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ARTICLE INFO

Article history:

Received 13 June 2015

Accepted 5 August 2015

Available online 12 August 2015

Keywords:

Talent Management Practices, Employee Engagement, Organization Performance, Small & Medium Enterprise

ABSTRACT

Purpose - Talent management has been recognized to be a significant and extraordinary element in Malaysia Small & Medium Enterprise (SME) in achieving their organization vision and mission. In order to withstand and multiply their business operation nationwide and globally, an organizations have to upgrade their approaches to talent management essentially and how it dynamically influence employee engagement whilst significantly affect the organization performance. The human capital situation in Malaysia is not improving perhaps at this stage as Malaysia faces a difficult situation in retaining qualified talent in every sector especially in SMEs. Malaysia is losing talented employees as some of the graduates preferred to work abroad. Malaysia now identifies talent management as a critical drive to this nation as a competitive status of a high economic income. **Objective** - Therefore, the study will attempts to explore and examine talent management practices as a strategy to influence employee engagement and affect the performance of organization in SMEs in Malaysia. To realize this purpose, three variables, namely Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) are examined against seven indicators of Malaysia SMEs talents by testifying their direct and indirect relationships. This research also attempts to fulfill five research objectives and research questions by employing the Structural Equation Modelling (SEM). **Results** - The five hypothesis of the study revealed that there are significant positive relationship between Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) in Malaysia SMEs. **Conclusion** - The appropriate finding generate through the research exploring the understanding of talent management practices as a strategy to influence employee engagement whilst significantly affecting the performance in the organizations.

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To Cite This Article: John Musong Tusang and Dewi Tajuddin., 'A Research on Talent Management Practices as a Strategy to Influence Employee Engagement and its Affect the Organization Performance'. *Aust. J. Basic & Appl. Sci.*, 9(26): 16-25, 2015

INTRODUCTION

The fundamental and critical challenge of Malaysia nowadays is to retain its highly skilled citizen. Malaysia will experience a precarious gap of talented professional to compete with global talents as an implications of more Malaysian working abroad. The Ten Malaysia Plan 2011-2015 has discovered that Malaysia experiences significant shortage of skilled manpower. The report shows that more than 700,000 Malaysians are currently working abroad and this phenomena displays that the nation is in risk of having international and comprehensive talent. According to Poorhosseinzadeh (2012), this citizen who have studied in developed nations refused to return home. In a survey conducted by the World Bank (2011), a number of Malaysians demonstrated a strong sense of attachment to

Malaysia but only 30 percent were interested in returning home. Due to that, the increasing number of highly skilled workers and educated Malaysians moving overseas have resulted in the talent crisis.

Malaysia aspires to achieve among the top 20 in the Global Talent Index by the year 2020. Due to this aspiration, the Prime Minister, Dato' Sri Mohd Najib Tun Razak aims to expect 37 percent of Malaysians will be recognized as high skill workers by the year 2015 and 3.2 million by the year 2020. According to Mckinsey (2007), talent was a key for the organizational growth of Malaysia in the next 20 years. Therefore, the governments and business practitioners today need to retain their most talented workers to leverage their competitive advantage and reduce talent shortage.

Talent management has now been acknowledged as a precarious solution for the Government

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Transformation Programme (GTP), Economic Transformation Programme (ETP) and the Ten Malaysia Plan (2011-2015) to grow Malaysia towards developing status as a high income economy and excellently fulfill the Vision 2020. In tapping the highly talented local talent, Malaysians need to synergize the knowledge, skill and ability to achieve the ETP in developing professional quality workforce and reducing dependency on foreign labor. Therefore, the Small & Medium Enterprises (SMEs) should be given the opportunity to develop their own capabilities and competences by tapping highly skill talent with global vision (Isa, 2014). SMEs need to have a pool of potential talent to continue generating value creation for professional competitiveness besides the Government-Link-Companies (GLC) in Malaysia (Isa, 2014).

Agreeing to (Schaufeli, 2013), talent that retain high level of commitment and engagement will benefit the organization. Thus, organizations need employees who are psychologically associated to their work, willing and able to invest themselves fully in their roles, and proactive and committed to high performance standards (J. a. Gruman & Saks, 2011; Kataria, Garg, & Rastogi, 2013). Organizations need employees who are feel energetic and dedicated, engaged with their work (T. Dewi, 2015, Isa, 2014; Kataria *et al.*, 2013; Schaufeli, 2013).

Denoting to Isa (2014), engaged employee is a worker who is fully committed and passionate about their work, and engagement was essential demarcated as a distinctive human aspiration to contribute something of value in workplace. Employee engagement is viewed as an important paradigm because it is has been link to growing the retention of top talent as an consequence of the talent management practices (Alias, Noor, & Hassan, 2014; Memon, Salleh, Noor, Baharom, & Harun, 2014; Rugimbana, 2011). There is a positive relationship between engagement and organization performance as replicated in revenue growth, productivity, profitability, customer satisfaction, customer loyalty, employee retention, and safety (Isa, 2014; Schaufeli, 2013). This factor is supported by Suharti & Sulliyanto (2012); Mellahi (2011), revealed that, employee engagement is significantly has positive advantage on the organization and becomes the important element for an organization success. Employees who have energetic engagement contribution will increase the performance satisfaction of employees whilst motivate employees working harder than the others. Thus, highly employee engagement level in an organization is believed to cultivate the talents and individual performance which in turn impacting the organization performance.

Talent Management in SMEs in Malaysia:

Small and medium-sized enterprises (SMEs) have been recognized as one of the growing instruments for various countries in the world, since SMEs make up over 90 percent of all enterprises (Zakaria, Zainal, & Mohd Nasurdin, 2011). Academically, SMEs defined differently at each country in the world. For instance, in developed countries such as at European Union the SMEs are the enterprise that employ less than 500 employees (Che Senik & Mat Isa, 2010). However, in Malaysia, the SMEs are defined as follows: Firm in manufacturing sector has sales turnover less than RM25 million or full-time employees less than 150; Firm in services and other sectors has sales turnover less than RM5 million or full-time employees less than 50. According to (Zakaria *et al.*, 2011), all countries over the world recognized that SMEs are known as key business segment which means SMEs are predominantly as collaboration to the larger enterprises in leveraging and expanding businesses whilst sustaining economic growth.

According to (Che Senik & Mat Isa, 2010), the most influential factor that drive Malaysian SMEs to internationalization is networking which related extremely to skilled, multicultural and multilingual workforce. Malaysia is one of developing country that persistence and committed to encourage SME to become international player. Lately, there are 518, 996 SME representing 99.2 % of total business establishments in Malaysia. This shows that Malaysia economy dependable on SME (Che Senik & Mat Isa, 2010). Therefore, SMEs are expected in performing momentous role to develop the nation's economy under New Economic Model (NEM) and the Tenth Malaysia Plan (10MP), focusing in inspiring innovation and contributing to first mover advantages strategy (Zakaria *et al.*, 2011). According to Department of Statistics, 2011, there were 645,136 SMEs operating in Malaysia representing 97.3% of total business establishments which was 662,939. SMEs have been performing well registering average annual growth of SMEs of 6.8 % in the period of 2004-2010. Since 2004, the value added growth of SMEs has consistently outperformed the growth of the overall GDP (4.9% p.a.).

Human resource development becoming the vital aspect in enriching and an enhancement of skill and expertise of SMEs' workforce. The direction of training and development for producing highly skill talent is a fundamental progress that promote skills development among employees, entrepreneurship knowledge, leadership skills, financial knowledge and managerial capabilities (Gunto & Alias, 2013). However, according to Kehinde (2012), organization such as SME should separate between their talent management program and the total human resource management style whereby talent management should be result oriented and not another human resource management style of the organization. Most

small and medium enterprises have not adopted the basic talent management strategy in developing the skill and ability of potential talent within the organization (Kehinde, 2012). The study revealed that, talent management promotes workforce efficiency and productivity in work organization and impacting the overall organization performance. It is also become the pivotal to the survivor of the organization profitability in the modern global and highly competitive business scenario nowadays (Kehinde, 2012).

Problem Statement:

In Malaysia talent management is an issue that has caught the attention of many organization due to changeability in its characterizations and methodologies to describe talent management (Sumardi & Othman, 2009). Therefore, Sumardi & Othman (2009) carried a research on talent management in Malaysia in 2009 through examined three companies by conducted interviews to investigate how Malaysian companies practice talent management in their organization. Based on the study, there are three essential activities for talent management program which are focusing onto managing the top performers, emphasizing on leadership development and activities related to succession planning towards senior managerial positions. In all of the program talent management involves coaching and mentoring. The implementation of talent pool differentiate the three companies approaches on talent management whereby, one of the firms had a precise talent pool program purposely to develop their future talents but the others haven't formed a formal talent pool for future talent (Sumardi & Othman, 2009).

A study on the implementation of talent management practices at Malaysian companies was conducted by Mustafa Kamil, Abdul Hamid, Hashim, & Omar (2011), whereby the research was carried out using method of interview among selected human resources practitioners of six Malaysian companies. They found out that talent management is considered as a strategy of an organization to retain employees. The study revealed that the engagement and retention of talented employees are required on leveraging an organization to cultivate success and enhance performance. Ensuring the sustainability of organizational success, it's required to have a right employees to develop competitive advantage. The vital result of this study is creating an opportunity and strategy forward to develop comprehensive talent management strategy. Therefore, the identification and development of talent management strategy would promoting advantage for the organization and its employees (Mustafa Kamil *et al.*, 2011).

In viewing of these findings (Golshan & Omar, 2011; Gunto & Alias, 2013; Isa, 2014; Mustafa Kamil *et al.*, 2011; Sumardi & Othman, 2009),

though the nature of this relationship is motivating and exciting, there is no study has analyzed the relationship between the three (3) variables, namely Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) in Asian's setting and particularly in Malaysia's Small & Medium Enterprises (SME). Hereafter, new chapter discloses whereby engagement of employee talents becomes critical to the organization performance and economic. Therefore, scholars and researchers believe the needs to focus on talent management practices as a strategy to influence employee engagement and, in turn employee engagement impacting the talent management which both affect the organization performances significantly. This paper seeks to address the gap in knowledge field by determining the relationship between Talent Management Practices, Employee Engagement and Organization Performance in the selected SME organizations in Sabah, Malaysia.

Research Objective And Hypothesis:

Therefore, the study will attempts to examine talent management practices as a strategy to influence employee engagement and affect the performance of organization. To realize this purpose, three variables, namely Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) are examined against seven (7) indicators of Malaysia SME talents by testifying their direct and indirect relationships. This research also attempts to fulfill five research objectives and research questions by employing the Structural Equation Modelling (SEM). The five hypothesis of the study revealed that there are significant positive relationship between Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) in Malaysia SMEs. The appropriate finding generate through the research exploring the understanding of talent management practices as a strategy to influence employee engagement whilst significantly affecting the performance in the organizations. The respondents for the study are drawn from SMEs employee in Sabah.

The objectives of this study is to examine the relationship between Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP).

Specifically, this study attempts to:

1. Examine the relationship between Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) in the Small & Medium Enterprise in Malaysia.
2. Examine the relationship between Talent Management Practices (TMP) and Employee Engagement (EE).

3. Examine the relationship between Talent Management Practices (TMP) and Organization Performance (OP).
4. Examine the relationship between Employee Engagement (EE) and Organization Performance (OP).
5. Ascertain the mediating effect of Employee Engagement (EE) by examining its relationship with Talent Management Practices (TMP) and Organization Performance (OP).

This study attempts to test the following hypothesis:

1. H1: There is a positive relationship between Talent Management Practices (TMP), Employee Engagement (EE) and Organization Performance (OP) in the Small & Medium Enterprise in Malaysia.
2. H2: There is a positive relationship between Talent Management Practices (TMP) and Employee Engagement (EE).
3. H3: There is a positive relationship between Talent Management Practices (TMP) and Organization Performance (OP).
4. H4: There is a positive relationship between Employee Engagement (EE) and Organization Performance (OP).
5. H5: Employee Engagement (EE) mediates the relationship between Talent Management Practices (TMP) and Organization Performance (OP).

Eventually, this study attempts to testify that the relationship between Talent Management Practices (TMP) and Organization Performance (OP) is mediated by Employee Engagement (EE); hence, proposing talent management to become a strategy to influence employee engagement and its affect the organization performance in SME in Malaysia.

Research Question:

The purpose of the study is to investigate the relationship among Talent Management Practices (Independent Variable), Employee Engagement (Mediated Variable) and Organization Performance (Dependent Variable) which mediated by Employee Engagement. It seeks to find answer to the following:

1. To what extend Talent Management Practices (TMP) influence Employee Engagement (EE) and affect the Organization Performance (OP) of SME in Malaysia?
2. How does Talent Management Practices influence the Employee Engagement (EE)?
3. How does Talent Management Practices influence the Organization Performance (OP)?
4. How does Employee Engagement (EE) affect the Organization Performance (OP)?
5. To what extend does Employee Engagement (EE) mediating the relationship between Talent Management Practices (TMP) and Organization Performance (OP)?

Literature Review:

In this chapter, a literature review in provision of the study will be carried out in the following three

capacities: Utilizing talent management practices to become a business strategy based on the competency model which focusing in three main indicators namely performance management, training and development and talent review and succession planning; The influence of employee engagement concerning to job engagement and organization engagement; and Organization performance related to high talent performance. The literature covers only the most relevant aspects of talent management practices, employee engagement and organization performance pertaining to the small and medium enterprise in order to provide an overview of the issues addressed.

Talent Management Practices:

The existence of talent management system is recognized in most organization preferably it means to individual star performers and mentoring promising employees in an organization. This talent is used synonymously with people such as individual knowledge, skills, attitudes or competence. The increase in competitive advantage allowing organization attaining on talent management as a critical resources and become more important because of growing recognition that it's help to drive organization performance. Therefore, nowadays the organization must has the ability to attract and retain talent fostering the right employee because it is one of the key issues for human resource managers and their organization across the globe (Duren, 2010; Zhang, S *et al*, 2012, T. Dewi, 2014).

Focusing on nurturing and developing talent of the human capital in SMEs will play a crucial role in order to strive for success and sustain strong economic growth (Isa, Aerni, 2014) and as an important driver for company growth and source of competitive advantage (Syed Abd Nasir, Syed Jamal, Hassan, Roshidi, 2012). Among the highly crucial attraction of large talent is in the financial industry whereby who have top cream of talent of industry is successful in achieving the goals and objectives of the organization (Aned O., Al Mutairi, Mohamed Zainal, Siti Rohaida, 2013). Therefore, all organization need to boost up the implementation of talent management practices by nurturing higher level of success and sustainability, developing powerful resources, building valuable people, implementation of strategic imperative, developing of skills and increased responsibility to predict employee future potential performance and talent needed (Mustafa Kamil, 2011).

The main challenge in 20th century for organization is to attract the people whose can achieve their potential and meet their personal aspiration within the company ((Rukkhum, 2010) whereby, by 2016, more than 70 million baby boomers will retire and be replaced by the invasion of millennial generation, those born after 1982. They are exceedingly educated generation born in the

cutting-edge crisis world becomes the talent for the organization and if organization handles them inappropriately will lead to lack of commitment and intentionally leaving the organization (Golshan & Omar, 2011). Therefore, the talent marketplace is now becoming more competitive than ever before (Wan Azmi, W. N., 2011) causing the organization prioritize talent as a star (Rukkhum, 2010) and focus on growing the talent within the organization and maintaining the status as the star (Isa, 2014) capturing high talent performance for future key expert.

Globally, talent is considered as a valuable asset to the organization and becomes a critical resources for organization to attain competitive advantage. There were many large organizations suffering from chronic shortage of talented employees, therefore, in recent year's organization extremely putting priority on managing talent for global competition and allowing competitive advantage to survive (Poorhosseinzadeh, Mahan, Mustafa Kamil, B.A *et al*, 2013; Zhang, S. *et al*, 2012; Pruis, E., 2011). Nevertheless, the talent management issues are unique and non-imitable competitive advantage whereby different organizations with various strategies implement talent management in an acceptable approach leading to successful organization (Poorhosseinzadeh, Mahan, 2013).

An effectively implemented Talent Management Strategy enhances Employee Engagement (Dhanalakshmi, 2014) which evolve the doable indicators measured through talent acquisition, talent performance management, training & development and talent review & succession planning (Golshan & Omar, 2011). The effect of Employee Engagement through job engagement and organization engagement (Andrew & Sofian, 2012) in turn is associated with improved Organization Performance which measured by increase of talent performance (Dhanalakshmi, 2014). Therefore, when an employee is highly engaged, the more likely he or she involve proactively to develop the organization, thereby potentially influencing such variables as high performers talent, sales and profitability (Dhanalakshmi, 2014).

Talent Management Practices and Organization Performance have a significant relationship (Kehinde, 2012; Sara & Rodríguez, 2009). There is the positive impact of talent management on organizational overall performance and analyses revealed that talent management has impact on the performance of the multinational and the national firm but the small and medium scale firms have not been gaining from this new technique (Kehinde, 2012). Therefore, there is a need to further study on the consequences of implementation of Talent Management Practices and Organization Performance in the direction of small and medium organization (Kehinde, 2012).

Talent that completely engaged in the organization will perform beyond and help the company succeed (Rukkhum, 2010). Employee Engagement has been associated with a number of important organizational performances, which directly related to Talent Management Practices such as ease of selection, recruitment, retention, higher employee productivity, revenue growth and profit margins (Dhanalakshmi, 2014). According to (Markos & Sridevi, 2010, T. Dewi, 2014), employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee generating to emotional attached to the organization. The outcome is engaged employees contribute highly involvement in the employment with great enthusiasm for the development of the organization and the success of the employer going beyond the employment pledged agreement. Therefore, the companies should invest in employee engagement because it is interlinked significantly with important business outcomes mainly on employee retention, productivity, profitability, customer loyalty and safety. The prolonged outcome is the employees that engaged more are contributing to higher revenue growth and even can exceed to double-digit growth for their employer. The more engaged employees are, the more it contribute to positive customer satisfaction (Markos & Sridevi, 2010; Coffman, 2000; Ellis and Sorensen, 2007; Towers Perrin Talent Report, 2003; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman and Gonzalez-Molina, 2002).

Employee Engagement:

Employee engagement has become a very important aspect in Human Resource Management (HRM) functions and purposes (Alias *et al.*, 2014). Employee engagement is important because those who find meaning at work are more competent, committed and contributing; in turn competence, commitment and sense of contribution lead to increased customer commitment; in turn customer commitment; in turn customer commitment leads to better financial results for the company (Hayat, 2014; Orr, Sneltjes, & Dai, 2010). Employee engagement is about the means to accomplish the organization's strategic goals by edifice the conditions for employees to flourish and for each staff member, manager and executive to be fully shift on in their jobs so as to distribute their best determinations in the best attentiveness of business (Lindholm, 2013; Siddhanta & Roy, 2010; Zakaria *et al.*, 2011).

According to Albdour & Altarawneh (2014), employee engagement and employee-organizational commitments are precarious organizational necessities as organizations surface globalization and recuperating from global downturn and stagnation. Additionally, many researchers and scholars recognized and given interest in research areas of

engagement at work, employee and organizational commitment whereby many studies have support that the significant relationship between organizational performance and employee engagement (Albdour & Altarawneh, 2014; Andrew & Sofian, 2012). The very important finding revealed that high job engagement and organizational engagement will have high level of affecting commitment and normative obligation (Andrew & Sofian, 2012).

Organization Performance:

According to Kagwiria (2013), sustainability of competitive advantage comes from talent management practices which integrate how the organization attracts, develops, retains, motivates, manages, and rewards its talent. The collaboration and collective of skills of the talent employed in an organization comprehensively comprise the organization's core capacities and capabilities. Therefore, talent provides the potential for long term competitive advantage (Kagwiria, 2013). Additionally, Kagwiria (2013) revealed that there is a positive relationship between talent management and business strategy to obtain the success of the organization whereby, there is a significance of talent management incorporation with business strategy to get organization excellence performance.

From the reviewed literature it is observed that most of talent management studies did not directly link talent management with the organization performance and therefore, there is a gap to fill the existing research gap by conducting a study locally to determine the role of talent management on organization performance in SMEs in Malaysia.

Talent Management as a Strategy to Influence Employee Engagement:

Generally, the practices of talent management and employee engagement are connected such that talent management is essential to engaging employees in the organization ("Study of Talent Acquisition Practices – A Review on Global Perspective," 2014; Rugimbana, 2011). Therefore, according to the study of Talent Acquisition Practices – A Review on Global Perspective (2014), "Employee Engagement is positive, proactive behavior in the workplace and towards the organization brought about by combination of motivated, emotionally attached employees; integrated, enlightened people management activities and empathetic managers towards the achievement of clearly communicated business objectives". Additionally, effective and efficient talent management policies and practices can contribute to more engaged employees and lower turnover. Therefore, it is possible to increase employee engagement through proactive talent management strategy.

Talent management practices that establish commitment to manage the human resource result in

more engaged employees and lower turnover rate. The effective implementation of talent management practices contribute to employee engagement (T. Dewi, 2014, Aljanabi & Mohanachandran, 2013; Piansoongnern, Anurit, Hohl, Chansa-ngavej, & Bunchapattanasakda, 2007). Thus, the highly engaged employee in an organization through the effective talent management practices will evidently cultivate the competitive advantage while the effective employee engagement nurtures the inspiration of development and learning satisfaction, support, rewards and recognitions in their talent management program. The value-added outcome in winning the employees' heart will only benefit the organization that implement the talent management practices. Therefore, organizations need to rethink their approaches to talent management and how it affects employee engagement (Alias *et al.*, 2014; Aljanabi & Mohanachandran, 2013).

Talent Management Practices (Performance Management) and Employee Engagement:

Based on competency model suggested by (Golshan & Omar, 2011), managers should put assurances that employees' development and performance is measured based on the abilities, capabilities and organization values. SMEs has to inaugurate a measureable and reasonable performance management system which focuses on the desired result of business and make sure all the systems designed are nondiscriminatory and rational for the satisfaction of employee (Golshan & Omar, 2011).

Additionally, according to Aned (2013), performance management is referred to the employees by the management in which workforce is evaluated according to a set benchmarking standard. On that, assessment can diverge from goal setting to the coaching and counseling. Therefore, applying a continuous feedback system is necessary in an organizations whereby, the managers should provide quality assessment with their talents and give constant and effective feedback for future progress (Aned O., Mohamed Zainal, & Alya O., 2013; Golshan & Omar, 2011).

Talent Management Practices (Training & Development) and Employee Engagement:

Referring to the research finding (Downe, Loke, Ho, & Adegbite Taiwo, 2012; Ministry Department, 2011; Mustafa Kamil *et al.*, 2011), the development of talent is essential to an organization's success. Organization should relying on a talented pool to accomplish the organizational sustainability for the future. Therefore, aligning all the human resource strategy implementation is essential towards taking strategic and comprehensive business approach either in short or long term (Gunto & Alias, 2013; Mustafa Kamil *et al.*, 2011). According to Tenth Malaysia Plan (2010-2015) that tabled by Prime Minister

Datuk Seri Najib Tun Razak, on moving forward, the government will focus on efforts to develop non-physical infrastructure, including human capital development such as skills development and strong innovation capabilities. There will be an increase of 40 percent, compared with 21.8 percent in Ninth Malaysia Plan. The program will focus on skills development programmes, Research & Development activities and venture capital finding geared towards promoting a higher level of innovation in the country (Ministry Department, 2011).

Therefore, venturing into the globalization and knowledge era, the organization should always providing challenging roles and responsibilities to their expert talents to engage them in continuous learning curve that beneficial for both parties. Mentoring and coaching programs becomes very important and crucial due to its priority developing the expertise skill and collaboration among the employees (Golshan & Omar, 2011).

Talent Management Practices (Talent Review & Succession Planning) and Employee Engagement:

According to the competency model suggested by (Golshan & Omar, 2011), the organization has the clear objective to deploy the entrepreneurship spirit within their employees and provide them appropriate skills and knowledge and provision to develop and accelerate their capability to potentially reaching the vision of the organization. Furthermore, the continuous talent review based on competencies cultivate the farther development of the organization as it's significantly contribute to engagement of talents. The leadership development program is also the assessment tool that positively motivate the talent and increase their desire achieving personal goals. The leadership program constantly will give maximum impact to create organization's value which becomes the vital foundation for employee engagement (Golshan & Omar, 2011).

Relationship between Talent Management Practices and Organization Performance:

Referring to (Kehinde, 2012), talent management has positive impact on the organizational overall performance which impacting on the performance of the multinational and the national firm. However, there is still huge research gap integrating the relationship of talent management practice and organization performance within small and medium scale organization. Therefore, Kehinde (2012) suggested that talent management study should be implement in all categories of staff within the organization that have special talent and that organization should discrete the study on talent management practice with the whole human resource management system. (Kagwiria, 2013; Kehinde, 2012). Kehinde (2012) revealed that talent management implementation positively influence work performance in the organization. Therefore,

there is a need focusing on organizational development and training and development that assist to achieve the organization's vision.

Relationship between Employee Engagement and Organization Performance:

Employee engagement is significantly interlinked with business outcomes. According to (J. A. Gruman & Saks, 2011) there is a positive relationship between employee engagement and organizational performance outcomes in which specifically integrate into employee retention, productivity, profitability, customer loyalty and safety (J. a. Gruman & Saks, 2010; J. A. Gruman & Saks, 2011; Sheemun, Suhaimi, Abdullah, Rahman, & Mat, 2013). Based on these literature reviewed (J. a. Gruman & Saks, 2011; Sheemun *et al.*, 2013; Whiteoak, 2015), researched designate that the more engaged employees are, the more likely their employer is to surpass the industry average in its revenue growth and positively impact the customer satisfaction (J. A. Gruman & Saks, 2011).

Research Framework:

Based on the proceeding discussion of the literature, the following is a proposed conceptual framework. The research framework of this study comprises Talent Management Practices (TMP) as the independent variable, Employee Engagement (EE) as the mediating variable and Organization Performance (OP) as the dependent variable. TMP consist of three indicators or dimensions, namely 1) Performance Management, 2) Training & Development, 3) Talent Review and Succession Planning. The TMP is based on Competency Model. Employee Engagement consists of two dimension including 1) Job Engagement and 2) Organization Engagement. Organization Performance (OP) consists of two dimension, namely, 1) Employee Productivity and, 2) Revenue Growth.

As a mediating variable, Employee Engagement is expected to mediate the relationship between Talent Management Practices and Organization Performance in Small & Medium Enterprise (SME).

Conclusion:

This conceptual paper contributes to an understanding of the impact of Talent Management Practices and Employee Engagement on SMEs performance generally and particularly in Malaysia. Even though Talent Management Practices have been considered as one of the significant factors appear to cultivate the performance of organization, it can be said actually most of the Malaysian SME does not practice Talent Management Practices and Employee Engagement effectively in their business (Zakaria *et al.*, 2011). Henceforth, Malaysian SMEs have to comprehend their own capabilities, particularly their core strengths such as the talents and talent management practices in order to support SMEs to be innovative and competitive.

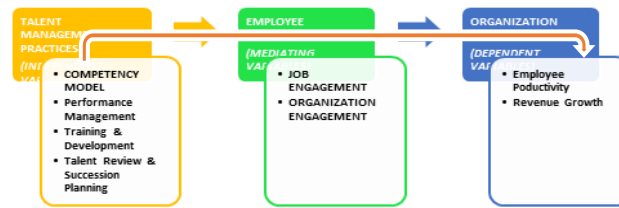


Fig. 1: Proposed Research Framework.

Small business are no longer competing against same sized challengers whereby globalization has exposed them to the wrath of big multinationals that are hungry for growth (Hayashi & Dolan, 2013). Therefore, in order to remain competitive, the management of SMEs need to put more attention on the implementation of talent management practices which contribute to organization performance. As mentioned by Malaysian Human Resource Minister, Datuk Dr. S. Subramaniam, which said that, SMEs should pay more attention to the factors of human resource particularly the skillful workforce in improving their productivity as well as maintaining the existing talent. This is due to lots of small and medium businesses which had limited expertise in managing human resource compared to large corporations (Bernama, 2011, April 19).

Therefore, with the inspiration on understanding the predictors of business performance, SMEs must realize the talent management practices that are affecting business performance (Personal, Archive, Ebrahim, & Lumpur, 2010). SMEs need TMP to be practiced in their organization to facilitate goal achievement and also significantly generate more innovation and becomes first mover advantage in business environment (Zakaria *et al.*, 2011).

In conclusion, Malaysia SMEs should consider on how to enhance the capacities and capabilities in the area of human resource and talent development in order to cultivate their business performance and success (Gallato *et al.*, 2012; Zairani & Zaimah, 2013). Moreover, SMEs also need to cooperatively adopting and practicing continuously the best practices of human resource system in order to achieve competitive advantage and sustainability in overall organization performances (Hayashi & Dolan, 2013; Zakaria *et al.*, 2011).

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