CHAPTER 1

OVERVIEW OF THE RESEARCH

Introduction

The evolving talent management principles have caused organizations globally to try various approaches in managing their human capital. The experiences and results of such organizational endeavours have been documented in numerous studies, especially by management practitioners. Saks (2006), Ferguson (2007) as well as Lewis and Heckman (2006) in their academic analysis have noted gaps between employees who are empowered and their outcomes. One of those gaps is employee engagement. In tandem with the interest on talent management, the study aims to examine the role of talent engagement as a mediator in the organization context. Besides, job satisfaction is also included in the research as a possible mediator between psychological empowerment and talent outcomes. This study tests the relationship among six constructs; namely, psychological empowerment, job engagement, organization engagement, job satisfaction, dedication and intention to stay. The significance of this research initiative is reflected in the six-construct model called Talent Engagement Model. Results from this study would facilitate better understanding on as well as unlocking employees' potential from the practical perspective. This empirical study is essential as the findings would also contribute theoretical value and reduces the paucity of academic study on talent engagement.

1.1   Background

The evolution of human capital management has brought about many changes in the way employees are selected, managed and retained. Towards the end of 1990s, the era of talent management had begun with the emergence of new strategic human capital issues. As awareness on the evolutionary human capital thoughts on employees emerges, organizations are looking for the right candidates among potential employees to continue the value creation for business competitiveness. This phenomenon is crucial as an attribute to the success of any economy is a highly skilled talent base that has the ability to respond to economic changes with creativity and innovation. Human capital has been noted to embed at the core of innovation and a productive high income economy. In these aspects, business globalisation has triggered the search for the right talents and to engage them to drive lean organizations forward towards sustainable business performance as well as to weather the challenges of the dynamic market situations. Besides, the concept "war for talent" that was propagated by McKinsey in the year 2000 has brought about many discussions and studies on what talent management is and how employees could be used to drive the organization. Echols (2007) in his research found that 85 percent of value creation in organizations is driven by intangible assets such as people and not by assets on the balance sheet. Several organizations agreed with this finding and have noted the importance of having talented employees for competitive niche. Additionally, May, Gilson and Harter (2004) have also noted a growing concern for employee engagement. This concern is related to the practical reasons (e.g. turnover and customer satisfaction) and humanistic reasons (e.g. motivation and attachment to work) among organizations.

Therefore, engagement became the crucial wave of management in leading people (Bakker, 2007).

In an effort to analyse talent engagement in the required context, there is a need to understand the emergence and the macro overview of talent management. According to Bersin (2006), talent management has become the common word among corporate human capital and training practitioners. He noted that human capital management (HCM) has taken a proactive role, changing from being a mere business function in the 1970s and 1980s as personnel department to a business partner in the 1990s with the emergence of strategic human capital concepts. Additionally, he explained that a business partner means reaching out to support the "why" of business by recruiting the right people, training them, helping business design job roles and organization structures, develop total compensation packages that include benefits, stock options and bonuses, as well as serving as a central point of communication for employee health and happiness. These human capital developments require the continuous search for the right strategy to engage employees accordingly.

Nyce and Schieber (2001) predicted that organizations in the 21st century would face challenges on how to fully engage employees in their work. This is because they envisaged that engaged employees are a vital resource to accomplishing business goals. Engagement has been noted to be linked to perceptions of being valued that could translate into discretionary effort that leads to enhanced performance (Konrad, 2006). The author argues that this focus on employee engagement is important as there is a growing demand for personal growth among the current workforce that affects employee's degree

of dedication to the organization and its goals. Besides, Taleo Research (2008) found that high job satisfaction and retention correlate with human capital programs that facilitate employees' capability expansions and growth within an organization. In addition, Van Maanen and Schein (1979) have indicated engagement as the difference in employees being "custodians" of the position and becoming "innovators" of both the position and the organization. Through the discussions above, the obvious underlying key purpose as to why employee engagement is crucial to organizations is its economic benefits.

This research therefore attempts to examine how psychological empowerment (PE) as advocated by Spreitzer (1995) affects talented employees, and how the human capital initiatives could be mediated by talent engagement as well as job satisfaction. PE is generally about the cognitive state of employees and their various psychological enabled dimensions. According to Zimmerman (1995), PE is the act of enabling people to take independent action to achieve their self-defined goals. For the intentions of this research, talent engagement is used as an extended term from employee engagement that focuses specifically on the engagement of identified talents in organizations. The primary focus would be how organizations could capitalise on psychological empowerment as the predictor to mobilise talents through talent engagement for aspired engagement outcomes. This research addresses the suggestions of Axelrod, Handfield-Jones and Welsh (2000) that organizations are finding it increasingly difficult to attract and retain talented employees. The authors note that talent engagement is inculcated in many organizations to address the "presence void" of talented employees and this occurrence is related to Khan (1990)'s concept of *availability*. Managing talents seems to be increasingly the organizational priority as high quality employees have more economic impact.

A report on "Differentiating Talent Management" by CRF Publishing (2005) suggests ten talent priorities for human capital. Some of the priorities are rethinking the talent focus, positioning talent management, integrating talent and business, assessing capability and accountability, and assessing talent performance. The ten priorities guide organizations on the choice of appropriate approaches and practices that could make a difference to organizational talent management efforts. In rethinking the talent focus, the report highlights the need to have clear definitions, values and principles to address the dynamic business environment and the evolving talent market. Boudreau and Ramstad (2007) have also emphasised the importance of positioning talent management to ensure talent processes are well designed and delivered for the required efficiency, effectiveness and impact. There is also the need to integrate talent and business. The authors advocate that quantifying performances and results are crucial in most business endeavours. Therefore, the priority on assessing capability and accountability focuses on guiding organizations to define their talent capabilities, specifying the accountability for talents as well as to evaluate the quality of talents. Besides, assessing talent performance is a crucial talent priority for human capital to realise potential talents including improving talent development, talent deployment and talent outcomes.

The above-mentioned priorities are supported by the finding of Hewitt (2007) that 85 percent of the top 20 performing business in a group of 373 organizations held their leaders accountable for developing top talents. In another related research, findings by the Ashridge Business School (2007) found four challenges in managing high potentials or talented employees. The issue of transparency in creating a talent group and the need to

relate talent management approaches with the kind of leadership that an organization wants to foster for the future are two primary challenges of organizations. The other two challenges include the issue of whether the identified talented individuals want to meet the expectations placed on them, as well as the issue of difficulties faced by organizations in developing the needed talents. The Ashridge Business School (2007) was of the opinion that *pushing* talents too early and quickly may affect the wide moral and ethical principles while leaving talents unsupported and undeveloped would see them leaving the organization. There is also the challenge of building and sustaining a strong talent pipeline or succession choices due to shifting demographics, workforce preference as well as transformation of businesses and globalisation of operations.

Boudreau and Ramstad (2007) opine that competency-based recruiting is needed to enhance the efficiency and effectiveness of talent recruitment. They highlight the importance of looking beyond basic human capital processes and developing managers as well as organizational leaders to reinforce the required culture and values to create a sustainable group of leadership talents. The authors also advocate that organizations need to identify competency gaps quickly so that the gaps can be addressed either by delivering training or hire just the right people. In this connection, employees must be managed in a consistent and measurable way to ensure alignment, accountability and fair remuneration in the organization. They also suggest that high performers and successors to key positions must be identified to assure a highly flexible and responsive organization. As such, these must always be complemented with relevant, flexible, convenient and timely learning.

The issues discussed above lent support to the fact that the human capital function has advanced gradually to the role of a business integrator. This means that human capital is becoming integrated with business in a real-time fashion. Bryan, Joyce and Weiss (2006), Boudreau and Ramstad (2007) and Cappelli (2008) have in their reports reiterate that the drivers of any integration are obviously people, the capital who create value through proven business processes, innovation, customer services and sales. Besides, talent management is postulated to be a series of organizational forward-looking business processes (Bersin, 2006). As such, the task of identifying or classifying who our talented employees are requires contemporary views. Bryan et al. (2006) have noted that talents are normally defined in a narrow perspective with the tendency to refer to people who have the opportunity to progress along the management hierarchy. Alternatively, some people acknowledge that talented employees are "high-worth" individuals who are complemented with a set of competency skills that include knowledge, skills, experience and personal traits as demonstrated by their defined behaviours. Research by McKinsey (2000) and other related researchers found organizations that embrace employee engagement in their talent management practices fared better in terms of organizational focus, performance, retention, morale and profitability. In the current global talent management context, engaging employees mean seeking to create a fit between the needs of employees and their employers. However, encouraging employees to be committed to enhancing the overall business performance is an ongoing challenge for organizations in the 21st Century (Lawler III, 2008).

According to Kular, Gatenby, Ress, Soane and Truss (2008), organizations that report high levels of engagement have displayed association with positive outcomes for both employees and employers. Talent engagement is reckoned as a management philosophy that subscribes to the idea of including the right people in the right decisions at the right time in the right way, including opening up decision making to people who can add value (Rutledge, 2006). Aguirre and Hewlett (2009) argue that the drivers of engagement vary among organizations. Engaging employees in the talent management process involves the practice of treating talents as customers where opportunities and freedoms (empowerment) are created for talents to stretch their ambitiousness. The authors opine that organizations are subjected to four generic human capital factors. The first factor on the perception of respect, value and recognition by employees relate to the psychological empowerment construct of this study. The second factor hinges on the perception of job importance and impact to organizational successes. This factor connects with the talent engagement construct of this study that is comprised of job engagement and organization engagement. The third factor looks at employees' pride and meaning of pride on their organization. Lastly, the factor is on the degree of trust and confidence in company leadership by employees. The last two factors are related to the other three constructs of this study; namely job satisfaction, dedication and intention to stay. Leaders of organizations are also challenged on their abilities and willingness to manage dynamic changes fast and engage people who deliver the end result. Hence, talent engagement if mobilised in an integrated process of employability enhancements, right-fit recruitment and talent management, could value add the business niche of an organization (Maxwell, 2007). Consequently, talent engagement must now be seen as the niche strategy to

mobilise the talents in organizations where empowering leaders and employees to become partners facilitate the journey towards organizational competitiveness.

1.2 The Problem Statement & Research Objectives

Managing organizational talents has become increasingly important to sustain businesses in the borderless global environment. Lawler III (2008) highlighted the 2006 PricewaterhouseCooper's Global CEO survey finding that 72 percent from over a thousand respondents placed more importance on the availability of key-skilled people compared to intellectual property rights or commodity prices. This is made more crucial with the diverse generations of workforce now who require different career opportunities, work-life balance and empowerment to make decisions. When employees are given the power to make decisions related to their performance, they are more productive and have higher intention to stay with the organization (Spreitzer, Kizilos and Nason, 1997). Knowing, empowering, engaging and understanding the talents in an organization have been found to facilitate the sustainability and future results of organizations (Bryan et al., 2006; Cohn, Khurana & Reeves, 2005; Friga, 2009; Lawler III, 2008; Liker & Meier, 2007). As a consequence, talent management, empowerment and employee engagement have become common terms used by organizations in managing human capital (Frank and Taylor, 2004; Saks, 2006; Schaufeli and Salanova, 2008).

Since the concept war for talent was propagated by McKinsey in 2000, organizations still find it challenging to align corporate needs with individual needs, especially the essential employees to take organizations to a higher position. The missing link perhaps could be

traced to getting to the heart and soul of identified talents that is coined as talent engagement (TE) in this research. This matter has been illustrated by Ulrich (1997) in his seminal book *Human Resources Champions*. He postulated that organizations need to engage the body, mind and soul of every employee to ensure the attainment of the required employees' contributions. This is more so when organizations want to produce more with lesser employee input. Evidently, Harter (2001) also found substantial correlation between work engagement and business outcomes. He is of the opinion that employees want to engage with meaningful work that extends their personalities and aspirations. Furthermore, as understanding and nourishing talent engagement for organizational business success becomes crucial, it is equally important to measure and manage both individual and group engagements. This practice would lead to a balance between individual needs and the essential effort of unity. Incidentally, these observations of Harter have been noted to be the missing link between an organization's expected and actual performances. Hence, this study attempts to examine this missing link by using talent engagement that comprises of job engagement and organization engagement, as a possible mediator.

Furthermore, Schaufeli and Salanova (2007) noted the growing emphasis on the positive approach of the occupational health psychology that dwells into improving the quality of working life and method of getting optimal employee functioning. Luthans (2003) has similar view on the importance of studying and applying positively oriented human resource strengths and psychological capacities that can be measured, developed and effectively managed for performance improvement in today's workplace. In addition, securing and retaining employees whose talents have high competitive value become a

global challenge for organizations (Frank, Finnegan & Taylor, 2004; Jamrog, 2004; Somaya & Williamson, 2008). This is simply because success of an organization rests on the quality of human talent (Bingham, 2008), and that talent management is the key differentiator for business success (Staton, 2008). Bingham (2008) also attests that people are the key to sustainable competitive advantage. The researcher has noted that any loss of human capital would involve the loss of organizational history, knowledge, skills and abilities. This loss would in turn have impacts on morale, job satisfaction, retention and financial matters. The findings above explain why many organizations are now addressing employee or talent engagement to achieve two objectives; namely, win the war for talent and plug the talent leak (Towers Perrin, 2006; Cohn et al., 2005).

The highlighted HCM issues in the discussions above justify the necessity of this study. Through the analysis on the gaps available in the literature of previous studies on employee engagement, this study aims to examine the relationship among psychological empowerment (PE), talent engagement (TE), job satisfaction (JS), and the expected talent outcomes (TO). This study also proposes a research model that synergises PE with TE, JS and TO. The constructs are integrated into a research model framework called talent engagement model. A complementing objective for this research is the interest to find out if PE drives talented employees and whether PE relates to talent engagement. This study is timely as the Malaysian Government is in the process of transforming the leadership talents among the employees in the Government-linked companies that are commonly known as GLC (PCG, 2009). Hence, it would be interesting to examine the PE, TE, JS and TO using the GLC as the sample.

In short, this research attempts to examine the relationship between talent stimulus (psychological empowerment) and talent capacity (talent engagement), as well as job satisfaction in determining talent outcomes. The findings would in turn contribute to the growing literature on talent (employee) engagement through deductive approach and perhaps, validate possible measures as well as related theories for talent engagement in the local workplace context.

1.3   Research Questions

From the narration of the background, problem statement and research objectives above, three questions motivated this research and they are:

1.   What are the relationships among psychological empowerment, talent engagement, job satisfaction, intention to stay and dedication of employees?

2.   How does perceived psychological empowerment contribute to talent outcomes such as intention to stay and dedication?

3.   Do talent engagement (job engagement and organization engagement) and job satisfaction mediate the relationship between psychological empowerment and talent outcomes?

These research questions would address some of the issues in the field of talent management and employee engagement. Results for these research questions would also provide both theoretical and practical implications for talent engagement. The contributions of this study are essential as the literature for the concept on talent (employee) engagement that is still in its infancy stage, is under developed and where sound academic research lags behind business practices (Kular et al., 2008)

1.4   Research Scope

Feasibility factors such as financial commitment, time commitment, availability of subjects, facility and equipment, cooperation of others, and ethical considerations were taken into account when deciding on the scope of this study. In line with the Malaysian Government's focus on the Government-linked companies (GLC) as catalyst to sustain and to take the country's economic performance to greater heights, the researcher deemed it fit that the research scope focused on the G-40. This initial group of 40 GLC in Malaysia are required to have ample right talents to help meet business targets. As at March 2009, this G-40 became only 33 GLC due to numerous corporate restructuring exercises. Globalisation has created a fierce competition for talent, forcing companies and government to recognise that people are the most valuable asset. Hence, to compete on a regional and global scale, Malaysia has reckoned that the nation must retain and attain talents. The transformation programme for GLC that was started in 2004 also emphasises on employee engagement and the identification of talents for a continuous supply of capable and dynamic leaders. In addition, managing talents has been made a priority in the 10th Malaysia Plan (2011-2015) to encourage brain gain and address the issue of human capital holistically. This priority is affirmed through the establishment of the Talent Corporation Malaysia Berhad (Talent Corp) on 1st January 2011. Talent Corp was established under the Prime Minister's Department to formulate and facilitate initiatives to attract, retain and nurture talents in support of Malaysia's Economic Transformation Programme (ETP). As such, the chosen research scope is appropriately on the identified talent groups of the GLC. In view of the feasibility factors, the targeted samples were focused on the GLC that are headquartered in Kuala Lumpur and Selangor only.

1.5   Thesis Outline

The thesis for this study is comprised of seven chapters. The first being an introduction of the thesis as a whole, its background, the problem statement and research purposes, research questions, and research scope. Chapter Two examines on the philosophical perspective of the research as well as some of the literatures on talent management, talent engagement, psychological empowerment and talent outcomes. This chapter also examines the relationship among the research concepts. Chapter Three introduces the research framework and hypotheses of the study. Chapter Four discusses on the methodological issues of the study. Chapter Five presents the findings from the field survey and data analysis on the participating government-linked companies (GLC) in Malaysia. Chapter Six discusses on the results as well as indicates the theoretical and managerial implications of the study. The thesis concludes with Chapter Seven that summarises the key findings of the study, highlights the research limitations and suggests possible areas for future research.

Summary of Chapter

In summary, this research aims to highlight the importance of talent engagement vis-à-vis psychological empowerment and job satisfaction that have become crucial factors for HCM. The study also investigates the issue of talent engagement among the Malaysian GLC that would bring about both theoretical and practical implications and knowledge in the Malaysian context. Essentially, the study addresses the paucity of academic literature on talent engagement as well as tests the proposed integrated six constructs talent engagement model of the study.