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Framework for Managing Employee Talent in Malaysian Islamic Banks

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ABSTRACT

Objective: This paper proposes a conceptual framework to formulate a model of employee talent management, which might be implemented among Islamic banks in Malaysia.

Methodology: This concept paper relies on analysis of previous literature and observation of current issues in Islamic banking industry.

Results: It has been found that the demand for combination of knowledge about Sharia law and finance among bankers is rising in the Islamic banking industry. The capability and expertise of current bankers in Islamic banks are overlapping with those found in conventional banks. Yet only those bankers who are equipped with knowledge of Sharia or Islamic jurisprudence can discriminate the discrepancy of Islamic banking terms and regulations.

Implication: This study proposes that developing and retaining those talents should be focus of formal and informal organizational policies and procedures in Islamic banks in order to make their performance as a manageable outcome. The policy of right capabilities at right time among Islamic bankers would also lead to comprehensive understanding of the Islamic banking principles, nature and forms which is prerequisite to make this industry competitive in areas of marketing, financial and operation management.

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1. Introduction

Islamic banking in Malaysia has been established since its inception in early 1980s. The Islamic banking industry in Malaysia is comprised of twenty five Islamic Banks, which include twelve domestic banks; four development financial institutions; nine locally incorporated foreign Islamic banks operating in Malaysia and two international financial institutions (AIBIM, 2014). The increased number of Islamic

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banks in Malaysia demand for high performing talented bankers. The rising requirement of developing and retaining professional, expert, conversant and bright people for the industry should be concern of efficacious talent management implementation. The true important resource of the Islamic banking sector is not merely professional people conversant in traditional banking skills. Islamic banks need to have bankers with comprehensive understanding and capability to understand and implement the Islamic banking doctrines, nature and procedures of Islamic banking along with proficiency in conventional commercial banking (Zeti Akhtar, 2011 and MohdPisal, 2012).

The demand for right blend of Sharia law and finance knowledge among employees has become critical. The process of accounting and auditing, credit evaluation, risk management and other analytical thinking as well as regular practice of common bank operations essentially encounter the Sharia requirement at Islamic banks. However, the knowledge and expertise of existing employees in Islamic banks largely overlap with those of employees in conventional banks. It has been identified that those employees in Islamic banks who are equipped with knowledge in Sharia or Islamic jurisprudence to understand the divergence of terms and regulations implementation between Islamic and conventional banks (MohdPisal, 2012). This concept paper aims to elaborate the necessity for strategic implementation of employee talent management practice in Islamic banking industry. The study also stresses the importance of attracting competent employees, giving them training, motivating them to be loyal and stay longer (Aston and Morton, 2005; Horwitz, Heng and Guazi, 2003; Rothwell, 2001; Silzer and Dowell, 2010). The study also proposes a conceptual framework to meet the rising demand for human capital in line with requirement of Islamic banking sector by having effective talent management system.

2.0 Literature Review

2.1 Managing Talent in Islamic Banks

Employee talent is the strongest dimension of human resources to assist the organization in achieving competitive performance (Buckingham and Vosburgh, 2001). In order to enable Islamic banks to be successful, the top management must embrace up-to-date philosophy of employee talent management by creating propositions that develop and retain talented employees. The Islamic banks are required to give their employees a purpose that is inspiring, convincing, and in line with their own needs. The study by ZukriSamat (2012, p. 29) mentioned, ‘war of talent gets fiercer’.

Table 1: Shortage of Islamic Finance Professional by Financial Sector

Financial Sub-sector	Percent (%)
Islamic Banks	50
Capital Market	88
Insurance (Islamic – Takaful)	63
Legal	63

Source: The COCEC Capital Market Regulator 2013 Report

That study has also highlighted main issues of employee talent management in Islamic banks that must be considered by their top management. First, there is shortage of skills at almost all levels, particularly at middle and senior management in Islamic banking sector. This situation happened because of the second factor, which is the inadequate skill combination of Sharia and modern Islamic finance knowledge among top management cluster to work on the Board of Islamic banks’ Sharia Advisory.

Third, there is issue of “hunting” by foreign competitors of Islamic banks in Malaysia. These are emerging Islamic banks from foreign countries from Bahrain, Dubai, London, Singapore and Hong Kong which offer attractive bargain to retract the capable and experienced employees from Islamic banks in Malaysia. The competitor banks have succeeded in developing promising employee talent management systems to recruit, develop and retain talented employees. The aforementioned issues upstretched by ZukriSamat are very important to understand the nature and significance of employee talent management system in Islamic banks in Malaysia. Employee talents need to be cultivated and retained by Malaysian Islamic banks in order to develop and sustain in the industry.

2.1.1 Employee Talent Development

The importance of talent is critical in every organization including Islamic banks in Malaysia. Employees are the most valuable asset of the sustainable organizations and human resource management in organizations is all about capability of managing employees’ talents (Buckingham and Vosbough, 2001). Since the Islamic banking sector is growing rapidly in parallel with the conventional banking sector, it is high time for Islamic banking institutions to have enough preparation not only in the area of product and services development but also in managing their human resource. According to MohdPisal (2012), the biggest issue faced by current Islamic banking industry is to have highly talented employees who possess complete package of education in Islamic banking and finance. Such talented employees for Islamic banking industry must be capable in both Islamic and conventional education background. Ability of attracting, developing and retaining high performing employees determines the organizational performance and enables competitive advantage (Geering and Conor, 2002). Thus, this study proposes the framework for Islamic banks in Malaysia to have strong talent development programs for engaging those high performing talents. The development of human capital in the Islamic banking industry is very important due to the need of skilful and knowledgeable employees in conventional finance as well as Sharia law. The Islamic banking industry in Malaysia must ensure that progression and growth is reinforced by essential employee capabilities (Zeti Akhtar, 2011).

A talent development strategy can facilitate better allocation of eligible employees within an organisation (Walsh and Taylor, 2007). The doctrines of adaptability and mutuality are important in development of talent development strategy in the organisation (Clake and Winkler, 2006). Gandz (2006) proposed seven core areas, which support individual development in an organisation, and it are equally important to the organization success. These include staffing (recruitment and selection), training and development, career development, performance management, succession management, rewards and compensation.

According to Cunningham (2007), talent development strategy should be identified by two main strategic sets. The primary one is “aligning people with roles” and the next is “aligning roles with people”. To bring people into line with roles, there are four aspects to be considered. These are selection, recruitment, appointment and promotion; learning and development; succession planning; and career direction (Cunningham, 2007). In order to align roles with people, Cunningham (2007) suggested that the organisational strategic field should be created for treating employees as secure entities while adjusting other aspects of the organisation. In an effort to develop a strategic capacity, employers explain the need for their talent development programme, including benchmarks for success that will be used to quantify the involvement of their series (Ingham, Penna and Strategic Dynamics, 2006). Putting into practice of a talent management procedure that is transparent and non-discriminatory is predictable to generate an atmosphere for employees to improve their expertise in preparation for upcoming prospects and thus prepare new job specifications. In this framework, a competency model needs to focus and share values while attracting, selecting, developing, engaging, and retaining employees.

According to Silzer and Dowell (2010), the talent management process delivers welfares to workforces, superiors and the administrations through reactive, pragmatic, comprehensive, aligned and strategic stag, which also mentioned by the American Productivity and Quality Centre (2004) and Gubman and Green (2007).

2.1.2 Talent Engagement

The loss of talents possibly will be very inconvenient to the organizations' approaching vibes for positive achievement. Engagement as the key to talent retention is the most important strategy in which it is the first step taken by the human resource practitioners (Glen, 2006). According to Moncarz, Zhao and Kay (2008), retention is the practice whereby employees are reassured remaining or foreseen staying with one organisation. Holding talented dynamic employees and removing less performing employees are critical for the long-term successful objectives of an organisation. It turns out to be vigorous for organizations to lay in place the approaches to retain their employees for the best performance. By way of a tangible matter, every single employee who is maintained or stayed means one fewer employee to be in place to select, hire and develop, as it is not as good as turnover (Mathis and Jackson, 2003). Agreeing with Peterson (2005), it is very disappointing if the organisation has gone through the process of recruitment, new staff orientation, organising training and other requirements, and later, the new employee leaves after three or four months of employment. Subsequently, what is the point of the organisation to start over the recruitment process?

The other challenge in directing for the profitable Islamic banks is to retain or remain talented employees. What will happen if Islamic banks lose their precious employees who are already sitting at the exact position, correct time and accurate place? Bank Negara Malaysia (2012) lists twenty one banks that provide Islamic banking services. The list includes the full fledge Islamic banks, foreign Islamic banks and conventional banks that implement Sharia principles in their certain products. These banks are competing with each other to search for high performing employees and this scenario is dissimilar to what is happening within the conventional banks. Conventional banks had started managing their high performing employees through talent management since many years ago (Zeti Akhtar, 2011). What happened to the employees of Bank Islam Malaysia Berhad and Bank Muamalat Malaysia Berhad, the Malaysian bank that operate the full fledge Islamic banking in the country? The study by ZukriSamat (2012, p.29) mentions, "Bank Islam is a talent developer or supplier instead of being just an acquirer of talents with its emphasis on talent development and skills enhancement. Bank Islam aims to be the 'Employer of Choice' in the Islamic financial services industry (IFSI)". This target needs the strategic implementation of talent management practices to attract employees, cultivate them and let those good talents to be loyal and stay longer (Horwitz, Heng and Guazi, 2003 and Aston and Morton, 2005) with the banks. This will require comprehensive approach to meet standards of the Islamic banking sector by having effective talent management (Rothwell, 2001 and Silzer and Dowell, 2010).

Recognition of individual commitment to an organisation, as well as the needs of the organisation to create an environment where someone would be willing to stay will be very significant in the coming years (Harris, 2000). Loss of high-level talent has often been interpreted by the shareholders as a sign of internal waste, and has been known to reduce the confidence of shareholders of the organisation (Shen and Carnella, 2003). Review of literature and best practice cases demonstrate that if employers treat their employees as treasured contributors to organizations, employees are motivated to stay in the organizations.

2.2 Proposed Conceptual Framework

The research methodology of literature exploration in this study is expected to contribute to the theoretical enrichment of strategic human resource management in Islamic banking industry. It is also aimed to provide better insights to the Islamic banking institutions in implementing the right practices and strategies towards talent management. The proposed model for this study is shown in Figure 1. This model explains the relationship of talent development and talent engagement in Islamic banks. Referring to Cunningham (2007), talent development for Islamic banks should focus on two main strategic choices i.e. “aligning people with roles” and “aligning roles with people”. In order to determine the factors that help engage the high performing employees in Islamic banks, this model relies on the approach of employee engagement proposed by Schaufeli and Bakker (2006). The Utrecht Work Engagement Scale (UWES) by Schaufeli and Bakker (2006) operationalised this new notion of work engagement by applying three measures i.e. vigour, dedication, and absorption.

1. Vigour is described as the mind tools being used by employees and how employees use these tools to put great struggle when doing jobs. This refers to employees having strong level of willingness and readiness to volunteer with all the energies for their organisation.
2. Dedication is described as an imperative intelligence, passion, encouragement, challenge and superior commitment.
3. Absorption is referred to as bursting attentiveness and contentment of employees on duty, by denying the time constraint.

Figure 1: Proposed Talent Management Framework in Islamic Banks

2.3 Related Theories: The Social Exchange Theory and Resource Based View

The social exchange theory (SET) has been utilized as underpinning theory in this research in order to better grasp the logical aspects of employee talent management in context of Islamic banks. The SET implicates that employee commitment is achieved through talent development. The talent development strategies lead to psychological contact towards employee engagement. Islamic banks can engage and retain employee talent if they exercise strong urge to reciprocate favours in the area of talent development. The employees feel that their employer appreciates their involvement in any tasks given to them. The employees thus value the benefits and rewards i.e. what they will get if they give full commitment to the bank. When they know they are tied up with effectively reward system, they are probable to have a greater attachment to the bank and job, and they are believed to have a lower tendency to leave their organisation (Saks and Rotman, 2006).

The significance of Resource Based View (RBV) in this study is to highlight the importance of the

human resource management approach for talent development and talent engagement as means of enhancing Islamic banks' capability. Wright, Dunford and Snell (2001) believed that there are three significant mechanisms that establish means for the organisation to achieve competitive advantage. These mechanisms are influenced by human resource practices:

1. The human capital comprises of workers that share knowledge, abilities, inspiration and actions.
2. The human capital moves through the organisation – the association of individuals and their knowledge.
3. The human capital is the dynamic process by which organizations change and/ or improvise themselves.

The challenge of Islamic banking industry is to make sure that they have the competence to discover, integrate and pay the capable employees (talents) they require. Boxall and Purcell (2003, p. 140) highlight that the organisations must cultivate individuals who have the capabilities and capacity to make the organizations grow. The implication of RBV for Islamic banks is to be more flexible than competitors by hiring and developing more talented employees.

3.0 Implications and Recommendation for Future Research

Islamic banks in Malaysia should realize that human ability to create resources is far greater than anything. Performance of banks depends on their talent effectiveness and efficiency, which has been highlighted in this paper as the need for “high performing employees” or “talents”. The clear strategic priority and efforts must be made in Islamic banks to employ the right people within right time at right position and with right responsibility. The extraordinary and accomplished workforce by way of a robust human resources development system will make Islamic banks in Malaysia stand out against the conventional banks. This condition will also convey the Islamic banks as lucrative employer organisations and thereby will further attract high performing talent. Meeting required knowledge particularly with combination of the Sharia background and financial management must be the main criteria to get work and promotion at Islamic banks. Islamic banks need talents who are expert and knowledgeable to identify and resolve the compliance of the conventional financial products towards Sharia requirement. Islamic banks should exercise the strategic talent management practices in order to face the challenge in the war of talents in financial industry.

4. 0 Conclusion

The study highlights robust strategies of employee talent development and engagement which ought to yield sufficient quantity of worthy talent in the Islamic banking industry. The strategies of talent management are expected to make Islamic banking institutions more competitive. The talented employees are viewed as the expensive human capitals as they are ones who are formulating strategies and carry out operations in Islamic banks to face and withstand competitive pressure in the industry. High performing employees turn out to be exclusive and unique assets of the organization. Earlier studies have shown that prominent Islamic banks with efficient and effective talent management practices have considerably beat competition through the four key financial metrics in banks: net profit margin, return on equity, return on assets, depreciation, taxes and remuneration.

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