

**THE RELATIONSHIPS BETWEEN
TALENT MANAGEMENT PRACTICES,
PERCEIVED ORGANIZATIONAL SUPPORT,
EMPLOYEE ENGAGEMENT AND EMPLOYEE
RETENTION IN MALAYSIAN GLCS**

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by

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LIST OF ACRONYMS AND ABBREVIATIONS

AA	Absorption
AVE	Average Variance Extracted
BNM	Bank Negara Malaysia
CI	Confidence Interval
CIPD	Chartered Institute of Personnel & Development
CR	Composite Reliability
DD	Dedication
DOS	Department of Statistics
EE	Employee Engagement
EPF	Employees' Provident Fund
ER	Employee Retention
ETP	Economic Transformation Plan
EVP	Employee Value Proposition
FGV	Felda Global Ventures Berhad
GLC	Government-Linked Company
GLIC	Government-Linked Investment Company
GTP	Government Transformation Plan
HOD	Head of Department
HPWP	High Performance Work Practice
HR	Human Resources
HRM	Human Resource Management
IDP	Individual Development Plan
IMD	Institute for Management Development
IPMA	Importance-Performance Matrix Analysis
KPI	Key Performance Index
KWAP	Kumpulan Wang Persaraan
LHDN	Lembaga Hasil Dalam Negeri
LL	Lower Limit
LTAT	Lembaga Tabung Angkatan Tentera
LTH	Lembaga Tabung Haji
MNC	Multinational Company

MOF	Ministry of Finance
NEAC	National Economic Advisory Council
NEM	New Economic Model
PETRONAS	Petroliam Nasional Berhad
PCG	Putrajaya Committee on GLC High Performance
PLS	Partial Least Squares
SEM	Structural Equation Model
PMO	Prime Minister's Office
PNB	Permodalan Nasional Berhad
POS	Perceived Organizational support
RBV	Resource-based View
RQ	Research Question
SD	Standard Deviation
SDT	Self Determination Theory
SET	Social Exchange Theory
SPSS	Statistical Package for Social Sciences
TC	Talent Culture
TD	Talent Development
TI	Talent Identification
TMP	Talent Management Practices
UL	Upper Limit
UWES-9	9-items Utrecht Work Engagement Scale
VIF	Variance Inflation Factor
VIG	Vigor

**HUBUNGAN DI ANTARA PENGURUSAN PEKERJA BERBAKAT,
SOKONGAN ORGANISASI, PENGLIBATAN PEKERJA DAN
PENGEKALAN PEKERJA DI SYARIKAT-SYARIKAT GLC DI MALAYSIA**

ABSTRAK

Pelaksanaan pengurusan pekerja berbakat adalah sangat penting bagi syarikat-syarikat GLC di Malaysia untuk berjaya serta memperoleh kelebihan daya saing di samping dapat mengekalkan pekerja-pekerja yang berbakat di dalam organisasi. Ini dapat dicapai dengan menyediakan sokongan yang mencukupi kepada para pekerja demi menggalakkan penglibatan pekerja yang positif di tempat kerja. Kajian ini memberikan pemahaman yang mendalam kepada pengamal dan penyelidik mengenai konsep pengurusan pekerja berbakat, sokongan organisasi, penglibatan pekerja dan pengekalan pekerja. Dengan sokongan Pandangan Berasaskan Sumber dan Teori Penentuan Diri, model penyelidikan kajian ini meneliti kesemua dimensi-dimensi pengurusan pekerja berbakat seperti pengenalpastian bakat, pembangunan bakat dan budaya pekerja berbakat sebagai penentu kepada penglibatan dan pengekalan pekerja, termasuklah pengaruh sokongan organisasi dan penglibatan pekerja sebagai pembolehubah perantara ke atas hubungan antara pembolehubah-pembolehubah yang lain. Kajian ini menggunakan salah satu teknik persampelan tanpa kebarangkalian iaitu persampelan bertujuan, dan data diperoleh daripada kumpulan pekerja berbakat dari 47 syarikat-syarikat GLC yang tersenarai di bawah bursa Malaysia. Sebanyak 164 borang soal selidik telah berjaya dikutip semula untuk tujuan kajian ini.

Aplikasi Partial Least Squares - Structural Equation Modeling (PLS-SEM) telah digunakan untuk menganalisa data dan menguji model kajian. Kerangka kerja

bagi kajian ini menggabungkan semua dimensi-dimensi pengurusan pekerja berbakat, sokongan organisasi, penglibatan dan pengekalan pekerja. Sebanyak 25 hipotesis telah diuji oleh kajian ini; ianya mencadangkan bahawa pengurusan pekerja berbakat mempunyai hubungan yang signifikan dengan sokongan organisasi, dan sokongan organisasi pula mempunyai hubungan yang signifikan terhadap penglibatan dan pengekalan pekerja. Penyelidik juga mengkaji pengaruh sokongan organisasi dan penglibatan pekerja sebagai pembolehubah perantara. Hasil kajian menunjukkan daripada 25 hipotesis yang diuji, 16 daripadanya disokong secara positif manakala 9 lagi tidak disokong. Kajian ini membuktikan bahawa hanya sebahagian daripada dimensi-dimensi pengurusan pekerja berbakat iaitu pengenaltastian dan pembangunan bakat menyumbang secara positif kepada sokongan organisasi manakala budaya pekerja berbakat tidak mempunyai peranan yang kuat. Kajian juga menunjukkan bahawa sokongan organisasi mempunyai pengaruh yang kuat sebagai pembolehubah perantara ke atas pengurusan, penglibatan dan pengekalan pekerja berbakat. Kajian juga mendapati hanya satu daripada dimensi penglibatan pekerja memainkan peranan penting sebagai perantara kepada sokongan organisasi dan pengekalan pekerja, iaitu dedikasi. Semangat (*vigor*) dan penyerapan (*absorption*) didapati tidak mempunyai pengaruh yang kuat sebagai pembolehubah perantara. Hasil sumbangan daripada kajian ini akan memberikan impak yang penting kepada pengurusan pekerja berbakat di dalam organisasi. Hasil kajian membuktikan pengurusan pekerja berbakat adalah sangat penting bagi menggalakkan penglibatan dan pengekalan pekerja di dalam syarikat-syarikat GLC di Malaysia. Pelaksanaannya juga penting agar organisasi ini berjaya memperoleh daya saing yang tinggi di dalam persekitaran ekonomi yang mencabar pada masa kini.

**THE RELATIONSHIPS BETWEEN TALENT MANAGEMENT
PRACTICES, PERCEIVED ORGANIZATIONAL SUPPORT, EMPLOYEE
ENGAGEMENT AND EMPLOYEE RETENTION IN MALAYSIAN GLCS**

ABSTRACT

The implementation of talent management practices is highly important for Malaysian government-linked companies (GLCs) to achieve success, gain competitive advantages and successfully retain the talents in the organization. These can be achieved by providing ample support and creating positive outcome on the engagement of employees at the workplace. This study provides better understandings for practitioners and academicians on the concept of talent management practices, perceived organizational support, employee engagement and employee retention. Supported by appropriate resource-based views and self-determination theories, this study utilized a research model examining the dimensions of talent management practices i.e. talent identification, talent development and talent culture as the predictors of employee retention and employee engagement, with mediating variables of perceived organizational support and employee engagement. The study used non-probability purposive sampling technique and the target population was the employees categorized under talent pool from 47 GLCs listed in Bursa Malaysia. A total of 164 survey questionnaires were successfully collected for the study. Partial Least Squares - Structural Equation Modeling (PLS-SEM) software was utilized to test the research model and analyze the data. This study proposed and analyzed a research framework that integrates all dimensions of variables. 25 hypotheses were proposed by the study; it is hypothesized that talent management practices would have significant effects on

perceived organizational support, and perceived organizational support would have significant effects on employee engagement and employee retention. The researcher also examines the function of perceived organizational support and employee engagement as the mediating factor. The findings of the study indicated that out of the 25 hypotheses, 16 were positively supported and 9 were not supported. The present study revealed that talent identification and talent development were significantly and positively contributed to perceived organizational support, while talent culture did not possess strong correlation with it. Additionally, perceived organizational support was found to have a mediating effect on the relationships between talent management practices, employee engagement and employee retention. Another finding by the study showed that only one of the employee engagement dimensions i.e. dedication had a positive and significant mediating effect on the relationships between perceived organizational support and employee retention, while vigor and absorption were verified to have insignificant mediating impact. The contributions of the study will give significant theoretical and practical impacts in the management of talent resources in the company. Findings from the study confirmed that talent management practices are important and significant in engaging and retaining essential talents in Malaysian GLCs in order to survive and compete on today's challenging business world.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

To strive for success in the era of globalization, Malaysian government-linked companies (GLCs) need to have potential talents to add value to the organization. Talent can be described as a person who holds extraordinary competences of strategic importance because they provide competitive advantages for the organization and they are psychologically connected to their work; who are willing and able to invest themselves fully in their roles; who are proactive and committed to high quality performance standards. Organization need employees who feel energetic and dedicated, those who are engaged with their work (Bakker & Leiter, 2010). According to Tritch (2003), an engaged employee is devoted, passionate and fully immersed in his or her job. Engagement is essentially defined as “an innate human desire to contribute something of value in workplace”. Employee engagement is one of the product of talent management practices and is vital for an organization since it can contribute to the retention of talents (Glen, 2006; Bhatnagar, 2007). This concept is currently well accepted and adopted by many practitioners in the industry (Parsley, 2006; Baumruk, 2006; Woodruffe, 2005; Kruger & Killham, 2006; Bennett & Bell, 2004; Hay Group, 2002).

GLCs played pivotal parts in influencing Malaysian economy especially in the corporate business sector. However, the issues of talent shortage become an impediment to the GLCs. GLCs need to be aware that Malaysia is facing a critical problem of insufficient talent in order to meet the business demand. A sound grasp on

the factors causing the talent shortage is important in the process of improving the performances of GLCs.

According to the IMD World Talent Ranking 2018 published by the Institute for Management Development (IMD, 2018), Malaysia ranks 22nd out of 63 countries in terms of talent competitiveness; this was evaluated based on the country's combined performances in 3 aspects – the investment made towards the development of local talents (17th place), the ability to attract overseas talents (26th place) and the availability of skills and competencies in the country's talent pool (24th place). In other words, despite considerable amount of effort spent in developing homegrown talents, Malaysian companies are still lacking in terms of attracting global staff and retaining skillful Malaysian employees in their organization. According to Professor Datuk Seri Dr. Md Zabid Abdul Rashid, the president and vice-chancellor of Universiti Tun Abdul Razak, Malaysia is currently facing talent crisis where the supply of competent talents is limited and the current population of talents will not be able to support the country's growth (Mustafa, 2017).

Malaysian government has identified development of human capital in corporate business sector as an important factor that contributes to the country's economic growth while talent management practices promote the retention of talented employees (Bux, Ahmad & Othman, 2009). The need for talent management practices in the workplace grows significantly in recent years since many companies are starting to recognize skilled workers and talents as an important asset that can help elevate the company towards superior position in the competitive environment and achieve the organization's objectives. Huge amount of capital and efforts are spent by companies in order to develop and enhance the capabilities of potential talents, with the intention

that these development program will produce highly skilled talents to support the company for long term (Juhdi, Pa'Wan & Hansaram, 2013).

Nevertheless, companies are still subjected to the risk of losing their well-developed talents, along with their skills and experiences, to other players in this competitive market, especially when the employees can no longer perceive job satisfaction at the workplace. For the company, losing invaluable assets such as highly skilled talents not only disrupt productivity, it is also costly since all the capital and effort spent for developing these employees will be in vain and additional costs of rehiring will be incurred (Juhdi et al., 2013). An efficient talent management practices in the workplace greatly help in creating favorable workplace condition and stimulating employee engagement; these indirectly reduce the turnover intention and help in retaining the high skilled talents within the organization. Through the implementation of talent management practices, organizations are able to systematically identify potential talents while the process of talent development can further enhance the knowledge and skills of the identified employees (Rezaei & Beyerlein, 2018).

Talent management practices at GLCs are guided by Putrajaya Committee on GLC High Performance's The Orange Book. In Malaysia, implementation of talent management practices is still at infancy stage. It is deemed important to investigate whether the key factor involved is able to foster employee engagement and retention of talent through perceived organization support in the context of GLCs. The findings from this study may provide insight on the potential challenges of talent management practices such as anticipating various talent needs, continuous growth of current talent pool, nurturing leadership skills in talent, sustaining engagement at workplace and retention of high performing talent and leaders. In line with self-determination theory

(SDT) and resource-based view (RBV) which are the underlying theories of this study, all of the key factors operate as determinants that influence employee retention and employee engagement, and can be used by the organization to predict the appropriate decisions related to overcoming the issues of talent shortage and retaining talented talent at GLCs.

1.2 The Importance of Government Linked Companies

In Malaysia, GLCs are defined as companies or corporate entities with direct control by the government of Malaysia either through partial or full ownership, and their activities covering broad range of business sectors. This gives the government ability to dictate major company decision such as business strategy and financial decisions, as well as the power to appoint members of senior management team and board of directors directly or via holding company GLICs. Many GLCs in Malaysia are directly controlled by the government via Khazanah Nasional Berhad, Ministry of Finance Inc. (MOF), Kumpulan Wang Persaraan/Retirement Fund (KWAP) and Bank Negara Malaysia (BNM) while others have controlling stake owned by GLICs.

GLCs form the backbone of the country's economy through the provision of "mission-critical services", these organizations help the nation by creating job opportunities and making new investment while carrying out the national social agenda (Ministry of Finance, 2009). By providing healthy employment prospects and improving the quality of service and products, GLCs are essentially bringing values to all stakeholders and Malaysians. In Malaysia, GLCs are managed by the Putrajaya Committee on GLC High Performance (PCG) which comprises of the Minister of Finance II, a representative from Prime Minister's Office (PMO), and heads from Khazanah Nasional Berhad, Permodalan Nasional Berhad (PNB), Employee Provident

Fund (EPF), Lembaga Tabung Haji (LTH) and Lembaga Tabung Angkatan Tentera (LTAT).

GLCs enjoyed many advantages and incentives in terms of commercial prospects and opportunities. Given their activities covers wide range of business which highly impacting the Malaysian economy, it is important to transform GLCs into high performing corporations. According to Abdullah (2004), GLCs need to strive to maximize profit by proving high quality services and products and expanding its organization. As defined in the New Economic Model (NEM) and the Tenth Malaysian Plan, Malaysia aimed to become a developed country that is resourceful, innovative and efficient by the year 2020, with the emphasis on the adoption of integrated human capital and talent development framework outlined by the Tenth Malaysian Plan. In order to achieve Vision 2020 and becoming high income nation, talent management practices have been recognized as the key enabler for Government Transformation Program (GTP), Economic Transformation Program (ETP), and the Tenth Malaysian Plan.

The Orange Book, launched in 2006 by PCG, provide guidelines for strengthening leadership development via talent management practices and improving operational efficiency, and is still used as a reference by GLCs as their guideline. Through the guidance provided by Orange Book, many GLCs are able to address some of the key challenges of talent management practices such as developing and retaining human capital in order to attain organizational effectiveness (PCG, 2006b).

In line with Vision 2020, Malaysia aspires to be listed among top 20 positions in the Global Talent Competitiveness Index (GTCI), and previous Prime Minister Dato' Seri Mohd Najib Tun Razak aimed for 37 percent of Malaysians to be recognized as high-skilled workers by the year 2015 and 3.2 million by the year 2020.

McKinsey & Company (2007) asserted that talent as human capital asset will be an important factor for organizational expansion of Malaysia in the next two decades, and it is necessary for companies to put their best effort into sustaining and retaining talent pool in order to achieve sustainable competitive edge over their competitors. GLCs greatly support the growth of Malaysia's economic landscape; for example, the government received a total of RM63.5 billion of tax revenue paid by the top 20 Malaysian GLCs, or G20, from 2004 to 2014.

In conjunction with this, the study on talent management practices is seen as highly important to support the Government Transformation Program (GTP), Economic Transformation Program (ETP) and Tenth Malaysian Plan (2011-2015). Undoubtedly, talent management practices are crucial in retaining the most potential and highly skilled talent in an organization and achieving a sustainable competitive advantage for the GLCs. Those GLCs who are unable to create values from their human capital suffer poor performance (Said, Mahmudul Alam, Nik Abdullah & Zulkarnain, 2016). GLCs have been influential in shaping Malaysia's economic development and talent management practices is a continuous journey in identifying, developing and retaining pool of talent (Malaysian Productivity Corporation, 2009).

According to Md Zin, Sulaiman, Ramli & Nawawi (2013), the GLCs' roles are most prominent in the utilities and services sectors such as electricity and water supplies, communication, airlines, airports, banking and financial services. The study of talent management practices for Malaysian GLCs received increasing attention due to the unique characteristics of GLCs, such as their relationship with the government and the national obligation attached to them to serve the country. Moreover, GLCs have an advantage in term of their operations, resources, business opportunities received from the government and public investor (Ting & Lean, 2011).

1.3 Distinguishing Talent Management Practices from Human Resource Management

Talent management practices are focused on certain groups of people; however, human resource management, focuses on all staff (Egerova et al., 2013). The human resource management’s approach is rather generic and just rebranding old methods with new tags, while talent management practices are customized for each individual and incorporate new knowledge. Both talent management practices and human resource management cover the same key areas of managing people and support the idea of hiring the “right people in the right roles” to achieve organizational effectiveness. Human resource management focuses on effective people management while talent management practices aim for continuous availability of talented workers to sustain productivity (Chuai, Preece & Iles, 2008). As proposed by Ong (2008), talent management practices are more like a business strategy rather than a human resource strategy. Talent management practices are different from customary human resources management, and these new processes are able to identify talented individuals from normal employees (Tajuddin, Ali & Kamaruddin, 2014). Table 1.1 summarizes the differences between talent management practices and human resource management.

Table 1.1
Comparison between Talent Management Practices & Human Resource Management

Human Resource Management	Talent Management Practices
<ul style="list-style-type: none"> Rewards and compensation should be aligned with employee performance (Johnson, 2018). 	<ul style="list-style-type: none"> Compensation and rewards should provide high performers or high-potential employees with meaningful pay differentiation through a significantly higher base and variable pay (Human Capital Institute Africa & Hewitt’s Human Capital Consulting, 2008; Michaels, Handfield-Jones & Axelrod, 2001).

Table 1.1: Continued

Human Resource Management	Talent Management Practices
<ul style="list-style-type: none"> • People are reactively employed based on the demands of the organization and the vacancies identified. Recruitment is approached as purchasing (Birchfield, 2002). 	<ul style="list-style-type: none"> • Talent is pro-actively and continuously recruited, even when there are no current vacancies for them (Lurz, 2004). “People are more important than jobs” (Birchfield, 2002). Recruitment is approached as marketing.
<ul style="list-style-type: none"> • Recruitment of human resources is at best an investment and needs to be budgeted for. The processes in recruitment are general and individual to be attracted on a timely basis, in sufficient numbers and with appropriate qualifications (Human Resources Professionals Association, 2014). • Furthermore, a systematic recruitment process according to Gamage (2014) involves identifying vacancies, job analysis, job description, person specification and advertising. 	<ul style="list-style-type: none"> • Talent identification helps an organization to identify critical roles that are central to organizational success worth investing in. The recruitment of talents consequently enhance company’s financial performance. • Talent is innovative and entrepreneurial by nature and will find a way to earn money (Birchfield, 2002). • Talent identification process helps to improve organizational performance as well as contribute to the sustainable competitive advantage by mobilizing the most appropriate employees (Berger and Berger, 2010; Collings and Mellahi, 2009; Boudreau and Ramstad, 2005). • Identification of pivotal roles can in turn lead to identifying and developing high-potential employees capable of substantially contributing to the attainment of the firm’s strategic objectives (Jooss, 2018)
<ul style="list-style-type: none"> • Managers work with the employees that they have inherited (Handfield-Jones, et al., 2001) 	<ul style="list-style-type: none"> • Managers take bold actions to build their own talent pools (Handfield-Jones et al., 2001).
<ul style="list-style-type: none"> • The organization offers good compensation with benefits as value proposition for employees (Birchfield, 2002) 	<ul style="list-style-type: none"> • The organization transforms itself to become a value proposition for employees (Birchfield, 2002).

Table 1.1: Continued

Human Resource Management	Talent Management Practices
<ul style="list-style-type: none"> • Training and development are the planned, continuous efforts by management to improve employee's competency and organizational performance. • The processes in training and development are general and focuses on the whole group of employees (Ahmed Bashir & Jehanzeb, 2013). 	<ul style="list-style-type: none"> • Talent development process is an ongoing process with shared responsibility between management and high-potential individual. Furthermore, the purpose of talent development is not only to maximize their learning opportunities for the benefit of the organization but also for themselves (Tansley et al., 2007). • Talent development, under the dimension of talent management practices, is much broader than training and development and is a continuous process in sharpening the knowledge, skills and abilities. • Talent development applies to a selected group of employees based on established merits i.e. performance, specialties and specific skills. • Their merits separating the talents from normal employees (PETRONAS, 2015). • Talents' module is usually more detailed and tailor made to enhance their special skills and strength. The outcome of talent development will allow employees to perform a specialized roles suited with talent's merit and skills; which in turn improve the performance of the company (PETRONAS, 2015). • According to Malaysia Productivity Corporation (2009), talent development at GLCs, for example at G20 companies, was conducted through the Individual Development Plan (IDP) where learning plan was developed based on competency gap identified through the performance appraisal management and training requirement analysis.

1.4 Problem Statement

The issues that impede the performance at GLCs are linked to talent shortages. According to the Critical Occupation List 2016/2017 and 2017/2018 prepared by TalentCorp Malaysia, many organizations in Malaysia are experiencing shortages of managers, professional employees, support personnel and other skilled employees (TalentCorp Malaysia, 2017; 2018). Furthermore, according to the Orange Book, Malaysian GLCs are facing insufficient competitive employee value proposition or EVP (PCG, 2006b). EVP depicts how the employees perceive the values or benefits they will gain by working in an organization and it can be linked to employee engagement and retention (Heger, 2007). Displaying strong EVPs to the labor market helps in attracting talents to work for the company and increasing the size of the available talent pool in the organization. Conversely, organizations with weak and insufficient EVP may deter prospective talents from choosing to work for them and this may impede effective recruitment of talent (talent identification process) to fill up important positions. Inability of companies to attract potential talent has led to low innovation (NEAC, 2010), causing them to lose their competitive advantages in their field of businesses.

Talent pool is a group of highly skilled employees in a company that are important as the candidates to fill up senior positions in the succession plan. However, according to The Orange Book, few of the GLCs hired and established talent pool without having any development or deployment plan (PCG, 2006b). This situation thus hinders the growth of talents at GLCs, they are people who have potential but are in the wrong roles, or high performing talents stuck in queues behind more senior average performers. These are the obstacles for talent to develop and bloom in the organization. The right implementation of talent management practices helps the GLCs to overcome

these problem as it focuses on keeping qualified employees available for deployment at the most appropriate time and place (Altindag, Cirak & Acar, 2018).

Talent management practices play a vital role in developing the right path for a talented employee. The study conducted by Davies and Davies (2010) explained that talent management practices focus on talent development, talent identification and talent culture. Talent management is a structured process of attracting talent from outside or identifying one from the existing workforce, developing and enhancing their skills, engaging them at workplace, deploying and positioning them strategically in the organization, and retaining them in the company (Chartered Institute of Personnel and Development, 2009). If GLCs are implementing the talent management practices in the right way, the issue of shortage on talent will be resolved. According to Listwan (2005) and Poczowski (2008), talent management process encompasses the entire employment period: starting from identifying talent either from existing workforce or external hiring, specifying development program and career growth planning, deployment and developing talent, exposure to different set of skills and environment, assessment and evaluation of performance, remuneration and compensation, monitoring the level of motivation and engagement, and retaining talent up until the employee leave the company including reviewing on the reason to leave.

According to the report by the National Advisory Economic Council (NEAC, 2010), Malaysia is currently facing problems of retaining talent in each business sectors and this gives negative impact to the human capital management. For example, according to Jauhar and Mohd Yusoff (2013), substantial emigration of highly trained accountants and electrical & electronic engineers out of the country causing shortage of talents and huge loss of foreign investment. Malaysia is facing a stiff competition from other developed countries, as they preferred to recruit the local Malaysian talents

who already undergone extensive training program. Penang Chief Minister Lim Guan Eng informed that the state lost USD 3 billion worth of foreign investment simply because it could not 'commit' to having 1,000 engineers which impede with the local economic development (Hassan, 2009). Malaysia is losing skillful and experienced workers needed to drive future development since many of our university graduates prefer to work abroad. According to statistics by the Ministry of Human Resources in 2008, more than 350,000 Malaysian adults are working abroad, of which over 50% of them had tertiary education (NEAC, 2010).

According the article "Employers face skill and talent shortage challenge" (2017) published by The Star, recruitment and retention of talent are some of serious challenges faced by Malaysian employers due to emigration of talented employees as well the aging stage of current talent pool. Talent mismatches between skill demand and supply in job market and shortages of potential employees with the right expertise and employability skill, including transferability skills (PricewaterhouseCoopers Malaysia, 2013) have led to the establishment of talent gap in many companies and these will likely hamper the growth and development of the organizations. Talent identification outlines the necessity of matching the right job and roles to the right employees (person-job fit) to promote employee engagement and drive work performance. Internal recruitment from current workforce not only induce high motivation among employees, it is also an effective approach to ensure sufficient talent pool to support companies' succession planning. Talent development, as part of talent management practices, can help reducing talent gap not only through formal trainings but also through other development tools such as apprenticeship, job rotation and exposure to various job environment and positions. The implementation of talent management practices is the right approach in overcoming the issues above and to

have the right people with the skills and expertise to meet the immediate and future need of the organizations.

Talented workers play crucial roles at organization, they must know how their jobs fit within the value chain, not only performing the routine tasks well but also to demonstrate excellence at delivering high-leverage components of their jobs and perform beyond expectation to help the organization in striving for success (Chowdhury, 2003). There is an issue that pertaining the performance of several GLCs, such as Malaysian Airline Berhad and Proton Holding Berhad, who are unable to create values from their talented employees and thus suffer from poor performance (Said et al., 2016). In other words, there is a direct link between talent management and the business performance of an organization. The right implementation of talent management practices not only motivate talented employees to deliver strong performance for the success of the company, but also retain them in the organization to sustain the competitive advantage in the long run; talent management should be adopted as part of the company's strategic planning as it is aligned with business need. According to Bethke-Langenegger, Mahler and Staffelbach (2011), alignment of talent management practices with corporate strategy and business goals will lower human resource management cost, promote synergy and induce significant positive impact of business profitability; these are also supported by Boxall and Purcell (2011). A study by Karunathilaka, Ab Yajid & Khatibi (2016) stated that after the organization formulated its business strategy, the next important step is to formulate talent identification strategy in order to identify potential talent for the organization.

Another significant factor that impede the profit growth of Malaysian GLCs is the issue of high employee turnover rate. It is critical for organizations to work on retaining their top talent since employee turnover is basically equal to losses of human

capital investment. The attrition/turnover rate at Malaysian GLCs are considered very high; several GLCs even showed the percentage of annual attrition/turnover to be approximately 5 to 20% from the total workforce. The data shown in the Figure 1.1 represent the attrition rate at Malaysian GLCs from 2015 to 2017 as reported in their annual statements. This is quite alarming since high employee attrition may indicate issues in retaining companies' top talent as well as impacting business succession plan. When company losses its most important source of competitive advantages, the ability for the company to sustain business performance will decline. Without the right talent management strategy in place, it is challenging for the company to promote employee engagement at workplace and subsequently retain talented employees in the organization.

Having good insight on the factors that contributed to employees' intention to leave is necessary in order to formulate effective solutions to the issue and subsequently sustain business performance (Idrus, Salahudin & Abdullah, 2009). Previous studies conducted at Malaysian companies identified several intangible factors leading to turnover intention including socio-economic factors, monetary issues, workplace environment, social support, personal and family issues, physical and mental conditions and job satisfaction (Samad, 2006; Lew, 2009; Chan, Yeoh, Lim & Osman, 2010; Choong & Wong, 2011; Noor, 2011). According to Schuler et al. (2011), job fulfilment at workplace and employer's commitment in maintaining transparency and openness in employee-employer relationship are the other factors that promote employee engagement and influence employee retention.

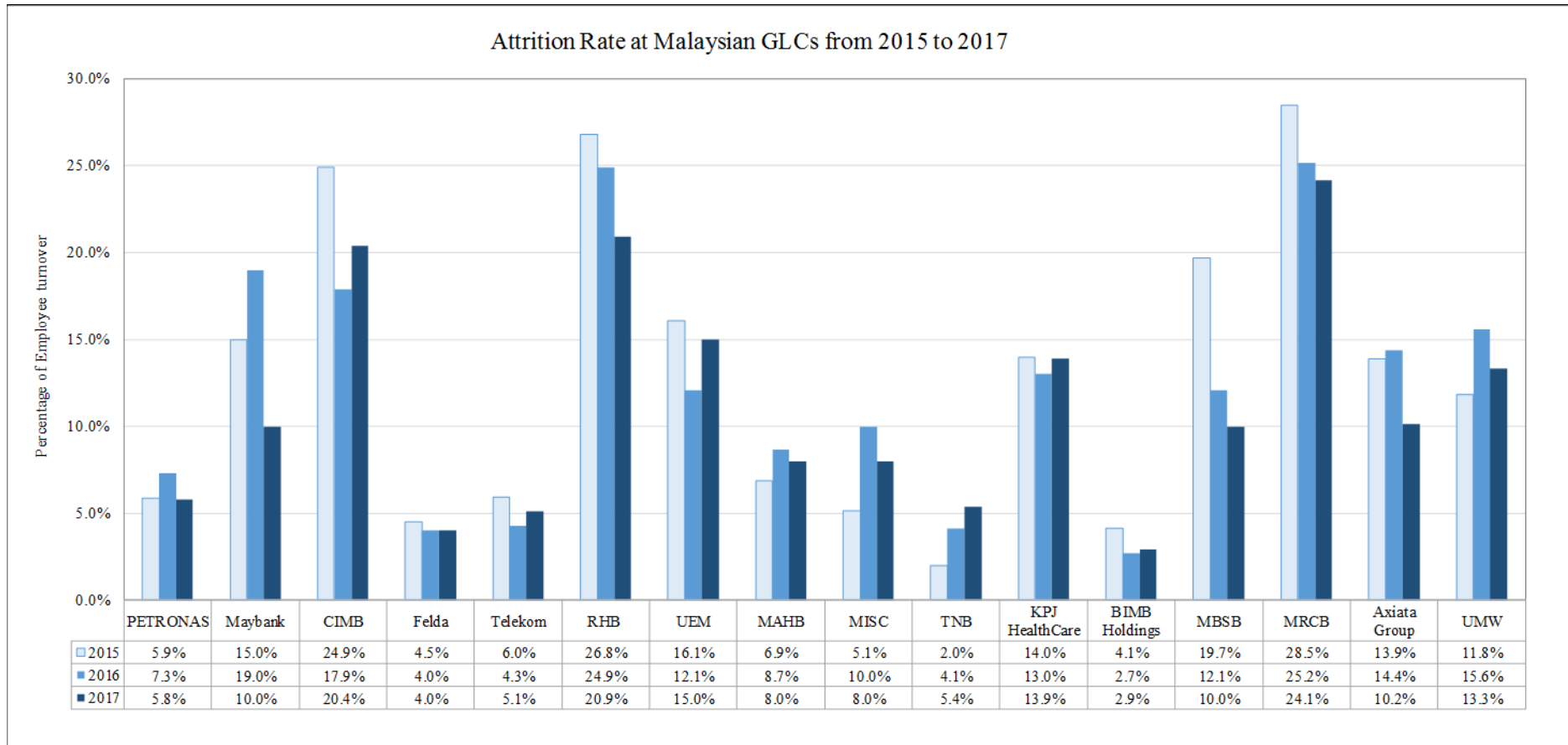


Figure 1.1
Attrition Rate at Malaysian GLCs from 2015 to 2017

Source. From GLCs' annual sustainability reports, available in public domain

When employees leave the company, they will bring together their experience, knowledge and skills, and resulted with direct removal of intellectual asset from the organization. Turnover rates can seriously affect the stability of the organization and can render it to be less productive. Huge amount of resources and budget need to be allocated to train and bring new hires up to speed in order to recover back the intellectual asset for the company; these will greatly impact on the administrative cost and productivity of the organization. These issues highlight the importance of understanding the elements that will attract and retain highly skilled talent, which will greatly benefit organizations such as GLCs.

Another issue that impedes the growth of talent is unfairness of the appraisal system at Malaysian GLCs, (Abu Bakar, Mustapha, Abu Kasim & Amiruddin, 2015) and based on an interview session conducted by MMG Berhad, despite key performance indexes being established as a measure of performance at the workplace, the actual appraisal processes are highly influenced by workplace politics and interferences by higher management. The bell curve system of the performance evaluation is regarded as an unfair approach as it requires some of the team members to be force-ranked as non-performer if the targets for the group are not achieved, despite their individual efforts.

In addition to the above, another issue occurring at Malaysian GLCs is the lack of connection between the performance appraisal process and the balanced scorecard system, according to Abdul Khalid & Scapens (2005) and Othman et al. (2006). Previous study by Mohd Saudi, Anwar & Sinaga (2018) found that the integration of balanced scorecard system in the performance management are still lacking at GLCs due to the influence of negative management culture where seniority and length of

service are still primarily considered as the criteria for career promotion instead of employee performance and merit.

Talent management practices will provide greater solutions for the problem above as it provides a structured approach to identify and develop people who possess potentials. With regards to this study, talent management practices are conceptualized as the processes of developing potential talent and are closely linked with annual performance review process. During talent identification process, potential candidates for talent pool are identified by line managers based on high scores attained during the performance appraisal, where the assessment is made using balance scorecards with defined Key Performance Index or KPIs (Malaysian Productivity Corporation, 2009). The defined KPIs helps the respective Head of Department to identify who, what, where, when and how often to train a potential talent.

As an example, at Perusahaan Otomobil Nasional or Proton, individuals with potentials are identified and acknowledged through assessment tools such as the behavioral event interview, role plays, psychometric profiling questionnaire job fit analysis, 360-degrees feedbacks on leadership effectiveness as well third party assessment for senior level mission critical position. Based on individual performance during the assessment process and also through self-nomination, an employee will be evaluated further consideration of inclusion into talent pool and intensive development program (Malaysian Productivity Corporation, 2010). This clearly shows that there is a compelling relationship between performance management and talent management practices, covering talent identification, talent development and talent culture.

Identification of talent pool under talent management practices help to overcome talent shortage. Maintaining and sustaining a pool of talent in every firm is crucial for the succession planning as it enables the key positions in the organizations

to be filled by capable and knowledgeable employees, ensuring the survival of the company. These talents are nominated for inclusion into the talent pool by their manager based on the outstanding performance within consecutive years. A strategic development plan for talent pool is required to prepare them for filling up pivotal position of the organization in the future. There are two main resources in establishing talent pool; either by identifying potential candidate from current workforce or by directly sourcing talents from external labor market according to available positions in the company (Collings & Mellahi, 2009).

The prior studies have been reviewed to offer a concept on talent management practices, employee engagement and turnover intention. However, the studies on the construct on talent management practices are not discussed in details and mostly lack of empirical evidences. Previous study by Tansky & Cohen (2001) revealed that employee development activities are positively related to perceived organizational support and organizational commitment while Behestifar & Herat (2013) suggested that perceived organizational support is also associated with positive treatment towards the employees such as performance rewards, good working conditions, equality and transparency at workplace, and support from supervisors. The relationship between talent management practices and employee engagement was further analyzed in several studies (Alias, Mohd Noor & Hassan, 2014), and the findings had shown that employee engagement is highly influenced by talent management practices via career growth opportunities and reward schemes.

Retaining high skilled talents is crucial for sustaining company's productivity and to survive challenging business environment (Smith, 2009). According to Ali, Mohamad Amin & Hamid (2016), talented employees leave the organization if they feel unhappy on the total reward provided, poor working environment and ineffective

leadership and organizational policies, the findings are supported by Griffeth and Hom (2001), these issues occurred when talent management practices are not in place. The study on talent management practices and employee retention therefore is significantly important to reduce the turnover rate of talent at GLCs.

As a summary, the issues that impede the GLCs performances include talent shortages, difficulties in attracting and retaining talents, high attrition rate jeopardizing business succession plan, unfairness in appraisal process and poor implementation of talent management practices impacting employee engagement at the workplace. According to the 2017 State of the Global Workplace report published by Gallup Inc., statistics have showed that only 11% of the employees in Malaysia are engaged with their work while 81% are not engaged and the remaining 8% are actively disengaged at workplace (Gallup Inc., 2017). Disengagement will cause employees to express symptoms of withdrawal in terms of physical, cognition and emotional (Kahn, 1990). Today, most organizations are still struggling in understanding the essence of talent management practices, its importance, crucial elements and enabling factors. While they know how to administratively recruit, retain and replace their employees, they are still struggling with the strategic elements of managing talent. This study primarily focuses on how talent management practices play their roles as part of essential business strategies to retain talented employees in organizations such as the GLCs.

Due to the scarcity of studies related to talent management practices and its influence on perceived organizational support and employee engagement, this study seeks to enrich the understanding on employee retention and employee engagement by examining their relationship with the talent management practices as independent variables, and perceived organizational support will bring a new understanding as the arbitrating factor on the relation between these variables.

1.5 Research Objectives

The general objectives of this study to examine the relationship between talent management practices, employee retention and employee engagement with the mediating factor of perceived organizational support. Specific objectives of this study are as follows:

1. To examine the relationship between talent management practices (talent identification, talent development and talent culture) and perceived organizational support.
2. To examine the relationship between perceived organizational support and employee engagement (vigor, dedication and absorption).
3. To examine the relationship between perceived organizational support and employee retention.
4. To examine the relationship between employee engagement (vigor, dedication and absorption) and employee retention.
5. To examine the role of perceived organizational support as the mediator in the relationship between talent identification and employee engagement (vigor, dedication and absorption).
6. To examine the role of perceived organizational support as the mediator in the relationship between talent development and employee engagement (vigor, dedication and absorption).
7. To examine the role of perceived organizational support as the mediator in the relationship between talent culture and employee engagement (vigor, dedication and absorption).

8. To examine the role of perceived organizational support as the mediator in the relationship between talent identification and employee retention.
9. To examine the role of perceived organizational support as the mediator in the relationship between talent development and employee retention.
10. To examine the role of perceived organizational support as the mediator in the relationship between talent culture and employee retention.
11. To examine the role of employee engagement (vigor, dedication and absorption) as the mediator between perceived organizational support and employee retention.

1.6 Research Questions

Guided by the above background of the study, research objectives, general literature, and problem statement, the following research questions were formulated:

- RQ1:** Is there a relationship between talent management practices (talent identification, talent development and talent culture) and perceived organizational support?
- RQ2:** Is there a relationship between perceived organizational support and employee engagement (vigor, dedication and absorption)?
- RQ3:** Is there a relationship between perceived organizational support and employee retention?
- RQ4:** Is there a relationship between employee engagement (vigor, dedication and absorption) and employee retention?

- RQ5:** Does perceived organizational support mediate the relationships between talent identification and employee engagement (vigor, dedication and absorption)?
- RQ6:** Does perceived organizational support mediate the relationships between talent development and employee engagement (vigor, dedication and absorption)?
- RQ7:** Does perceived organizational support mediate the relationships between talent culture and employee engagement (vigor, dedication and absorption)?
- RQ8:** Does perceived organizational support mediate the relationship between talent identification and employee retention?
- RQ9:** Does perceived organizational support mediate the relationship between talent development and employee retention?
- RQ10:** Does perceived organizational support mediate the relationship between talent culture and employee retention?
- RQ11:** Does employee engagement (vigor, dedication and absorption) mediate the relationship between perceived organizational support and employee retention?

1.7 Scope of the Study

This study intends to investigate on the implementation of talent management practices and its impact on GLCs in Malaysia. Many GLCs are leading certain business sectors in Malaysia, indicated by their rapid growth, improvement in efficiency, productivity and strong business performance. In banking sector, Maybank and CIMB are showing

strong performance in their fundamental business. Many GLCs are expanding their operation into international ventures for example Maybank, CIMB and PETRONAS (PCG, 2006a).

Talents play vital roles in achieving organizational effectiveness, sustaining high productivity and boosting company's income. Development and growth opportunities in the company is highly regarded as positive incentive for the employees to stay in the organization. Through talent management practices, the organization will be able to monitor and manage the career progression of those high potential employees under talent pools (Saim, 2017).

This study investigated the influence of perceived organizational support in mediating the relationships between dependent variables (employee engagement, employee retention) and independent variables (talent management practices). The scope of the study also uncovered the reasons to support for the implementation of talent management practices and assess the roles of perceived organizational support in retaining talents and fostering employee engagement at GLCs. This study analyzed the role of employee engagement as a mediator of the relationship between perceived organizational support and employee retention. The study involved a total of 47 GLCs listed under Bursa Malaysia and the target respondent are the high performing talents under talent pool from each GLC.

1.8 Significance of the Study

In general, this study will be beneficial for GLCs to understand on the importance implications of talent management practices in order to attract and retain critical talent and reduce employee turnover in their business entity. Talent is an asset for the organization as they possess high knowledge, skill to increase the productivity level.

When talents leave an organization, they will bring their valuable knowledge, hard-earned experiences and skills which are invaluable, hard to measure and irreplaceable (Entrekin & Court, 2001). This is aligned with current GLCs' situation as the attrition rate at certain GLCs is considered high and subsequently experiencing loss of skills, customer trust, knowledge and productivity. In summary, this study will benefit various stakeholders such as top management, managers, and heads of departments, academicians and researchers in different ways.

The research findings can help GLCs in improving the organization effectiveness through the implementation of talent management practices to identify and develop potential talents for the organization. The findings will be able to provide guidance to the organizations' top management to streamline their operations, business framework and values with the concepts of talent management practices, perceived organization support and employee engagement. The study is of great significance since it will help in creating awareness on the role played by talent management practices in enhancing loyalty to the organization which subsequently lead to employee retention. Through the implementation of talent management practices, GLCs will be able to overcome talent shortages, increase productivity and deliver strong financial result to win the approvals from all stakeholders and achieve great success in this dynamic and challenging business environment.

1.9 Theoretical Significance

The research contributions of this study begin with theoretical contribution, which involved the application of self-determination theory (SDT) and resource-based view (RBV), which extends the literature on perceived organizational support, employee engagement, employee retention and talent management practices. The study also