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## Talent Management and Succession Planning on Talent Engagement at Islamic Banks: The Malaysian Bankers' Perspectives

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**Abstract:** The purpose of this study was to examine the influence of talent management and succession planning on talent engagement in Islamic Banks in Malaysia. The respondents of this study were bankers who worked with the Islamic banking sector in Malaysia. The factors investigated in this study were talent management and succession planning. Thus, the objectives of this research were: (a) to determine whether talent management is significantly related to talent engagement in the Islamic banking sector and (b) to determine whether succession planning is significantly related to talent engagement in the Islamic banking sector. In this study, the quantitative method was implemented. In assessing the relationship between the variables, a total of 181 questionnaires were distributed and analyzed using SPSS to produce accurate findings. The multiple regression analysis was used as a method of analysis in this study. The finding of this research showed that talent management and succession planning are significantly related to talent engagement. The recommendations for future research and practice were also discussed. The study clearly showed that the Islamic banking sector needs talent management and succession planning to strengthen and develop talents in order to make sure the bankers have sound knowledge in both the Islamic and conventional banking sectors. This study also contributes to the new scope of research in the banking industry. This research also opens a new sight to bankers and researchers to have further understanding on the influence of talent management and succession planning on talent engagement.

**Keywords:** Talent Management, Succession Planning, Talent Engagement, Islamic Banking.

### INTRODUCTION

The Malaysian banking systems consist of commercial banks, investment banks and Islamic banks. The banking institution commonly acts as a primary mobilizer of funds and source of financing to support all the activities, especially in terms of economic activities in Malaysia. Presently, Malaysia is successfully

implementing a dual banking system and at the same time has developed as a first nation that has good full-fledged Islamic banking systems (Ismail, *et al.*, 2013). These systems operate based on the parallel basis which aligns with the conventional banking system. During the year 2004, the assets of Islamic banking industry had reached hundreds of billions of dollars, which covers from the East to the West, all the way from Malaysia, Bahrain to Europe and also to the United States. Based from the previous studies, the Islamic banking practices have spread all over the world, in fact, most of the banks are now actively practicing Islamic banking system (Darrat *et al.*, 2002; Yudistira, 2003; Hassan, 2006; Shahid *et al.*, 2010).

In Malaysia, Bank Islam Malaysia Berhad (BIMB) was the first Islamic bank and was operated as the only Islamic bank for the past 10 years before the Malaysian government gives permission to other conventional banks to offer Islamic banking services to the customers (Bank Negara Malaysia, 1994, 1999). The government decided to allow the conventional banks to use the existing infrastructure and branches to operate in the Islamic banking sector which is known as the 'Islamic windows'. This is to provide cost effective and shortest time frame, as well as to increase the number of institutions that offer the Islamic banking services. Through this action, it leads the Malaysian banking industry to be more competitive which directly improves the performance and efficiency of the banking industry (Alias *et al.*, 1994; Kaleem, 2000).

In a knowledge economy, a talent is the critical success factor for every business organization, so this is one of the reasons why the Islamic banking sector should focus on developing a good talent which can adapt with the new dual banking system; Islamic and conventional banking system. Presently, the Islamic banking in Malaysia is consistently growing rapidly (Bank Negara Malaysia, 2015). Malaysia has placed a strong prominence towards the development of human capital together with the development of the Islamic financial industry in order to make the availability of Islamic finance talent. This situation has led Malaysia to become one of the most developed Islamic banking markets in the world. However, the number of talents in Malaysia that is good and excellent in both the banking knowledge and the Islamic knowledge are insufficient (Avedon and Scholes, 2010). Most of them are only expert in one area. In fact, there is a high demand towards the talents that are able to be good in both Sharia law and banking knowledge. However, the shortage of talent remains acute in high growth areas such as wealth management, Islamic finance and investment advisory services (Zeti Akhtar Aziz, 2011).

According to Mohd Pital (2012), people that are well equipped with the Islamic knowledge will be able to discover the differences between the Islamic banking terms and regulation implementation. According to Malaysia International Islamic Financial Centre, MIFC (2013), the Islamic banking institution in Malaysia requires approximately around 20,000 workforces by 2020. Therefore, talent management practice and succession planning play an important role to create a talent which is good in both areas; Islamic or Sharia knowledge and banking knowledge. Furthermore, there is a need for improvement in the management systems in the banking sector in order to make sure that the talents are engaging well with the bank. Hence, this study will explore the relationship and influence of talent management and succession planning on talent engagement based on the perspectives of bankers from the Islamic bank.

The study aims to examine the influence of talent management and succession planning on talent engagement based on the perspectives of bankers who are participating in the banking industry sector. Therefore, the research attempts to answer the following questions.

1. Do talent management significantly related to the talent engagement in the Islamic banking sector?
2. Do succession planning significantly related to the talent engagement in the Islamic banking sector?

## LITERATURE REVIEW

### Talent Engagement

Talent engagement is a new concept which had already been promoted by the human resource consulting companies (Wefald & Downey 2009). Kahn (1990), who is considered as the father of talent engagement, defined engagement as the process of connecting the people to their work where they can freely express themselves through physical, cognitive and emotional states during the stage of role performances. The concept of engagement is closely related to the people who are present at work and requires a good mental state together with the physical state. The individual itself must think, feel and act towards the job. This can be explained in terms of their psychological conditions which are meaningful, safety and availability (Kahn, 1990). These conditions are usually been used by the individuals to connect with their role performance. Meaningful is a state of feeling when people receive a fair return for committing to their work. Meanwhile, safety is a sense that people show without any fear to the organization and availability is the sense of possessing the physical, emotional and psychological resources by the individual towards the organization.

### Talent Management

Talent management is one of the topics that attracted many people's attention (Pruis, 2011). According to the Stephenson and Pandit (2008), talent management is defined as having the right number of people at the right place at the right time with the right skill and at the right levels of motivation. Nowadays, many organizations have started to implement the concept of talent management. They noticed that the employees should be occupied with the right knowledge, skills, abilities, behavior and good relationship in order to achieve the business objectives (Morgan & Jardin, 2010). However, other researchers believe that talent management involves the process of attracting, developing, selecting and retaining the best employees with the best position (Stahl *et al.*, 2007). Talent management can also be defined as the organization's attraction, deployment, development and retention of employees which will create a good value for the organization (CIPD, 2009).

### Succession Planning

Succession planning was first introduced by the Henri Fayol (1841-1925) who believed that every organization needs a succession planning to allow for the transition to occur when it is necessary (Rothwell, 2001). Succession planning, which is commonly referred to as talent development and talent management, continues to be an element of regular practice in the organization, especially in the Malaysian banking sector. In fact, senior leaders nowadays are starting to aware that the continuity of the organization to survive depends on having the right talents in the right place at the right time (Rothwell, 2001). In another word, it is not just about recruiting a person, but, it is about having the right people, in the right place, at the right time (Hill, 2009). Next, according to Schmalzried and Fallon (2007), succession planning is a proactive effort to make sure that the organization contains a continuous leadership skill on how a certain position should be filled whether it is planned or unplanned when the vacancies occur.

### CONCEPTUAL FRAMEWORK

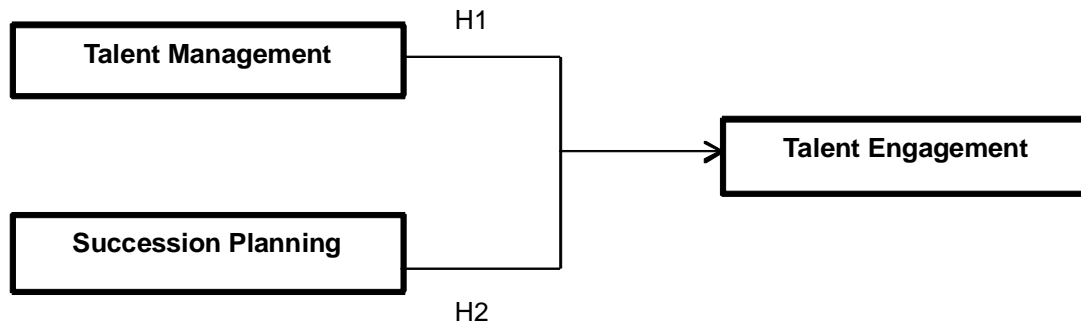


Figure 1: The relationship between Talent Management and Succession Planning on Talent Engagement

### RESEARCH METHODOLOGY

#### Sampling Design

In this study, the purposive sampling method was used. A purposive sample is a non-probability sample that is selected based on the characteristics of a population and the objective of the study (Sekaran, 2010). Purposive sampling is also known as “judgmental, selective or subjective sampling”. This type of sampling can be very useful in situations when you need to reach a targeted sample quickly. In another word, the proportionality of the sample is not the main concern. In detail, the samples of this study are the homogeneous purposive sample whereby the selected participants shared similar characteristics. The researcher using the purposive sampling is because the target respondents are bankers who are currently working with the Islamic bank. The researcher is not able to retrieve the name list of the bankers from the Islamic banking institution due to the private and confidential issue.

#### Research Procedure

Questionnaires are distributed by hand to each respondent and will be collected once they finished answering the questionnaires. In this research study, the questionnaires were distributed to the Islamic banking staffs in the Northern region; Kedah, Perlis and Pulau Pinang area. The questionnaires were directly distributed to the respondents and the duration to answer the questions was approximately around 10 minutes.

### DATA ANALYSIS

In this study, the researcher used multiple regression to calculate the strength of the relationship with two variables. Multiple regression analysis has been conducted to determine the variance of the talent engagement based on two factors which consist of talent management and succession planning. The results are summarized in the Table 1.1.

Table 1.1 reveals the two factors which are talent management and succession planning. A regression equation was found ( $F = 49.918$ ,  $p < 0.01$ ) with  $R^2$  of 0.467 and adjusted  $R^2 = 0.458$  (45.8%).

It is clearly demonstrated that from Table 1.1, both factors, which consist of talent management and succession planning, are positively influenced by the talent engagement with a standardized  $\beta$  value of 0.276 at significance level 0.000 and 0.511 at significance level 0.000 respectively.

**Table 1.1**  
**The Result of Regression Analysis**

<i>Independent Variables</i>	<i>Dependent Variable (Talent Engagement)</i>
Talent Management	0.276**
Succession Planning	0.511**
R <sup>2</sup>	0.467
Adjusted R <sup>2</sup>	0.458
F change	49.918**
P < .01**, p < .05*	

## Hypothesis

**Table 1.2**  
**The result of the overall hypothesis tested**

<i>Hypothesis</i>	<i>Result</i>
H1: Talent management is significantly related to the talent engagement in the Islamic banking sector	ACCEPTED
H2: Succession planning is significantly related to the talent engagement in the Islamic banking sector.	ACCEPTED

## CONCLUSION AND DISCUSSION

This study focuses on the influence of talent management and succession planning on talent engagement at the Islamic bank in Malaysia. It is hoped that the data obtained will give a little contribution to the Islamic banks to have a better talent management mechanism and succession planning program. This research also found that the talent management and succession planning were significantly related to talent engagement among the bankers. Therefore, it is concluded that talent management and succession planning are crucial to ensure that there is continuity of talent engagement with the Islamic bank in the long term.

This study has some recommendations. In terms of the sample, the other researcher can choose another region with a higher number of bankers that works with Islamic banks. By doing so, the researcher believes that the outcome will become more valid and authentic. Moreover, by expanding the sample size, the result of the study will become more representative and generalization can be made.

Furthermore, the researcher also recommends that future study should add on other possible antecedents which consist of mediating variable or moderating variable such as career advancement, career opportunity and career development.

Lastly, the period of the research study. In this study, the data collection process was conducted within three weeks due to the limitation of time. Therefore, the researcher suggested that the period of data collection should be expanded in order to obtain a good quality of data.

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