

Unleashing Organizational Potential: Exploring the Impact of Talent Management and Employee Value Proposition on Organizational Efficiency in the Klang Valley, Malaysia

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ABSTRACT:

The contemporary human resource (HR) landscape has undergone a paradigm shift, placing greater emphasis on talent-driven approaches rather than organization-driven ones. Consequently, talent management (TM) has emerged as a critical aspect of human resource management (HRM). This study aims to investigate the influence of four fundamental talent management issues - attracting, selecting, developing, and retaining talents - on organizational efficiency (OE). Through a survey conducted in the Klang Valley, Malaysia, using a structured questionnaire, data were collected from 282 respondents representing diverse management disciplines across various organizations. The research employed confirmatory factor analyses (CFA) and structural equation modelling (SEM) techniques to analyze the data. The findings indicate that three factors of talent management - attracting talent, selecting talent, and retaining talent - exhibit a significant relationship with organizational efficiency. Moreover, a positive and significant relationship was observed between employee value proposition (EVP) and organizational efficiency (OE). Interestingly, employee value proposition (EVP) was identified as a mediating factor in the relationship between talent management (TM) and organizational efficiency (OE). These results offer valuable insights for both management and policymakers in Malaysia to enhance talent management practices and optimize organizational efficiency.

Key terms: Talent management, organizational efficiency, employee value proposition, Malaysia, empirical study.

I. INTRODUCTION:

In the contemporary business environment, the focus has shifted towards a talent-driven approach in human resource management (HRM) rather than solely relying on traditional organization-driven practices. This shift has highlighted the importance of talent management (TM) as a key driver of organizational success and efficiency. Organizations worldwide are increasingly recognizing the strategic value of attracting, selecting, developing, and retaining talented employees to gain a competitive edge in their respective industries. In the context of Malaysia, where the business landscape is constantly evolving, understanding the impact of talent management on organizational efficiency becomes crucial. The Klang Valley, as a vibrant economic hub in Malaysia, offers an ideal setting to explore this relationship among diverse organizations and management disciplines. Talent management plays a vital role in modern organizations, attracting significant attention from both business entities and academic institutions. It is instrumental in improving workplace productivity (Kehinde, 2012) and enhancing organizational values (Grace, 2015). Effective talent management strategies foster employee productivity, commitment, and retention (Gümüş et al., 2013), benefiting organizations. Talent management encompasses attracting, developing, retaining, and utilizing talent, supporting competency-based recruitment, sustainable leadership development, and addressing competency gaps (Fapohunda, 2014). Additionally, talent management focuses on hiring the right people, fair compensation, performance management, organizational flexibility, and responsiveness (Fapohunda, 2014). These strategic

practices directly impact revenue generation, customer satisfaction, quality, productivity, market value, commitment, and employee loyalty (Fapohunda, 2014).

Employee value proposition (EVP) acts as a catalyst in talent management efforts. EVP refers to the unique benefits employees receive in return for their skills, capabilities, and experience (Page, 2016). Previous studies have shown that when organizations meet employee demands and provide satisfaction, employees display higher enthusiasm and commitment (Smith, 2011). Thus, the implementation of EVP can enhance employee retention (CLC, 2004; MS, 2009). However, limited research has explored the interplay between talent management, EVP, and organizational efficiency, particularly in the Malaysian context.

Talent management has garnered significant attention in recent years, with companies and institutions increasingly showing interest in this concept (Al Ariss et al., 2014). However, providing a precise definition for talent management proves challenging, as it is sometimes used interchangeably with terms like 'talent strategy,' 'succession management,' and 'human resource planning' (Lewis & Heckman, 2006). In essence, talent management encompasses a set of activities, including identifying, recruiting, and selecting talent from the labor market, discovering the key capabilities of individuals, developing their skills, managing talent flow, and ensuring talent retention (Kehinde, 2012; Lewis & Heckman, 2006; Sparrow, Hird, & Balain, 2011; Tarique & Schuler, 2012; Vaiman et al., 2015).

Organizational efficiency can be defined as the ability of an organization to gain a competitive advantage by effectively responding to the market and achieving its defined mission. According to Kemal Avkiran (2014), organizational efficiency is closely tied to the organization's quick response to market dynamics. This entails being aware of effective market responses, promptly adapting to market changes, and ensuring a smooth flow of information within the organization. The attainment of operational efficiency, growth, and profitability are key determinants of organizational efficiency, as highlighted by Biloslavo, Bagnoli, and RusjanFigelj (2013). Additionally, they emphasize the significance of effective management practices that prioritize employee satisfaction and value creation, thus preserving their interests. Melavc (1998) identified two fundamental indicators for organizational efficiency: productivity and profitability, which play crucial roles in determining an organization's success. A crucial

aspect of organizational efficiency lies in ensuring that all employees are aligned with the common goal and actively contribute to realizing the organization's mission. Strategic planning and implementation also play a vital role in driving an organization towards effectiveness, as emphasized by Lin and Orvis (2016). In summary, organizational efficiency hinges on the organization's ability to respond effectively to market demands, prioritize employee satisfaction, achieve productivity and profitability, and align all efforts towards achieving its defined mission.

II. PROBLEM STATEMENT:

Talent management is crucial for organizations to attract, develop, and retain skilled employees, thereby enhancing their strategic capabilities and achieving their goals. However, talent management practices encounter significant challenges, such as difficulties in attracting and retaining talented individuals, shifting market dynamics from employer-driven to employee-driven, and the need to integrate talent management into the overall management process. Additionally, employee retention has become a pressing concern for companies in Malaysia, with a notable percentage of engaged employees expressing their intention to leave the organization within the next two years. Amid these challenges, the role of Employee Value Proposition (EVP) emerges as a potential solution to motivate and retain talented employees. Despite its significance, no study has explored the impact of talent management on organizational efficiency while considering EVP in the context of Malaysian firms. Thus, this study aims to address this gap and investigate the relationship between talent management, EVP, and organizational efficiency in Malaysia.

III. METHOD

The study utilized a comprehensive methodology to investigate the relationships between talent management practices, employee value proposition, and organizational efficiency in the Klang Valley, Malaysia. Research hypotheses were formulated to test the impact of talent management practices on organizational efficiency and employee value proposition, as well as the mediating role of employee value proposition. The sample size was determined based on recommendations and a sample size chart, resulting in 285 respondents from public and private organizations in the Klang Valley. Data were collected through a replicated questionnaire, and validity and reliability were ensured through expert opinions and Cronbach's Alpha analysis. The

questionnaire design incorporated relevant items from previous studies, focusing on different aspects of talent management, organizational efficiency,

and employee value proposition. Statistical analysis involved multiple fit indices to evaluate the measurement and model fit of the data.

IV. LITERATURE REVIEW

Reference	Key Findings
Al Ariss et al. (2014)	Talent management gains increasing attention in companies.
Lewis & Heckman (2006)	Talent management is often used interchangeably with other terms.
Kehinde (2012); Sparrow et al. (2011)	Talent management involves identifying, recruiting, developing, and retaining talent.
Collings & Mellahi (2009)	Talent management is systematic identification of key positions, developing a talent pool, and ensuring commitment.
Grace (2015)	Talents possess appropriate skills, cognitive ability, knowledge, and potential for development.
Rastgoo (2016)	Motivation is important for talent management.
Koh (2015); MS (2009)	Employee Value Proposition (EVP) attracts and retains talented employees.
Miner (1973)	Recruitment of managerial talents is crucial for organizational success.
Schichtle (2011)	Factors like initiative, judgment, loyalty, and cost efficiency are essential for talent selection.
Muntean (2014)	Talents can be categorized at individual, group, and organizational levels.
Hansen (2011)	Key initiatives for talent development include acting as a role model, reinforcing learning, etc.
Almaçık et al. (2014)	Attracting talent brings competitive advantages and organizational efficiency.
Mohamed-Alkerdawy (2016)	Developing talent involves training, performance appraisal, HR planning, etc.
Schichtle (2011)	Talent retention pros: dependability, productivity, mentorship; cons: motivation, complacency.
Sahay (2015)	Recruiters face challenges in finding suitable positions for talents.
Avinash Pawar & Kuldip S. Charak (2015)	EVP helps in attracting and retaining quality workforce, enhancing organizational efficiency.
Tajuddin, Ali & Kamaruddin (2015)	Study on "relationship between talent management practices (TMP), EVP, and TBS" in Malaysian banking industry.
Kemal Avkiran (2014)	Organizational efficiency is gaining competitive advantage.
Biloslavo, et al. (2013); Melavc (1998)	Organizational efficiency is linked to operational efficiency, growth, profitability, and employee satisfaction.
Lin & Orvis (2016)	Organizational efficiency depends on strategic planning.

While the literature review provides insights into talent management and its significance in attracting, selecting, developing, and retaining talented employees, as well as the importance of employee value proposition (EVP) in motivating and retaining talents, it does not specifically address the empirical evidence of how talent management practices affect organizational

efficiency in the particular context of Klang Valley, Malaysia.

The gap in the existing research is the absence of a comprehensive empirical study that investigates the actual relationship between talent management practices, employee value proposition, and their combined effect on improving organizational efficiency within the unique socio-

economic and cultural setting of Klang Valley, Malaysia.

The proposed study could bridge this gap by conducting a thorough empirical analysis, using data collected from organizations in Klang Valley, to explore the direct and indirect effects of talent management practices, such as attracting, selecting, developing, and retaining talents, on the overall efficiency and performance of these organizations. Additionally, it could examine the mediating role of employee value proposition in enhancing talent management outcomes and organizational efficiency. By addressing this gap, the research could provide valuable insights and practical recommendations for organizations in Klang Valley, Malaysia, and beyond, to optimize their talent management strategies and improve overall efficiency and competitiveness.

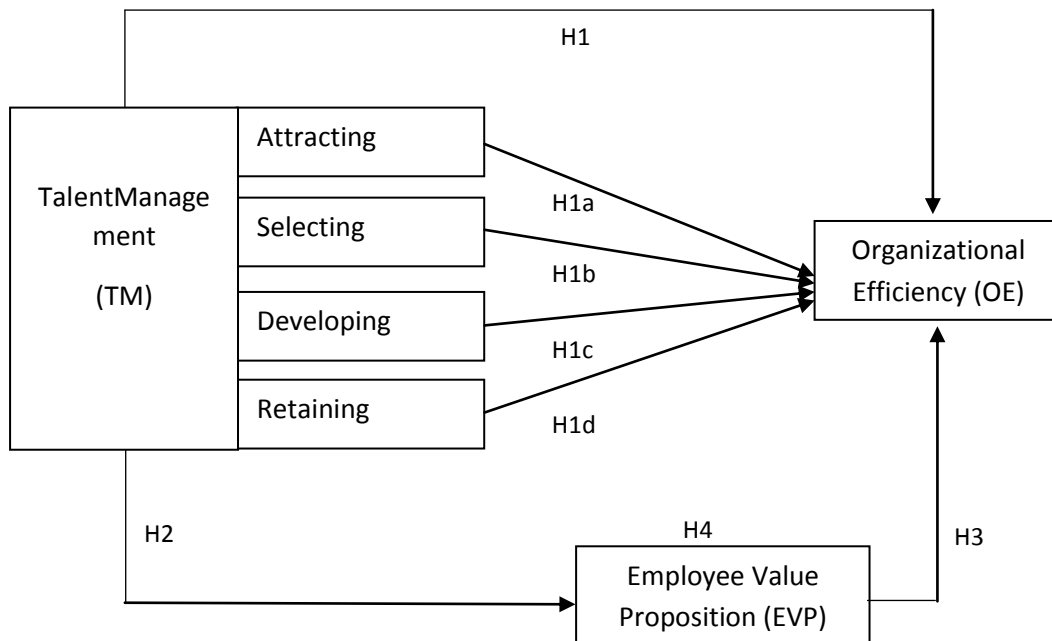
The data for this study was collected in Klang Valley, Malaysia, using a disproportionate convenient sampling technique. Both public and private organizations from various industries were included in the sample, ensuring a diverse representation. A total of 284 responses were collected through a questionnaire, which was

distributed among the employees of these organizations without considering their size or number of employees, making it a cost-effective and efficient data collection method.

For data collection, a replicated questionnaire was used as the main instrument, and a 5-point Likert scale was employed to measure responses. To ensure the validity and reliability of the questionnaire items, Cronbach's Alpha was used, with scores above .70 indicating good reliability. Additionally, expert opinions were sought to verify the consistency and appropriateness of the questionnaire items.

The questionnaire was designed by incorporating sections on talent management, organizational efficiency, and employee value proposition. The talent management section was adapted from a previous survey conducted by Mohamed Alkerdawy in the banking industry, focusing on attracting, selecting, developing, and retaining talent. The organizational efficiency section's items were selected from published articles by Kemal Avkiran, Biloslavo et al., and Lin & Orvis. Similarly, the items for employee value proposition were derived from Bell's work.

A research framework was designed that depicts how the variables are linked with each other.



The hypotheses (H1-H2) are derived from the theoretical framework, which combines three fundamental theories of management: management

theory, human resource management (HRM) theory, and talent management (TM) theory.

H1: Talent Management Practices has a significant positive impact on Organizational Efficiency.

This hypothesis suggests that talent management practices, including attracting, selecting, developing, and retaining talent, are positively related to organizational efficiency. Each sub-hypothesis (H1a-H1d) represents the impact of specific talent management factors on organizational efficiency. H1a proposes that the ability to attract talent positively influences organizational efficiency, while H1b suggests that the selection process for talent also has a positive impact. Similarly, H1c states that developing talent within the organization contributes to higher organizational efficiency, and H1d indicates that retaining talent is beneficial for organizational efficiency.

H2: Talent Management Practices has a significant positive impact on Employee Value Proposition.

This hypothesis states that talent management practices have a positive influence on employee value proposition (EVP), which refers to the values or benefits that employees obtain from the organization they work for. It suggests that organizations that effectively manage talent can provide attractive employee value propositions, leading to higher satisfaction and motivation among employees.

H3: Employee Value Proposition has a significant positive impact on Organizational Efficiency.

This hypothesis proposes that employee value proposition has a direct positive impact on organizational efficiency. It suggests that when employees perceive that they receive valuable benefits and rewards from the organization, they are more likely to be committed, motivated, and engaged, which ultimately leads to improved organizational efficiency.

H4: Employee Value Proposition mediates the relationship between Talent Management Practices and Organizational Efficiency.

This hypothesis introduces employee value proposition as a mediator between talent management practices and organizational efficiency. It suggests that talent management practices can indirectly influence organizational efficiency by shaping the employee value proposition. In other words, talent management practices positively affect employee value proposition, and in turn, this EVP positively impacts organizational efficiency, mediating the relationship between talent management and organizational outcomes.

In summary, the theoretical framework supports the idea that effective talent management practices have a significant impact on both employee value proposition and organizational efficiency. Employee value proposition acts as a link between talent management practices and organizational efficiency, indicating the importance of aligning talent management strategies with the values and benefits that employee seek from their organizations to enhance overall performance and success.

V. FINDING AND RESULT

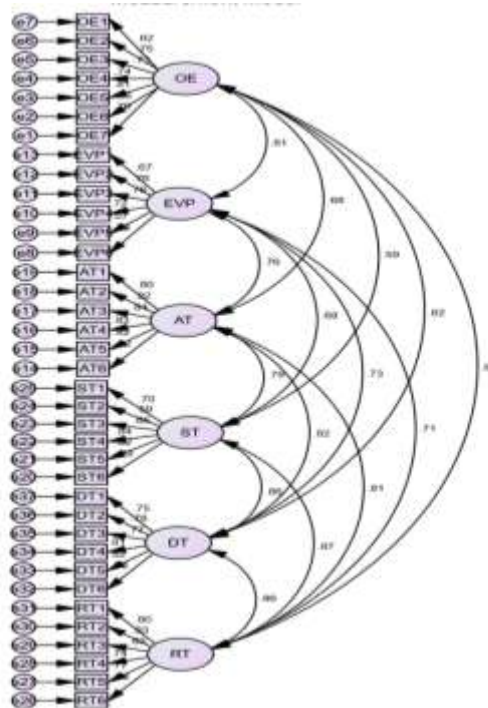
The survey involved 284 respondents, with a balanced gender distribution (44% male, 56% female). The majority of respondents were in the age range of 26-35 (56.3%), followed by those below 25 years (11.6%), 36-45 years (22.9%), and above 46 years (9.2%). Most respondents were single (55.3%), identified as Malay (50%), and held a bachelor's degree (57.7%). The respondents represented various departments, with a significant portion (25.4%) working in the human resources department. Confirmatory Factor Analysis (CFA) was conducted to test the relationship between observed variables and their underlying constructs. A measurement model was developed based on the theoretical framework. The initial model showed mixed fit results, indicating the need for re-specification and adjustments to improve model fit. Measurement Model The initial measurement model exhibited mixed fit indices. Although some indices, such as chi-square and GFI, were significant, others, including RMSEA and CFI, did not meet the recommended criteria for good model fit. A re-specified measurement model was developed by removing items with low factor loadings and introducing error correlations based on modification indices. Common Method Variance To control for common method variance, data imputation was used as a remedial solution. The presence of common method bias was assessed to ensure the validity and accuracy of the findings.

Measurement Model:

The measurement model presented in Figure 4.4.1 was constructed based on the underlying factors supported by the relevant literature. It includes observed variables related to Employee Value Proposition (EVP), Organizational Efficiency (OE), and the four talent management factors: Attracting Talent (AT), Selecting Talent (ST), Developing Talent (DT), and Retaining Talent (RT). The fit indices of the model were evaluated to assess its adequacy. The results indicated that the model did not fully meet the fit

criteria. The CHIN/DF value was 2.57, which was significant at $p < .05$. The Root Mean Square Residual (RMR) value was .044, slightly below the recommended range of .05-.08. However, the Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) values were 0.764 and 0.729, respectively, both falling below the

recommended threshold of $> .8$. The Comparative Fit Index (CFI) value was 0.874, also not meeting the desired level of $> .90$. The Root Mean Square Error of Approximation (RMSEA) value was 0.075, and the PCLOSE value was 0.000. These results collectively indicated that the model did not fit the data well and required further specification.

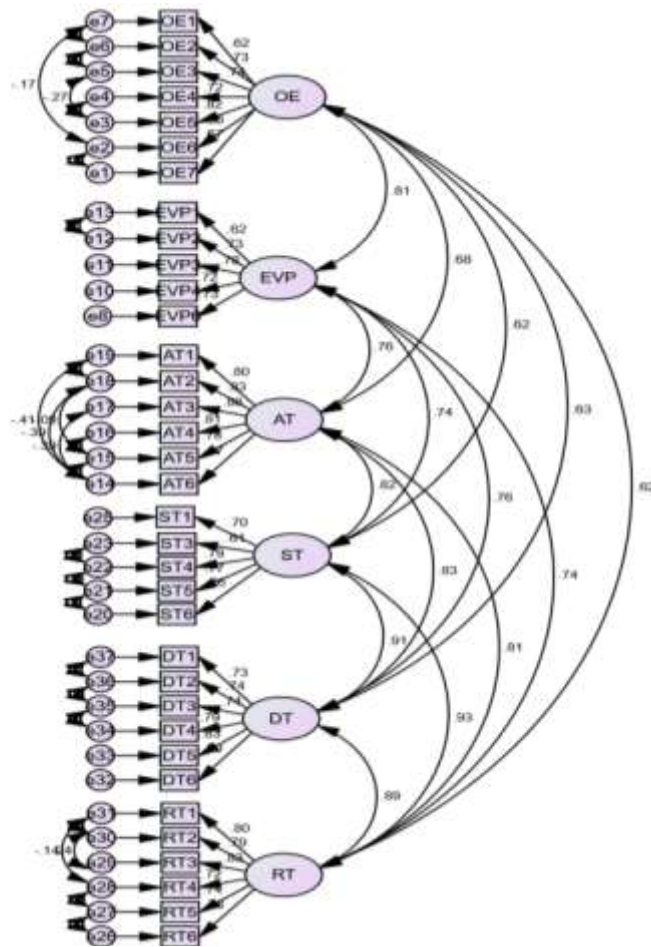


Measurement Model

Re-specified Model:

To improve the measurement model, certain adjustments were made. First, items with factor loadings less than .6, such as EVP 5 and ST2, were removed, as recommended by statistical guidelines. Additionally, some error terms were correlated based on large modification indices. This re-specified model, as shown in Figure 4.4.2, demonstrated some improvement in the fit indices. The CHIN/DF value slightly decreased to 1.769,

remaining significant at $p < .05$. The RMR value improved to .038, although it still did not reach the desired range of .05-.08. The GFI and AGFI values slightly increased to .845 and .812, respectively, but they still did not fully meet the recommended threshold of $> .8$. The CFI value improved to .946, meeting the desired level of $> .90$. However, the RMSEA remained above the acceptable limit at .052, suggesting that there may still be some specification errors in the model.



Re-specified Measurement Model

In conclusion, the re-specified measurement model showed some improvement over the original model. It achieved a better fit in terms of CHIN/DF, RMR, GFI, AGFI, and CFI values. However, the RMSEA value still indicated potential specification errors. Further refinement and adjustments may be needed to achieve a more adequate fit for the measurement model.

Talent Management and Organizational Efficiency: Among the four factors of talent management, attracting talent and retaining talent positively impact organizational efficiency, while selecting talent has a negative effect. Developing talent does not show a significant relationship with organizational efficiency. These findings emphasize the importance of effectively attracting and retaining talented individuals to enhance organizational success.

Talent Management and Employee Value Proposition: Attracting talent and developing talent have a significant positive relationship with employee value proposition, indicating that organizations can enhance their employee value

proposition by effectively attracting and developing talent. However, selecting talent and retaining talent do not have a significant impact on employee value proposition.

Employee Value Proposition and Organizational Efficiency: The study reveals a significant positive relationship between employee value proposition and organizational efficiency, implying that a strong employee value proposition contributes to improved overall performance and efficiency within an organization.

Mediating Role of Employee Value Proposition: Employee value proposition fully mediates the relationship between attracting talent, selecting talent, and retaining talent with organizational efficiency. However, it only partially mediates the relationship between developing talent and organizational efficiency. This highlights the critical role of employee value proposition in translating talent management practices into enhanced organizational efficiency.

The findings of this study align with some previous research, such as the study by Tajuddin et

al. (2015), which also found that talent management practices were mediated by employee value proposition. However, there were also dissimilarities, particularly regarding the significance of certain parameters related to selecting talent. This underscores the need for localized research considering the contextual nature of talent management.

Given the dynamic and competitive business environment, talent management remains a crucial area for organizations seeking a competitive advantage. Future research should explore talent management, employee value proposition, and organizational efficiency across diverse industries in Malaysia to gain a deeper understanding of the interplay between these factors and organizational success.

In conclusion, modern organizations can significantly benefit from effective talent management strategies that encompass attracting, selecting, developing, and retaining talented individuals. Employee value proposition plays a pivotal role in talent management, influencing competency-based recruitment, sustainable leadership development, competency gap identification and filling, fair compensation, organizational flexibility, performance appraisal, and employee engagement. Organizations in Malaysia should prioritize talent management and employee value proposition to enhance organizational efficiency and achieve competitive advantages in today's dynamic business landscape.

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