IMPACT OF TALENT MANAGEMENT PRACTICES TOWARDS ORGANIZATIONAL COMMITMENT

TAN SIAO PING

UNIVERSITI SAINS MALAYSIA

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Life is a journey, not a destination.

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LIST OF ABBREVIATIONS

OC : Organizational Commitment
AC : Affective Commitment
NC : Normative Commitment
CC : Continuance Commitment
TM : Talent Management
AT : Attracting Talent
ST : Selecting Talent
ET : Engaging Talent
DT : Developing Talent
RT : Retaining Talent
ABSTRAK (BAHASA MELAYU)

ABSTRACT

Turnover is a common problem among organizations today as employees have wide opportunities in the market. Organizations struggle to keep employees loyal and think for the best interest of the organization. Productivity becomes low and employees are not focused to serve towards the goals of the organizations. Organizations need to identify the initiatives that can be taken to keep their employees. Therefore, the objective of this research is to examine the impact of talent management practices towards organizational commitment. The 5 talent management practices identified are attracting talent, selecting talent, engaging talent, developing talent and retaining talent. These talent management practices are tested against 3 components of organizational commitment, namely affective commitment, continuance commitment and normative commitment. Responses are collected from questionnaires distributed through emails. Results are generated using regression analysis to test the hypothesis developed. Talent management practices are found to be positively related to organizational commitment. The 5 talent management practices identified for this research are significant to organizational commitment. Meanwhile only engaging talent and developing talent are significant to the different components of organizational commitment. Future studies can focus on engaging talent and developing talent which are the significant talent management practices to organizational commitment. In conclusion, talent management practices play an important role towards organizational commitment.
CHAPTER 1

INTRODUCTION

1.0 Introduction

In the world today, it is difficult to find employees who have served one organization for more than five years. Long serving employees are a rarity and this is evident as turnover rate in organizations increases. Employees are changing jobs more than often than before. The booming economy today has influenced the commitment level of employees (Boles, Madupalli et al., 2007). The large number of job opportunities in the market allows employees leave the jobs for better positions offered by other organizations. Employees are concern over their own interest and no longer consider the interest of the current organization (Brewer, 1996). Employees are constantly on a lookout for career growth and will move to another organization which provides a better opportunity. Employees will opt for any organization which is able to offer higher pay and career advancement.

Some studies have shown that talent management practices play an important role in affecting organizational commitment. It is imperative that organizations realize their responsibilities that they hold towards their employees. Organizations need to recognize the efforts that can be taken in order to instill employees’ commitment towards the organization. Employees, whose needs and expectations are met, are able to contribute and stay longer with an organization. Organizations who remain passive in talent management will find themselves losing their employees to their competitors (Zheng, 2009). With the increase competition and market
standards, organizations need to rethink their strategy to keep their best skills and resources (Stallworth, 2004).

Thus, this study intends to determine organizations’ efforts which will affect employees level of commitment of the towards their organizations.

1.1 Problem statement

Due to high turnover rate, organizations struggle to keep skillful and talented employees. Turnover causes waste of time and monetary resources as organizations will need to constantly retrain their employees. It will hinder the growth of an organization because the organization will lack support and contribution towards the attainment of the vision and mission of the organization. It is therefore crucial that organizations identify initiatives that can be taken in order to ensure correct employees are being hired in the first time and retained. Budget allocation is also needed to be allocated for talent management efforts.

With the increase in level of education, employees’ mindset and expectations are no longer the same as their working parents. Employees now are looking for more than a paycheck. They are demanding job satisfaction, job advancement, work-life balance and personal growth. Meanwhile, organization performance and growth is also dependent on the commitment of its employees. Low organization commitment will limit the contribution employees will provide to the organization. Employees need to be convinced that as they strive to contribute to the organization, they will be enjoying the fruits of the labor as well. Thus, there is a need for organizations to understand the needs of their employees and vice versa.
Employees’ low organization commitment will negatively affect employee motivation, working attitude and team performance which will eventually result in low organization performance (Furtmueller, Van Dick, et al., 2011). In the long run, the organization’s profitability will be reduced.

1.2 Objectives

Organizations groom their resources by equipping employees with the specific knowledge, skill sets and abilities to prepare them to advance to the next level of position. Talent management needs to incorporate career building and employee development for the employees. Effective managers have plans ready to help employees grow in their career and provide guidance for advancement. Employees who are able to see upward progression in their career will tend to stay loyal to the company. Furthermore, employees will be committed to their managers who provide support to them. This is because employees are willing to work for managers who are interested and involved in their career growth.

Thus, the objective of this study is:

1) To determine whether talent management practices will increase organizational commitment.

2) To identify which talent management practices are most effective in increasing organizational commitment. This will help organizations to allocate and channel resources and efforts in an effective manner. This will help organizations determine the business strategy that can be taken to increase organizational commitment.
1.3 Research Questions

From the research objectives mentioned above, this study will attempt to answer the following questions:

(1) Do talent management practices affect organizational commitment?

(2) Which talent management practice affects organizational commitment the most?

(3) Which talent management practice affects affective commitment the most?

(4) Which talent management practice affects normative commitment the most?

(5) Which talent management practice affects continuance commitment the most?

1.4 Definitions of Key Terms

1.4.1 Organizational commitment

Organizational commitment is defined as an “individual’s belief in and acceptance of the goals and values of the organization, and a strong desire to remain in an organization” (Porter, Steers, et al., 1973).

1.4.2 Affective commitment

Affective commitment refers to identification with, involvement in, and emotional attachment to the organization. Thus, employees with strong affective commitment remain with the organization because they want to do so (Allen & Meyer, 1996).
1.4.3 **Normative commitment**

Normative commitment refers to commitment based on a sense of obligation to the organization. Employees with strong normative commitment remain because they feel they ought to do so (Allen & Meyer, 1996).

1.4.4 **Continuance commitment**

Continuance commitment refers to commitment based on the employee’s recognition of the costs associated with leaving the organization. Employees with strong continuance commitment, then, remain with the organization because they have to do so (Allen & Meyer, 1996).

1.4.5 **Talent management**

There are three viewpoints in defining talent management. Firstly, talent management is seen as a group of human resource practices. Some literatures use talent management to explain the pipeline process. There are others who think talent management as a term which is used for anything related with talent in an organization. In this thesis, we will be using the practical term of talent management which is to attract, to select, to engage, to develop and to retain talent (Markus, 2010).

1.4.6 **Attracting talent**

Attracting talent refers to the practice of the organization which draws attention and interest of individuals outside of the company. Individuals will be proud to be able to join the organization.
1.4.7 Selecting talent

Selecting talent is the process of choosing the best talent that fits the position. This is done with careful screening of the candidates and applicants of the job.

1.4.8 Engaging talent

Engaging talent is the practice of the organization to influence their employees to be attached to the organization. Employees who are engaged to the organization will find it hard to leave the organization.

1.4.9 Developing talent

Developing talent is the practice of the organization to help employees improve and grow in their skills, knowledge and abilities.

1.4.10 Retaining talent

Retaining talent is the practice of the organization to keep their employees in the organization.

1.5 Significance of study

This study is important both to the employee as an individual and to the organization itself.

1.5.1 Individuals

This study will help individuals recognize whether talent management is being practiced in their organization. As employees in the organization, they will be able to realize the reason of their level of commitment towards the organization.
1.5.2 Organization

This study will help the organization to determine which talent management practices are most important and impactful to organization commitment. Therefore, organizations can focus on the impactful talent management practice to be effective in increasing the level of organization commitment.

1.6 Organization of Remaining Chapters

This research is organized into five chapters. The first chapter provides the background of the study, the objectives and the significance of the study.

Chapter two covers on the literature review that is related to the study. From discussion, the theoretical framework and hypotheses is designed and developed for the study.

Chapter three includes the methodology of the study. It will also discuss in details, the research design, the variable used, the population and samples, the procedure, the measures and the data analysis method.

Chapter four shows the analysis and the findings of the study, while chapter five discuss the results of findings, implication of findings, limitation of the study, future suggestions and conclusion of the research.
CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter will cover an overview of previous research that has been undertaken. This chapter will present literature on organizational commitment and talent management. Based on the literature review, the theoretical framework and hypotheses of this study are developed.

2.1 Literature Review

2.1.1 Organizational Commitment

Definition of organizational commitment and its components will be taken from Allen and Meyer (1996), which defines organizational commitment as a “psychological link between the employee and his or her organization that makes it less likely that the employee will voluntarily leave the organization”.

Allen and Meyer (1990) have conducted a research using the concept and measurement, which results in a three-component view of commitment. This perspective states that the psychological connection between employees and their organizations are clearly divided into three categories namely affective commitment, continuance commitment and normative commitment.

Affective commitment refers to “identification with, involvement in, and emotional attachment to the organization”. Thus, employees with strong affective commitment remain with the
organization because they choose to stay with the organization. Strong affective commitment employees find it hard to leave the organization because the organization has become a part of them. The organization is among their priority when these employees make a decision in life.

Continuance commitment refers to “commitment based on the employee’s recognition of the costs associated with leaving the organization”. Employees with strong continuance commitment will remain with the organization because they have no other choice but to do so. These employees have to stay in the organization because there is no other better opportunity than the one that they have now. If they choose to leave, there is a price to pay and loss that the employees will need to bear. These losses may come in forms of monetary, position, time or skill.

Lastly, normative commitment refers to “commitment based on a sense of obligation to the organization”. Employees with strong normative commitment stay on because they feel that it is the right thing that they should do. These employees have received from the organization and feels that they need to serve the organization as a form of compensation. They do not feel right to leave after what the organization has provided for them. Although they have thoughts of leaving the company, these employees with strong normative commitment will not leave because they feel obligated to remain with the organization.

Organizational commitment can be categorized to 3 dimensions, which include affective, normative and continuance commitment. Among the 3 dimensions, more attention has been given to affective commitment (Brunetto & Farr-Wharton, 2003). It has been proven through research that the high level of affective commitment is often associated with high level of continuance and normative commitment. Employees are generally happier at work in
organizations which meet the employees’ basic needs. This will eventually lead to higher level of affective commitment to the organization.

With the rapid growth in business today, organizations are always looking out for ways to increase employee’s commitment. It is a challenge for organizations to keep their employees because there is a large market for labor and skills. Employees are able to seek employment easily and choose the organizations which are able to offer them with the expected wages and benefits (Powell & Lubitsh, 2007). Organizations which succeed in instilling high commitment will see a high level of job satisfaction, job performance. On the other hand, number of absenteeism and turnover intentions will be reduced. As a consequence, employees will improve working attitude and thus creating a competitive advantage above other organizations (Lok & Crawford, 2001).

All organizations need committed employees (Li, 2004). One of the needs for talent management is due to turnover of employees. The issue employee turnover is a serious situation in the industry today (Taylor, 2004). Turnover of employees will not only affect the team and organization, but also the customers and stakeholders. A high level of organizational commitment is beneficial to the organization. When there is a high level of employee motivation, employees are willing to go the extra mile and better team performance.

2.1.2 Talent Management Practices

There are several perspectives of talent management. Firstly, talent management is seen as a group of efforts by the human resources. Others see talent management as a process of seeking and hiring talent, while some regard talent management as a term for handling skills and talents
in an organization. In this study, the talent management term is used to define the practical ways organizations attract, select, engage, develop and retain talent (Markus, 2010).

Organizations now are beginning to realize how important it is to practice talent management. Talents in organizations are slowly reducing as the older generation of employees retire and move out. Shortage of talent is becoming a problem because young graduates are not capable of taking over the place of their seniors. In addition, many organizations do not have a proper transition plan of knowledge and skills. There is a lack of leaders who plan ahead and envision the bigger picture. Evidently, talent management is so new to some organizations and it takes charismatic leaders to be bold enough to implement an aggressive talent management plan. Furthermore, talent management will take time to bear results as organizations invest into implementing new initiatives.

It is essential that organizations manage their resources well so that they do not lose their greatest talents to competitors. The performance and success of an organization is highly dependent on skilled employees, therefore it is important that organizations are able to hold on to them (Mayfield & Mayfield, 2008). Talents which are able to contribute especially in terms of intellectual to organizations are the most valuable assets. A successful organization is well reflected by the way their talents are being managed (Flamholtz et al., 2004). Thus, organizations need to spend time and money to plan how they can best protect them. Therefore, there should allocation budget for talent management practices as it builds employees positively (Cohen & Karatzimas, 2011). Most organizations judge their performance by their achievement of financial goals. Leaders in the organizations place too much focus in achieving targets and deadlines that they forsake their employees. However, happier employees are found to be more effective in
workplace. Leaders need to make time to discover the needs of their employees that will keep them diligent (Yiing & Ahmad, 2009).

Before the global economic crisis, Australia suffered a serious shortage of skills. Although the situation has been relieved, competition still exists to attract and especially to retain talents (Perryer et al., 2010). Organizations are willing to invest to ensure their resources are not lost to their competitors.

Research has found that high-commitment human resource policies are related to positive organizational outcomes. Organizations which observe highly committed human resource policies tend to enjoy a better productivity, quality and profitability (Huselid, 1995).

### 2.1.2.1 Attracting Talent

One of the intentions of attracting talent is to set the right expectations for potential employees. For example, in order to gain employee commitment early, Proctor and Gamble developed and launched a program to cater for college interns. New hired interns will be given the opportunity to work on high profile projects which will overlook by the top management of the organization. (Whittington & Galpin, 2010) This will give a good idea of what the real working environment is for the potential employees. By adapting early to the culture of the organization, employees are expected to be able to stay longer in the organization.

In effort to remain attractive, organizations need to continue establish management policies which are meeting the needs of its employees (Perryer et al., 2010). It is important that policies
of the organizations are to be benefit of the employees. This will help eliminate turnover while ensuring the organization is competitive in hiring the right and skillful talents.

Management need to constantly review in order to ensure that the policies are on par or better than those of their competitors. Organizations need to know what talents are looking for and provide as necessary in order not to lose out other organizations that are also competing to hire these talents (Powell & Lubitsh, 2007). Employees nowadays are ready to change organizations to those which are willing to offer better remuneration, training and career development plan (Jiang & Iles, 2011).

2.1.2.2 Selecting Talent

With the increase level of education and number of graduates, there are many talents available for hiring. Employers need to identify potential employees who meet the requirements of the position to be hired. Organizations which are strict in selecting the employees are found to have higher organization performance (Moideenkutty, Al-Lamki et al., 2011). With the best-fit employee hired, organizations are able to perform to the optimum level.

According to Dessler (1999), organization should hire committed talents based on specific values that the organizations hold on to. These specific values should be used as a guideline in screening potential employees. Talents who do not match the values chosen should not be hired. Dessler believes that only employees with the right attitude and core values should be hired.

Apart from hiring the right talents, high-selection process also brings a sense of pride to the employees. As the process to be accepted by the organization is not easy, employees will know
that the organization is treating them seriously. Thus, employees in return will ensure that they work hard to meet the high expectations of their employees (Pfeffer, 2005).

2.1.2.3 Engaging Talent

Employees can be kept engaged in many ways including salary and promotion. A healthy working environment which allows employees to lead a work-life balanced life will be able to retain employees. In fact, employees’ health is crucial in order to keep employees productive and engaged (Lockwood, 2007). Employees nowadays are more conscious of leading a balanced life. They are not prioritizing only on career but also family and quality of life.

One of the most important points of employee engagement is trust between the employer and the employee. Employees who trust their leaders are willing to be open and receptive to their leaders. They are able to accept and follow their leaders’ direction because they know that their leaders will take care of their welfare. (Mayer, Davis et al., 1995). Employees will be able to focus on working hard and believe that they will be rewarded fairly. When employees are engaged to the organization, they are able to provide efforts to the best of the ability to the organization.

2.1.2.4 Developing Talent

Research has shown that employees who are constantly assigned with challenging projects tend to have a higher level of commitment (Furnham, 2002). Capable managers will provide avenue for their employees to be stretched. Effective managers also help to their employees to see that
they can do more when they provide challenge for them to overcome. This will give employees a sense of achievement when they succeed. Therefore, organizations which provide training and development plans will be able to retain their employees.

As the level of education increases, current young graduates hunger for knowledge and development. They look to the organization as an avenue to learn new things. They are enthusiastic and bold to be proactive in telling what they want to do to their managers (Forman, 2009). Thus, organizations need to constantly provide opportunities for their employees to develop their skills, knowledge and talent.

2.1.2.5 Retaining Talent

Employees need to hear feedback from their supervisors regarding their performance and efforts. Thus, it is crucial that employers provide evaluation and appraisal at the appropriate time. Employees need to be encouraged about their right attitude at work, the use of the intellect, problem-solving abilities and passion at work. When employees are being praised for their right actions, this will positively build them to keep up with the good work. Employees will also be aware of areas which they need to improve on. There will be better alignment to organization’s culture, teamwork and eventually increase productivity (Aghina, Jong et al., 2011)
2.2 Theoretical Framework

Based on the value and competencies model by Phillips and Roper (2009), the talent management practices were adopted as the independent variables. The talent management practices from this model include attracting talent, selecting talent, engaging talent, developing talent and retaining talent.

![Values and competencies model](image)

Figure 2-1 Values and competencies model

Thus, this study will examine the impact of talent management practices toward organizational commitment. The theoretical framework of this study is shown in the schematic diagram in Figure 2-2 below.
2.3 Hypothesis Development

Using the theoretical framework set up, the 5 hypotheses are developed and will be tested.

2.3.1 Talent management and organizational commitment

Organizations have used talent management as a strategy to increase employee’s job satisfaction and reduce employee’s intention to leave (Deery, 2008). Thus, hypothesis 1 is developed.

H₁: Talent management practices are positively related to organizational commitment.
Talent management practices focus on attracting, selecting, engaging, developing and retaining talent (Bhatnagar, 2007). These possible initiatives which can be taken by the organization will be measured against organizational commitment. Hence, hypothesis 2 is developed.

H$_2$: Attracting talent, selecting talent, engaging talent, developing talent and retaining talent are positively related to organizational commitment.

As organizational commitment is commonly divided into 3 components, hypotheses 3, 4 and 5 is developed using talent management practices and the 3 components of organizational commitment respectively.

H$_3$: Attracting talent, selecting talent, engaging talent, developing talent and retaining talent are positively related to affective commitment.

H$_4$: Attracting talent, selecting talent, engaging talent, developing talent and retaining talent are positively related to continuance commitment.

H$_5$: Attracting talent, selecting talent, engaging talent, developing talent and retaining talent are positively related to normative commitment.

2.4 Summary

This chapter covered the past research done on talent management practices and organizational commitment. As talent management practices have been related to organizational success and performance, this study will measure the impact of talent management practices towards organizational commitment.
3.0 Introduction

This chapter presents the methodology used in this study, which include, research design, variables, measurements, data collection and data analysis details.

3.1 Research Design

This study will be conducted using the quantitative research method which focuses on the quantification of data collected and analyzed. The present study aims to determine the impact of talent management practices towards organizational commitment. This study is therefore correlational and will be conducted in a non-contrived setting. This research will be undertaken at a single point in time which is called cross-sectional design.

3.2 Research Variables

This study consists of 5 independent variables and 3 dependent variables. The independent variables which are the 5 talent management practices include attracting talent, selecting talent, engaging talent, developing talent and retaining talent. The dependent variable is organizational commitment which comprises of 3 elements, namely affective commitment, continuance commitment and normative commitment.
3.3 Population and Samples

The population of this study consists of employees of any organization. Sample respondents will be limited to employees working in Malaysia. This is to enable data collection to be carried out as the researcher is based in Malaysia. The unit of analysis in this study is individual.

3.4 Data Collection

Data were collected via survey questionnaire. Hardcopy questionnaires were distributed to respondents and returned once filled in. The softcopy questionnaires were distributed through email and social network, Facebook. The use of Internet enabled responses to be collected throughout Malaysia. Target number of sample respondents for analysis is 300. Participants of this survey were chosen through random sampling. The data collection duration took a period of 2 months.

3.4.1 Primary Data

A set of questionnaires (appendix 1) were developed to carry out this study. The questionnaires were divided into 3 sections:

(a) Section A – questions on independent variables which measure the level of each talent management practice being carried out in the organization.

(b) Section B – questions on dependent variable which measure how the respondent feel about his/her organization.

(c) Section C – demographic data
3.5 Measurements of Variables

Likert scale of 1 (strongly disagree) to 5 (strongly agree) is used to measure respondents’ level of agreement to the statements in the questionnaire. The questionnaire was developed based on journals by Handfield-Jones, H., Michaels, E. et al. (2001) and Phillips & Roper (2009).

3.6 Data Analysis

The data collected is to be analyzed to achieve the research objectives. Statistical Package for the Social Sciences (SPSS) version 12.0 will be used to tabulate and perform statistical analysis on data collected. The following section describes the technique used to analyze data. The descriptive statistics, factor analysis, reliability test and multiple regressions and frequency analysis will be used to analyze the results generated from this research. The results will be presented and discussed in Chapter 4.

3.6.1 Descriptive analysis

Descriptive analysis is used to analyze the demographic profile of the respondents. This will provide a general idea of the population represented by the samples.

Demographic profile was analyzed using descriptive statistics, such as frequencies, percentages, means and standard deviations.
3.6.2 Factor Analysis

Factor analysis is a statistical method which is used to analyze the interrelationships among a group of variables. Factor analysis is also used to determine if any information can be combined or eliminated to be a smaller set of factors with minimum loss of information.

Factor analysis was conducted separately for each independent variable using principal components factor analysis with Varimax rotation.

3.6.3 Reliability Test

The reliability test is carried out to ensure the consistency or stability of the items. The reliability of the questionnaire is determined based on the Cronbach Alpha (a) test.

3.6.4 Multiple Regression

The significance of the relationships formed in the hypotheses are tested using multiple regression analysis. Multiple regression was ran using enter method. To confirm the results, stepwise method was used to analyze the data.

3.7 Summary

This research is based on primary data sources and the process of collecting data is done through distribution of questionnaires. There are 120 respondents from 300 questionnaires distributed. However, 5 questionnaires were incomplete and unable to be used for analysis. Thus, results were generated based on data collected from 115 respondents.
CHAPTER 4

RESULTS

4.0  Introduction

This chapter covers the results obtained from running the Statistical Package for Social Science (SPSS). Firstly, the demographic profile was analyzed with the results of frequencies, mean and standard deviation generated. Then, reliability analysis and factor analysis was conducted to ensure goodness of data. Finally, hypotheses are tested using regression analysis.

4.1  Demographic profile

There are a total of 115 respondents. The details of their demographic profile is shown in the below tables.

Table 4-1

Profile of respondents (Gender)

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>57</td>
<td>49.6</td>
</tr>
<tr>
<td>Female</td>
<td>58</td>
<td>50.4</td>
</tr>
</tbody>
</table>

There is a balance in gender for the sample collected for this study. 49.6% of the respondents are male while 50.4% of the respondents are female.
Table 4-2

Profile of respondents (Age)

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 21 – 25 years old</td>
<td>9</td>
<td>7.8</td>
</tr>
<tr>
<td>Between 26 – 30 years old</td>
<td>55</td>
<td>47.8</td>
</tr>
<tr>
<td>Between 31– 35 years old</td>
<td>38</td>
<td>33.0</td>
</tr>
<tr>
<td>Between 36– 40 years old</td>
<td>6</td>
<td>5.2</td>
</tr>
<tr>
<td>Between 41 - 45 years old</td>
<td>5</td>
<td>4.3</td>
</tr>
<tr>
<td>Above 45 years old</td>
<td>2</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Majority of the sample, 47.8%, are between 26 to 30 years old followed by 33% who are between 31 to 35 years old. The least respondents, 1.7% and 4.5%, are above 45 years old and between 41 to 45 years old respectively.

Table 4-3

Profile of respondents (Education)

<table>
<thead>
<tr>
<th>VARIABLES</th>
<th>FREQUENCY</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School</td>
<td>1</td>
<td>0.9</td>
</tr>
<tr>
<td>Certificate/Diploma</td>
<td>13</td>
<td>11.3</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>87</td>
<td>75.7</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>13</td>
<td>11.3</td>
</tr>
<tr>
<td>PhD/Doctorate</td>
<td>1</td>
<td>0.9</td>
</tr>
</tbody>
</table>