



**THE RELATIONSHIP OF TALENT MANAGEMENT
AND SUCCESSION PLANNING WITH EMPLOYEE
RETENTION IN HIGHER EDUCATION INSTITUTIONS:
ROLES OF CAREER DEVELOPMENT AND
EMPLOYEE ENGAGEMENT AS MEDIATORS**

BY

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ABSTRACT

Higher education institutions (HEIs) in Malaysia contribute an imperative and unique role in the growth of the nation's labour force and the economy. The education is perceived as to groom the people with the ability to quickly and creatively respond to economic changes. At that juncture, HEIs need to cultivate strategies to attract, develop and retain their best people through an effective talent management and succession planning practices. The new era of development in the higher education industry in Malaysia brings the researcher to identify why the right people are needed to serve HEIs at the right time. When these people start leaving, it is an indication that the HEIs are in trouble. This matter has also been also highlighted since Malaysian HEIs are fronting talent deficiency and high turnover. Thus, this study investigates the relationship of talent management practices and succession planning practices at Malaysian HEIs towards employee retention. Those practices were determined according to their level of effectiveness. In addition, this study also determines the mediating effect of employee engagement and career development on the relationship between talent management and employee retention at Malaysian HEIs. Moreover, this study determines the mediating effect of employee engagement and career development on the relationship between succession planning and employee retention at Malaysian HEIs. Employees who are eager to retain in the organisations feel more influential when they are engaged and satisfied with their career development goal. For this study, proportionate stratified sampling was employed. The respondents who represented the employees of HEIs were selected from each stratum of three groups of public universities in Malaysia (research universities, comprehensive universities and focus universities). The data collection for this study was carried out through self-administered questionnaires. The data collected was processed using computer software; Statistical Package for Social Science (SPSS) version 19.0 and Analysis of Moment Structure (AMOS) version 20.0. There were thirteen hypotheses examined in this study. The results indicate that talent management and succession planning practices were effective at HEIs. Most importantly, there is a significant influence of effective talent management and succession planning towards employee retention. Furthermore, the findings partially support the hypotheses on mediating effects. Employee engagement and career development mediates the relationship of talent management and succession planning towards employee retention. Undoubtedly, employees who are engaged and whose careers are being developed to be more likely to report higher levels of retention. The useful guidelines for human resource management practices in the present and future Malaysian HEIs can be outlined based on the results of this study.

ملخص البحث

مؤسسات التعليم العالي في ماليزيا تساهم بدور أساسي وفريد من نوعه في نمو القوة العاملة في البلاد والاقتصاد. ينظر إلى التعليم على أنه الذي يزود الناس بالقدرة على الاستجابة بسرعة وبشكل مبتكر للتغيرات الاقتصادية. في تلك المرحلة، تحتاج مؤسسات التعليم العالي لتبني استراتيجيات لجذب وتطوير والاحتفاظ بأفضل الناس من خلال الإدارة الفعالة للمواهب وممارسات التخطيط الناجح. العصر الجديد من التنمية في قطاع التعليم العالي في ماليزيا يستدعي من الباحث تحديد: لماذا هناك حاجة إلى الأشخاص المناسبين لخدمة مؤسسات التعليم العالي في الوقت المناسب. عندما يبدأ هؤلاء الناس بترك مؤسسات التعليم العالي، فهذه إشارة إلى أن هذه المؤسسات تواجه مشكلة. يتم تمييز هذه المسألة أيضا من خلال ملاحظة نقص المواهب الذي تعانيه مؤسسات التعليم العالي الماليزية وارتفاع معدل ترك الخدمة. وهكذا تهدف هذه الدراسة لمعرفة العلاقة بين ممارسات إدارة المواهب وممارسات التخطيط الناجح في مؤسسات التعليم العالي الماليزي نحو الاحتفاظ بالعاملين فيها. تم تحديد تلك الممارسات وفقا لمستوى الفعالية بالإضافة إلى ذلك، فإن هذه الدراسة تحدد تأثير التوسط لعامل الارتباط والتطوير الوظيفي في العلاقة بين إدارة المواهب والبقاء في الخدمة بمؤسسات التعليم العالي الماليزية. كما تحدد هذه الدراسة تأثير التوسط لعامل الارتباط والتطوير الوظيفي في العلاقة بين التخطيط الناجح والبقاء في الخدمة في مؤسسات التعليم العالي الماليزية. الموظفون الذين حرصوا على البقاء في المؤسسات يشعرون بالرضى ويتأثير أكبر عندما يشاركون بهدف تطوّرهم الوظيفي. في هذه الدراسة، تم استخدام العينة الطبقية التناسبية. وقد تم اختيار المشاركين الذين يمثلون العاملين في مؤسسات التعليم العالي من كل طبقة ثلاث مجموعات من الجامعات الحكومية في ماليزيا (الجامعات البحثية والجامعات الشاملة والجامعات المركزة). وجمعت البيانات لهذه الدراسة من خلال الاستبيانات المعدة ذاتيا من قبل الباحث. وتم معالجة البيانات التي جمعت بواسطة برامج الكمبيوتر. الحزمة الإحصائية للعلوم الاجتماعية (SPSS) النسخة التاسعة عشر وتحليل البنية اللحظية (AMOS) النسخة العشرون. تم اختبار تسعة فرضيات بحثية في هذه الدراسة. تشير النتائج إلى أن ممارسات إدارة المواهب وممارسات التخطيط الناجح كانت فعالة في مؤسسات التعليم العالي. الأهم من ذلك، أنه كان هناك تأثير كبير للإدارة الفعالة للمواهب والتخطيط الناجح للاحتفاظ بالعاملين. وعلاوة على ذلك، فإن النتائج دعمت جزئيا فرضية تأثير التوسط العملي. المشاركة والتطوير الوظيفي يتوسط

العلاقة بين إدارة المواهب والتخطيط الناجح نحو الاحتفاظ بالموظفين. ومما لا شك فيه أن الموظفون الذين يشاركون والذين يتم تطوير وظائفهم يكونون أكثر قابلية للوصول لمستويات أعلى للبقاء في وظائفهم. إن الخطوط العريضة لمبادئ ممارسات إدارة الموارد البشرية في مؤسسات التعليم العالي الماليزية الحالية والمستقبلية يمكن تحديدها بناء على نتائج هذه الدراسة.

APPROVAL PAGE

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DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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Signature:

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*This thesis is dedicated to
My father, Tuan Haji Mustafa Kamil Haji Abdul Jamil,
My mother, Puan Hajjah Badren Haji Mohd Saad,
My husband, Mr. Noramzan Mohd Nor,
My children, Muhammad Muhaimin and Muhammad Muzaffar.*

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LIST OF ABBREVIATIONS

10 th MP	Tenth Malaysian Plan
AMOS	Analysis of Moment Structure
AVE	Average Variance Extracted
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CIPD	Chartered Institute Personnel Development
ECD	Employee Career Development
EE	Employee Engagement
EFA	Exploratory Factor Analysis
EPU	Economic Planning Unit
ER	Employee Retention
ESP	Effectiveness Succession Planning
ETM	Effectiveness Talent Management
ETP	Economic Transformation Plan
GFI	Goodness of Fit Index
H	Hypothesis
HEIs	Higher Education Institutions
ICT	Information, Communication and Technology
MI	Modification Indices
MOE	Ministry of Education
MOHE	Ministry of Higher Education
PhD	Doctor of Philosophy

RBV	Resource Based View
RMSEA	Root Mean Square Error of Approximation
SEM	Structural Equation Modeling
SET	Social Exchange Theory
SP	Succession Planning
SPSS	Statistical Package for Social Sciences
TM	Talent Management
UWES	Utrecht Work Engagement Scale

CHAPTER ONE

BACKGROUND OF RESEARCH

1.1 INTRODUCTION

The first chapter outlines of the subject areas of talent management, succession planning, career development and employee engagement which are related to retention of employees. This chapter establishes the research problems, the research questions and research objectives based on the research gaps identified through the analysis of the areas being studied. Besides covering the significance of the study, this chapter also accomplishes in describing the key terms as well as developing an understanding of the concepts and terminology used in the field.

1.2 BACKGROUND OF STUDY

In recent years, the traditional relationship between employers and employees has transformed in a few fundamental ways. Many employers have attempted to comprehend and appreciate the significant contribution of their employees to the organisations. The shift in the new direction and focus have brought the development of human capital to a level consistent with brand new sources of identity, and the new meaning of employment and career structures in the system. According to Jiang, Lepak, Hang, Hong, Kim and Winkler (2012), the sufficient human resource practices which might influence employee abilities, motivation and opportunities to directly impact organisational performance provides desired employee performance. To have good employee performance, the organisations should retain the required skills and capacity of high performing employees to encounter current and future business needs.

Employee retention refers to policies and practices that certain organisations agree in order to avoid treasured employees from leaving their job (Coombs, 2009). Retaining employees in organisation is very important as it is an effort by an employer to keep desirable workers in order to meet business objectives (Frank, Finnegan and Taylor (2004, p.13). In an extremely competitive marketplace, matching suitable employees with suitable job roles is the way that ensures an organisation is running well. Ultimately, successful organisational performance depends on employees' competitiveness and efficiency. These potentials should not be determined carelessly.

Moncarz, Zhao and Kay (2008) also agrees that retaining the greatest employees is a vibrant element to organisational success. The fast-paced working environment of today requires organisations to appreciate the importance of human capital to their respective business enterprises (McCauley and Wakefield, 2006; Ingham, Penna and Strategic Dynamics, 2006). According to Aston and Morton (2005), an organisation's key precedence is their human capital. As successful and good organisational performance relies on employees' competitiveness and productivity, it is crucial for organisations to take the necessary steps to attract, develop and retain employees who possess the required skills and knowledge (Horwitz, Heng, and Quazi, 2003). Organisations that are aware that human capital is one of their greatest treasured resources would have an impressive competitive mechanism. The contributions of employees are undeniable. For example, the organisational performance of any successful and reputable organisation hinges on employee's capability and levels of competency.

According to Verquer, Beehr and Wagner (2003), employees who intent to stay are more probable to be working in organisations that implement certain set of human resource practices such as employee voice procedures, programs that are aware of

employee contributions, mechanisms for sharing information, and use of problem solving groups and training. This study anticipates to identify what are the absence and presence of human resource practices such as talent management, succession planning, career development and employee engagement that will affect employee retention or intention to stay.

Delivering an effective talent management strategy, therefore, is very important. The strategy must be designed in relation to succession planning and career development and employee engagement. Organisations, therefore, can develop employees with the necessary talent and skills, and encourage them to serve the organisation for many years. Organisations may choose to focus on financial capital, information technology, equipment, and excellent processes; but in the end, their personnel and individual employees are the most important.

Ready and Conger (2007) mentioned the effect of recognising people as the most valuable resource. Talented employees; especially those with leadership skills, should not be replaced easily. In this regard, Dreher and Dougherty (2001) suggested that high-performing organisations should introduce competitions to select their most capable employees. Leadership skills and knowledge are essential to an organisation (Rothwell, 2001; Ready and Conger, 2007). Leaders are the most important asset of an organisation, hence must be allowed to engage and given suitable positions. Any organisation wishing to grow; especially at the global level, cannot hope to achieve it without the ability and contribution of employees with leadership skills and integrity.

According to Cashman (2001), holistically, it is very important that a charismatic leader leads the organisation and there should be advanced preparation in connection with succession planning. Cashman (2001) also stated that some organisations have neglected leadership succession planning and focused solely on

increasing efficiency. These organisations should realise that without a plan for leadership development, they will face a major challenge to meet and maintain staff members who are knowledgeable, capable and possess good leadership skills. By implementing effective talent management and succession planning, it is vital that organisations play a dynamic role in recognising and improving individuals who have the competency and potential to contribute towards healthier organisational performance (Heinen and O'Neill, 2004).

Furthermore, according to Zheng and Kleiner (2001), several elements encourage people not to work for a single organisation for their entire career. Many are continuously looking for better career opportunities at different organisations. Thus, human resource divisions of all organisations should introduce new initiatives that enhance their employees' career and professional development. Employees who are competent, inspired, and established must be identified and given suitable training and exposure. According to Dreher and Dougherty (2001), these capabilities can only be accomplished through the implementation and development of effective human resource practices and strategies for employees' career development. Employers together with employees, have to deal with the problems concerning career strategies which can yield advantage to the particular employee and the long-term health of the organisation. The contribution of career development (Zheng and Kleiner, 2011; Dreher and Dougherty, 2001) and employee engagement (Macey and Schneider, 2008) might help employees' intention to stay longer in the organisation.

In order to identify how employees' intent to stay or retain in the organisations from the implementation of talent management practices and succession planning through career development and employee engagement, this study was proposed to examine employees in higher education institutions (HEIs) in Malaysia. HEIs are the