AN INVESTIGATION OF THE IMPACT OF TALENT MANAGEMENT, EMPLOYEE ENGAGEMENT, AND EMPLOYEE SATISFACTION ON EMPLOYEE RETENTION IN MALAYSIA INDUSTRIES

Wong Hong Ren
[1]Genovasi University College, 46200 Petaling Jaya, Selangor

Mohd Taipor Suhadah
[2]Genovasi University College, 46200 Petaling Jaya, Selangor

Abstract— This research project investigates the dynamics of employee retention within the framework of Malaysian industries, by evaluating the influence of three potential determinants – talent management, employee engagement, and employee satisfaction. In this study, online questionnaires were deployed via Google Forms, and the survey link was distributed to 101 respondents via social media platform. The convenience sampling technique, which is a type of non-probability sampling method was employed. Surprisingly, the findings revealed that while employee satisfaction and engagement played a pivotal role in enhancing employee retention rates, talent management strategies did not manifest a significant relationship. This insight contradicts prevalent notions that talent management directly correlates with retention. The study's outcomes suggest a need for Malaysian industries to recalibrate their HR strategies, placing emphasis on ensuring employee well-being and active engagement in their roles rather than solely focusing on talent management protocols. This research serves as a beacon for organizations aiming to optimize their workforce stability in a competitive market.

Keywords—Talent management, Employee retention, Employee engagement, Employee satisfaction

I. INTRODUCTION

In the global business landscape, talent management stands out as a cornerstone of organizational strategies. Its main goal is to enhance the processes of recruiting, nurturing, and holding onto high-caliber employees (Cappelli, 2008). However, talent management is but one piece of the puzzle. Complementary facets like employee engagement, which can be defined as a profound emotional and psychological connection to the organisation (Kahn, 1990), and employee satisfaction—the contentment derived from job roles and the working environment (Locke, 1976)—are equally pivotal. While these aspects individually and collectively influence organizational outcomes, their direct impact on employee retention, especially within the industrial sectors of Malaysia, requires deeper exploration. Malaysia, as a developing nation, has

been aggressively pushing its industrial boundaries, positioning itself as a significant player in the global market.

This rapid industrial growth has driven a fierce competition for talent, especially in sectors such as technology, manufacturing, and finance. Consequently, Malaysia's industries face a double-edged challenge: attracting the right talent and, more importantly, retaining them (Ahmad & Bon, 2013).

Industries like technology, finance, and manufacturing in Malaysia have their unique set of challenges when it comes to talent retention (Mohd Noor & Dola, 2011). However, there is a discernible gap in the literature that offers a granular, industry-specific analysis. An understanding tailored to the nuances of each industry, as opposed to a generic approach, could offer more actionable insights to stakeholders.

Petronas has a strong focus on talent development, offering a range of learning and development programs to its employees. The company also has a talent management system in place to identify and develop high-potential employees. The former President and CEO Datuk Wan Zulkiflee Wan Ariffin, in 2015, announced that the company had spent about RM500 million on talent management across its 51,000 employees in previous years, in the aspects of leadership training and competency building. Meanwhile, the company also looked at the succession plans and employee development needs.

This emphasis on the talent management by Petronas was said due to the changing demographic landscape within the company – 55% of its' employees were below the age of 35 (NST, 2015). As part of the talent management's initiatives, CIMB Group Holdings Berhad has established the Future of Work Centre (FOWC) to equip its workforce with crucial digital skills to safeguard the group's future. The company aims to have a minimum of 15% of its employees possessing digital proficiency by 2023. FOWC also explored external placements to offer its employees exposure beyond the banking industry, motivating them to pursue novel prospects and adopt a more receptive approach while navigating their career trajectories (The Edge Markets, 2019).

Employee turnover, which refers to the rate at which employees leave an organization, can be detrimental. It leads to direct costs such as recruitment and training of new employees and indirect costs like loss of institutional knowledge and reduced morale among remaining employees (Holtom et al., 2008). Given the critical nature of the Malaysian industrial sector's growth trajectory, understanding the factors that impact employee retention is paramount.

In essence, while individual aspects of talent management, engagement, and satisfaction have been explored in global literature, their integrated impact on retention in Malaysia's industries remains a grey

area. This research aims to shed light on these aspects, examining the interplay between talent management, employee engagement, satisfaction, and retention within the realm of Malaysia's industries.

II. LITERATURE REVIEW

A. Talent Management Practices

Talent management is regarded as a crucial HR challenge that businesses must address to meet future demands and ensure long-term sustainability. Failure to prioritize talent management can be catastrophic, especially in the current highly competitive business landscape. In today's talent-driven market, one of the most significant obstacles that organizations face is attracting, evaluating, training, and retaining talented employees. Talent management is a comprehensive process that involves planning, recruiting, developing, managing, and compensating employees across the entire organization (Hongal & Kinange, 2020). The impact of talent management practices on organizational performance in the IT industry was examined. The analysis revealed a positive relationship between talent management and overall organizational performance, although the impact is only partial. Employees suggested that improving learning and development initiatives and retention strategies could enhance talent management and ultimately lead to better organizational performance. Integrating talent management with business plans and strategies was said can improve performance, productivity, and profitability, giving organizations a competitive edge in the market (Puja & Shikha, 2022). A successful talent management could help to develop high employee performance which can be justified by the positive turnover in revenues and marketability of the well-developed talent (Syed Abd Nasir et al., 2014).

B. Employee Retention

The workforce's human capital is of utmost importance in the workplace and cannot be easily replaced. It poses a significant challenge to retain skilled and productive employees, particularly in a competitive job market. Effective management of human assets is a key factor in an organization's prosperity, and it is crucial to be mindful of it at all times. Therefore, it is essential for all positions within an organization, including human resource management, to collaborate and develop a retention strategy to help the organization become more competitive and advance in the future. Organisational performance can be adversely impacted by a high employee turnover rate, which can also prove to be a costly affair (Shaw et al., 2009). If an organisation fails to attract employees (Rakhra, 2018) and they were being dissatisfied, underpaid or unmotivated with the jobs (Coff, 1997) they are likely to leave. There was a four-parts model of turnover intentions proposed by (Mobley et al., 1978) with (1) Thinking of quitting; (2) Finding for acceptable alternative of employment; (3) Planning to quit or stay; and (4) Actual turnover. Once the employees have the thought of leaving, they will search for new opportunity. To decide to stay or leave is

highly dependent on the next alternative employment. Once it has a better work-life condition than the existing one, they will leave and actual turnover happens (Hosen, 2022).

C. Employee Engagement

Employee engagement refers to the state of an employee being actively involved in, enthusiastic about, and satisfied with their work. It is crucial in retaining talent, as it significantly affects both employee productivity and talent retention. Highly engaged employees are known to produce superior outcomes as they possess a comprehensive understanding of the business context and work collaboratively with their colleagues at the workplace (Aizat Ramli et al., 2018). This is in parallel with another study concluded that highly committed employees try 57% harder on their task, perform 20% better, and 87% less likely to leave, manifesting the employee engagement is the key to their performance and employee retention (Corporate Leadership Council, 2004). Numerous studies and research have been carried out concerning the issue of employee engagement. The most influential factor in keeping employees engaged, according to all the studies conducted, is the "direct relation with manager" (Hongal & Kinange, 2020). Based on the empirical evidences, the relationship between talent management practices and employee engagement was proved to be positive (Aizat Ramli et al., 2018).

D. Employee Satisfaction

Employee satisfaction, referring to the level of contentment an employee experiences in their job, is a significant area of research in human resource management. It is also a pressing concern for companies worldwide. The reason for selecting job satisfaction as the predicted outcome of an employer brand is its close association with employee retention. When an organisation satisfies its employees, they are more likely to remain with the company and share their positive experiences with others, contributing to the organisation's reputation and success (Prasad, 2016). Employee satisfaction can foster employee commitment and customer satisfaction, ultimately resulting in improved organisational profitability (Gaddam, 2008). The implementation of talent management strategies has a positive and significant correlation with employee job satisfaction and performance. These strategies not only contribute to improved organizational outcomes but also have a significant impact on shaping employee attitudes. Providing opportunities for training, development, and career growth can increase employee motivation and discretionary behavior, ultimately resulting in job satisfaction. Jobs with greater potential for growth and advancement are likely to enhance employee performance. As a result, employees who experience higher levels of job satisfaction within their organizations are more productive and less likely to leave their jobs (NIKPOUR, 2018).

III. RESEARCH METHODOLOGY

In this study, a deductive research approach is utilized. Drawing from the independent variables – talent management, employee engagement and employee satisfaction, and the dependent variable – employee retention has been crafted to examine the interplay between these factors. In this research, data will be garnered using an online survey deployed via Google Forms. The questionnaire consists of close-ended questions. This method is not only cost-effective and time-saving but also eco-friendly. The data for this project will be collected from July 22, 2023 to September 6, 2023. The target population is the group of employees in Malaysia industries. Given the broad nature of industries in Malaysia, while defining the target population, it would also be crucial to consider factors like the type of industry (e.g., IT, manufacturing, finance), geographical location (urban vs. rural), and company culture (traditional vs. startup). It's essential to ensure that the sample represents the diversity of the Malaysian industrial landscape to draw comprehensive conclusions.

A. *Theoretical Framework*

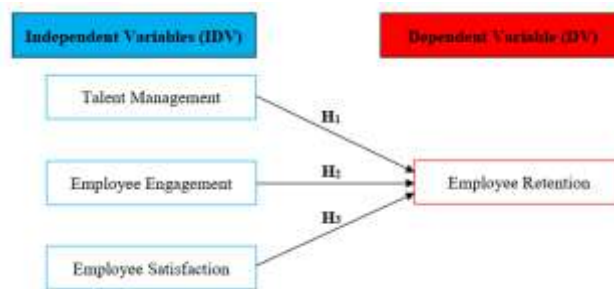The theoretical framework is presented in Fig. 1.

Fig. 1. Theoretical Framework

B. *Data Analysis Method*

Data analysis is a crucial stage in any research project as it facilitates the translation of raw data into meaningful insights. One of the modern tools used in research to conduct advanced analysis is the SMART PLS 4, which stands for "Smart Partial Least Squares." Upon gathering primary data from the questionnaires, it will be processed using the SMART PLS 4 software. The analysis will employ the Partial Least Squares Structural Equations Modelling (PLS-SEM) as the technique. Unlike other SEM techniques, PLS-SEM, as executed in SMART PLS 4, can handle smaller sample sizes and still provide reliable results.

IV. RESULTS

Researcher use SMART PLS 4 Software to compute the data.

A. Structural Model Path Coefficients

Following an assessment of model validity and reliability, PLS-SEM analysis was conducted to examine the path coefficients, which is one of the techniques employed to investigate the structural model. In this research, bootstrapping was employed as a method to assess standard deviations, T-statistics, and P-values.
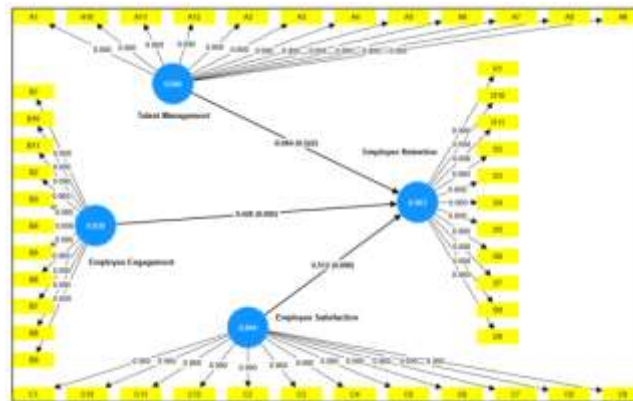

Fig. 2. Structural Model (Bootstrapping)

Fig. 2 illustrates the structural model utilized in this study. This model was generated using the bootstrapping technique, involving the generation of 5000 bootstrap samples.

TABLE I. SUMMARY OF STRUCTURAL MODEL PATH COEFFICIENT

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Employee Engagement -> Employee Retention	0.426	0.431	0.153	2.784	0.005
Employee Satisfaction -> Employee Retention	0.512	0.509	0.126	4.057	0.000
Talent Management -> Employee Retention	-0.064	-0.063	0.100	0.641	0.522

Table I displays the summary of the structural model, with a significance level set at 0.05 (5%). The values of Original Sample (O) represent the data for each variable in the analysis. It appears to be the effect or score of each variable on Employee Retention. Employee Engagement has an original sample value of 0.426, while Employee Satisfaction has an original sample value of 0.512. Talent Management, however, has a negative original sample value of -0.062. On the other hand, the sample mean represents the average value of the data for each variable across your sample. In this case, the sample means for Employee Engagement, Employee Satisfaction, and Talent Management are 0.431, 0.509, and -0.063, respectively.

The spread or dispersion of the data points from the mean is measured by the Standard Deviation. A lower standard deviation indicates that the data points are close to the mean, while a higher standard deviation suggests that the data points are more spread out. In Table 4.5, the standard deviations for Employee Engagement, Employee Satisfaction, and Talent Management are 0.153, 0.126, and 0.100, respectively. Furthermore, the T statistics (or t-value) is a measure of how many standard deviations an original sample value is away from the sample mean. It is calculated as the absolute value of (Original Sample / Standard Deviation). A higher T statistic indicates a stronger relationship or effect. For Employee Engagement, the T statistic is 2.784, for Employee Satisfaction, the T statistic is 4.057, and for Talent Management, the T statistic is 0.641.

The p-values represent the significance of the relationships between each independent variable (Talent Management, Employee Engagement and Employee Satisfaction) and dependent variable (Employee Retention). In hypothesis testing, a small p-value (typically less than 0.05) indicates that the relationship between the variables is statistically significant, suggesting that the variable has an impact on Employee Retention. Conversely, a large p-value suggests that the relationship is not statistically significant. Previous research has demonstrated that if the P-value is less than 0.05, the model holds significance (Malhora & Peterson, 2006). Additionally, other studies have indicated that when the P-value is less than the 0.05 significance level, the relationship between the independent and dependent variables is considered significant (Uyanık & Güler, 2013). Based on the result shown in table 4.3, Employee Engagement and Employee Satisfaction have very low p-values (0.005 and 0.000, respectively), indicating a statistically significant relationship with Employee Retention. However, Talent Management has a relatively high p-value of 0.522, suggesting that its relationship with Employee Retention is not statistically significant in this analysis.

B. Coefficient of Determination (R^2)

The coefficient of determination is a statistical metric used to evaluate the extent to which variations in one variable can be accounted for by differences in another variable when forecasting the result of a specific event.

TABLE II.   R-SQUARE RESULTS

	R-square	R-square adjusted
Employee Retention	0.745	0.737

R-squared is a statistical measure that represents the proportion of the variance in the dependent variable (in this case, "Employee Retention") that is explained by the independent variables in the regression model.

It ranges from 0 to 1, with higher values indicating a better fit of the model to the data. From the Table II, the R-squared value is 0.745, meaning that approximately 74.5% of the variance in "Employee Retention" can be explained by the independent variables included in the regression model. In other words, the model accounts for 74.5% of the variability in Employee Retention, and the remaining 25.5% is unexplained or attributed to other factors not considered in the model.

Another calculated item is Adjusted R-squared, which is a modification of R-squared that takes into account the number of independent variables in the model. It penalises the inclusion of irrelevant or redundant variables and provides a more accurate measure of the model's goodness of fit, especially when dealing with multiple independent variables. Adjusted R-squared, in this analysis, is 0.737. This adjusted value accounts for the complexity of the model by considering the number of independent variables. It is slightly lower than the R-squared value, as it penalizes the inclusion of unnecessary variables. The value of 0.737 manifests that about 73.7% of the variance in "Employee Retention" can be explained by the independent variables, adjusting for the model's complexity.

Based on past researches under discipline of marketing, the rule of thumb for R^2 value of 0.25, 0.5, 0.75, represent weak, moderate, substantial respectively (Hair et al., 2011; Henseler et al., 2009). From table 4.6, these statistics indicate the goodness of fit of the regression model for predicting "Employee Retention." An R-squared value of 0.745 suggests that the model explains a substantial portion of the variance in Employee Retention, while the adjusted R-squared value of 0.737 provides a more conservative estimate of the model's performance, considering the complexity of the model. These values suggest that the model is relatively effective at explaining and predicting Employee Retention, but there may still be unexplained variability or room for improvement in the model..

C. Hypotheses Testing

a) H1: Talent Management has significant influence on Employee Retention: As shown in Fig. 3, this study does not provide support for H1, indicating that Talent Management is not a statistically significant factor influencing Employee Retention. This conclusion is drawn from the observed p value of 0.522, which exceeds the threshold of 0.05. The relationship between talent management and employee retention has been a topic of interest in organisational behavior and human resource management research.
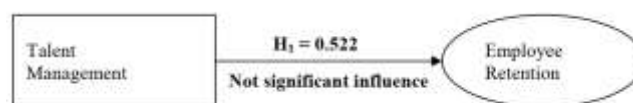

Fig. 3. H1: Talent Management has significant influence on Employee Retention

b) H2: Employee Engagement has significant influence on Employee Retention: As depicted in Fig. 4, this study does provide support for H2, indicating that Employee Engagement is a statistically significant factor influencing Employee Retention. This conclusion is drawn from the observed p value of 0.005, which below the threshold of 0.05. The hypothesis which stated that employee engagement has a significant positive effect on employee retention was then accepted. Engaged employees exude enthusiasm, positivity, and proactivity, benefiting both themselves and the larger organisation.
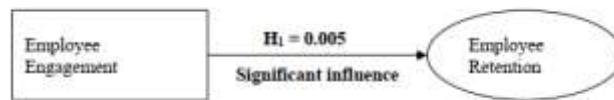

Fig. 4. H2: Employee Engagement has significant influence on Employee Retention

c) H3: Employee Engagement has significant influence on Employee Retention: As shown in Fig. 5, this study does support to H3, suggesting that Employee Engagement is indeed a statistically significant factor impacting Employee Retention. This determination is based on the observed p value of 0.000, which falls below the 0.05 threshold.
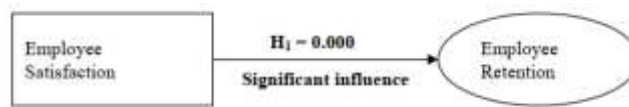

Fig. 5. H3: Employee Engagement has significant influence on Employee Retention

V. CONCLUSION

Throughout the whole research, the study highlighted that while both employee engagement and employee satisfaction significantly influence employee retention, talent management, surprisingly, did not show a significant relationship. These findings challenge some commonly held perceptions, especially regarding the role of talent management in retention.

The emphasis on employee engagement and satisfaction resonates with the global shift towards understanding the importance of mental well-being, job satisfaction, and a sense of purpose in the workplace. In an era where industries are increasingly competing for top talent, these insights are invaluable for decision-makers and HR professionals within Malaysia.

In summary, this study not only contributes to the academic discourse on employee retention but also offers a tangible roadmap for industries in Malaysia, directing them towards areas that need attention and intervention. As the industrial landscape continues to evolve, such research becomes an indispensable tool in ensuring that businesses can retain their most crucial asset: their employees.

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