BASED ON TALENT MANAGEMENT AS EMPLOYEE PERFORMANCE OPTIMIZATION BY STRENGTHENING EMPLOYEE RETENTION ASPECT

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Abstract: This study aims to obtain empirical evidence that good Talent Management will improve employee performance to be optimal and consistent employee retention will increase optimal employee performance at PT. Panahmas Ekatama Distribindo Malang. The research approach is explanatory research. Data were collected with a survey method that uses questionnaires. The study population was counted as 96 person result of the study showed that good talent management will produce optimum employee performance. Good talent management will deliver consistent employee retention. Consistent employee retention will engender optimum Employee performance. The last is good talent management can produce employee performance through consistent employee retention. Theoretically, the usefulness of this research is to contribute to the fields of Human Resource Management, Talent Management, Employee Retention, and Employee Performance.

Keywords: Talent Management, Employee Retention, Employee Performance


The companies in the world have been implored to improve their human resource management to keep them ready to face the effects of globalization and Industry Revolution 4.0. The employee is a precious asset for any organization or company. Companies can acquire a competitive advantage through effective management of their human resource (Pfeffer, 2010). The companies are usually required to operate effectively, efficiently, and optimally, and there-
Therefore, to fulfill these requirements, the companies should improve their employee performance (Hermawati, 2020).

During the covid-19 pandemic, many companies have suffered business decline to varying degrees. However, some cases were exceptional, which among others is PT. Panahmas Ekatama Distrindo, a company involved in distributing food and beverage and household commodities. It seems that the covid-19 pandemic did not implicate the decrease of employee performance at this company, although a stipulation for Work From Home (WFH) has been commenced. PT. Panahmas Ekatama Distrindo still survived due to income of daily sale from offering commodities to several stores and markets. Therefore, employee performance did not change so much or even stop, and this situation enabled the company to maintain the feasibility of corporate business (Hermawati and Nasharuddin, 2017).

The employee must have a good quality of performance. Good employee performance enables the company to keep up with the current business trend and technological advancements. Employee retention is a factor that may cause bad employee performance and improper and ineffective human resource development. The solution proposed for this factor is talent management. Researchers admitted that any company in any industry should develop and improve the quality of their human resources through talent management. Researchers got proof that talent management is positively impacting the optimization of employee performance, which is helpful to the company to survive many kinds of conditions.

Talent management is a planned and structured corporate approach to recruitment, retention, and development of talented individuals to provide the company with individuals who can consistently deliver excellent performance (Davis, 2009).

Employee retention is a process that leads the employee to stay with their workplace. Retention is the opposite of turnover, which refers to a process when the employee leaves their workplace (Mathis & Jackson, 2001).

According to (Bernardin & Russell, 2001), “performance is defined as the record of outcomes produced on a specified job function or activity during the time period”. He referred to Director Decree No:089/PED/K/10/2013 concerning employee performance assessment at PT. Panahmas Ekatama Distrindo Malang, the assessment of employee performance will involve several dimensions such as work output, knowledge, the skill of work, attitude at work, capability toward cooperation and socialization, intellectual competence, and emotional stability self-discipline.

Febriani et al. (2012) conducted research titled “The Effect of Talent Management on Employee Performance at the Head Office of PT. Bank X”. The result showed a strong relationship between talent management and employee performance at the Head Office of PT. Bank X. Other research relevant to the research above was conducted by Isanawikrama et al. (2017) titled “Analysis on the Effect of Talent Management on Organizational Performance and its Impact on Employee Retention at the Head Office of PT. X Indonesia”. Results indicated that talent management positively affects employee retention and organizational performance.

Rahmawati (2019) carried out the next relevant research titled “The Effect of Talent Management on Employee Performance through Employee Retention at PD. BPR Bank Daerah Lamongan”. This research revealed the effect of talent management on employee performance at PD. BPR Bank Daerah Lamongan is significant.

Talent management for researchers is deemed necessary for any company engaged in any industrial sector because of the development of management and improvement of the quality of human resources. Talent management is indicated to have a positive impact on improving employee performance to survive in any condition. Proper and effective HR management will enable the company to achieve its corporate goals. This study aims to obtain empirical evidence that good Talent Management will improve employee performance to be optimal and consistent employee retention will increase optimal
employee performance at PT. Panahmas Ekatama Distrindo Malang. Theoretically, the usefulness of this research is contributing to the fields of Human Resource Management, Talent Management, Employee Retention, and Employee Performance.

HYPOTHESIS DEVELOPMENT

The conceptual framework of this research is described in the form of a chart, with the substance in it must be written concisely and clearly. According to (Sugiyono, 2014), the conceptual framework is a relationship that will relate theoretically between research variables, namely, between independent variables and dependent variables that will be observed or measured through research that will be carried out.

In this conceptual framework, the dependent variable (variable Y), namely employee performance, is estimated to be influenced by the independent variable (variable X), namely talent management (X), and the mediating variable (Z), namely employee retention (Z), systematically can be seen in figure 1.

H4 : Rahmawati (2019).

Hypothesis:
1. It was presumed that good talent management would produce optimum employee performance at PT. Panahmas Ekatama Distrindo Malang; Hypothesis 1 (H1).
2. It was presumed that good talent management would deliver consistent employee retention at PT. Panahmas Ekatama Distrindo Malang; Hypothesis 2 (H2).
3. It was presumed that consistent employee retention would engender optimum employee performance at PT. Panahmas Ekatama Distrindo Malang; Hypothesis 3 (H3).
4. It was presumed that good talent management could produce optimum employee performance through consistent employee retention at PT. Panahmas Ekatama Distrindo Malang; Hypothesis 4 (H4).

METHOD

Conforming to problem characteristics, then the type of the current research is explanatory research. This research took place at PT. Panahmas Ekatama Distrindo Malang. Questionnaires were handed over to 96 employees. The sampling technique was census and data were analyzed with Partial Least Square (PLS).

RESULTS

Characteristics of Respondents

<table>
<thead>
<tr>
<th>Table 1. Characteristic of Respondents by Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Level</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>1. Senior High School</td>
</tr>
<tr>
<td>2. D-III</td>
</tr>
<tr>
<td>3. S-1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Primary data are processed, 2020

Previous researches that support the research model above are:
H1 : Febriani et al. (2012), Nisa et al. (2016), and Kusumowardani and Suharnomo (2016).
Table 2. Characteristic of Respondents by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 20-30 Years Old</td>
<td>50</td>
<td>52</td>
</tr>
<tr>
<td>2. 31-40 Years Old</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>3. 41-50 Years Old</td>
<td>17</td>
<td>17.7</td>
</tr>
<tr>
<td>4. 51-60 Years Old</td>
<td>9</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>96</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data are processed, 2020

Table 3. Characteristic of Respondents by Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Male</td>
<td>65</td>
<td>67.7</td>
</tr>
<tr>
<td>2. Female</td>
<td>31</td>
<td>32.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>96</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data are processed, 2020

Table 4. Characteristic of Respondents by Work Duration

<table>
<thead>
<tr>
<th>Work Duration</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 1-5 Years</td>
<td>48</td>
<td>50</td>
</tr>
<tr>
<td>2. 6-10 Years</td>
<td>28</td>
<td>29.2</td>
</tr>
<tr>
<td>3. 11-15 Years</td>
<td>11</td>
<td>11.4</td>
</tr>
<tr>
<td>4. 16-20 Years</td>
<td>9</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>96</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data are processed, 2020

Hypothesis Test

The first hypothesis states that good talent management will produce optimum employee performance at PT. Panahmas Ekatama Distrindo Malang was tested. The result showed that the value of the direct path coefficient was 0.297 while the value of the t count was 2.747. The value of the t-count is higher than the t-table (1.960) and the p-value (0.007) was < 0.05. Based on this Result, Talent Management has a direct and significant effect on Employee Performance. Therefore, the first hypothesis is accepted.

The second hypothesis states that good talent management will deliver consistent employee retention at PT. Panahmas Ekatama Distrindo Malang was also tested. The test result showed that the value of the direct path coefficient was 0.555 and the t-count value was 4.830. The value of the t-count is higher than the t-table (1.960) and the p-value (0.000) was < 0.05. Regarding this Result, Talent Management has a direct and significant effect on Employee Retention. Therefore, the second hypothesis is accepted.

The third hypothesis states that consistent employee retention will engender optimum employee performance at PT. Panahmas Ekatama Distrindo Malang was also tested. It was found from the test that the value of the direct path coefficient was 0.634 and the t count value was 6.027. The value of the t count is higher than the t-table (1.960) and the p-value (0.000) was < 0.05. Following this Result, Talent Management has a positive and significant effect on Employee Performance. Therefore, the third hypothesis is accepted.

Hypothesis test on direct effect relationship was done with bootstrapping process, which is one of the procedures provided in PLS. The result of this process is described in the following.

Table 5. Result of Hypothesis Test

| Variable Relationship | Original Sample (O) | T Statistics (|O/STERR|) | p-value | Description |
|-----------------------|---------------------|----------------|---------|------------|
| 1. X → Y              | 0.297               | 2.747          | 0.007   | Significant |
| 2. X → Z              | 0.555               | 4.830          | 0.000   | Significant |
| 3. Z → Y              | 0.634               | 6.027          | 0.000   | Significant |

Source: Primary data are processed, 2020
The fourth hypothesis states that good talent management can produce optimum employee performance through consistent employee retention at PT. Panahmas Ekatama Distrindo Malang was tested. The result indicated that the value of the indirect path coefficient was 0.352 and the value of t statistic was 3.739. The value of t statistic is higher than t table (1.960) and p-value (0.000) was < 0.005. This position signifies that Employee Retention has a significant contribution in mediating Talent Management’s effect on Employee Performance. By this result, therefore, Hypothesis 4 is accepted.

The effect level of Employee Retention as intervening (mediation) variable is calculated with the following formula.

**Structural Equation:**

\[ Y = PYX + (PYX \times PYZ) \]

The level of Direct Effect of Talent Management on Employee Performance is 0.297

Indirect Effect (IE) = PZX × PYZ
= 0.555×0.634
= 0.352

Total Effect (TE) = PYX + (PZX × PYZ)
= 0.297+ 0.352
= 0.649

The relationship’s indirect effect and total effect across variables are determined using Sobel Formula. The result of this formula is presented as a summary in the following Table 6.

**Variable X (Talent Management)**

Three indicators explain talent Management. The indicator with the highest contribution to Variable X is Indicator X3 (to develop), with a mean value of 3.77. This statement proves that developing human resources is one indicator in Variable X with the greatest capability to influence the fate of PT. Panahmas Ekatama Distrindo. The second highest contribution to Variable X is given by Indicator X2 (to retain) with the mean value of 3.65. Of 96 respondents, there was only one respondent answering very disagree and 11 respondents were answering they disagreed with the item stating that the company retains the best talent by giving compensation. These answers represent low satisfaction or even dissatisfaction with the existing compensation. The lowest contribution to Variable X is given by Indicator X1 (to recruit) with the mean value of 3.65. From 96 respondents, 33 respondents were answering neutral. 8 respondents answered they disagreed with the item stating that employees should be given the opportunity to attend the workshop and apply what they get from the workshop at work. These answers reflect an opinion that all employees should be allowed to attend the workshop to enhance their opportunity for internal recruitment and they can be required to apply their insights from the workshop at work. It must be noted that all indicators that explain Talent Management have a grand mean value of 3.76, which signifies that Talent Management is in a good assessment category.

**Variable Z (Employee Retention)**

Employee Retention is in a good category because the mean value of its indicators is reaching over 3.88, which signifies that, on average, most respondents agree to the indicators in the questionnaire. However, the two items have the lowest mean value, 3.74. One of these two is a career opportunity. 5 respondents answered they disagree with this item, which states that managers should give regu-

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**Table 6. Calculation of Indirect Effect**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Direct Coefficient</th>
<th>Standard Error</th>
<th>Indirect Coefficient</th>
<th>s.e Sobel</th>
<th>t count</th>
<th>p value</th>
</tr>
</thead>
<tbody>
<tr>
<td>X→Z→Y</td>
<td>0.555</td>
<td>0.634</td>
<td>0.115</td>
<td>0.105</td>
<td>0.352</td>
<td>0.094</td>
</tr>
</tbody>
</table>

Source: Data Processing with PLS, 2020
lar counseling to employees to improve their performance. Another item is appreciation. 24 respondents were answering neutral and 4 respondents were answering disagreed or less satisfied with the bestowal of good performing employees. These answers represent the posture of some respondents who feel those good employees who are appreciated with reward and recognition easily increase their bargaining power and leave the company if their demand is not met.

**Variable Y (Employee Performance)**

Employee Performance is in a good category as shown by the grand mean value of its indicators that reaches 3.86. There were 7 indicators for Employee Performance and these indicators are self-determined by the company in this research, which is PT. Panahmas Ekatama Distrindo. Two items have the lowest contribution value and the mean value of both items is 3.71. These two items are cooperation and socialization. Several employees did not satisfy with the sense of cooperation in their work team. Other employees cannot socialize with the current condition or environment. The solution to these problems is to formulate strategies that enable employees to work conveniently and to cooperate with the work team to achieve the corporate goal.

**DISCUSSION**

**The Effect of Talent Management on Employee Performance**

Statistic analysis on the effect of Talent Management on Employee Performance was conducted using path analysis. It was found that Talent Management has a positive effect on Employee Performance, as shown with a path coefficient value of 0.297. Path direction is positive, which signifies that employee performance optimization will always follow good Talent Management. Besides this position, it was also found that Talent Management has a significant effect on Employee Performance. In other words, good Talent Management will produce optimum Employee Performance.

Although the result of the test shows a good trend, but Human Resource Department (the management) of PT. Panahmas Ekatama Distrindo still feels necessary to improve indicators of Talent Management, at least to help the company to achieve the corporate goal in 100% confidence level. Good Talent Management will indeed produce optimum Employee Performance. Unfortunately, several employees are less satisfied or even disagree with the existing Talent Management. One of the indicators, which is to recruit, has the lowest mean value. The company should create the proper strategy to select employee candidates and to sort over the excellent employees who can deliver optimum performance.

Research conducted by Febriani et al. (2012) showed that there is close relationship between talent management and employee performance at the Head Office of PT. Bank X. However, a different finding was given by Nisa et al. (2016), who found that Talent Management has a partial effect, but not significant, on Employee Performance.

**The Effect of Talent Management on Employee Retention**

Statistic analysis on the effect of Talent Management on Employee Retention was carried out using path analysis. The analysis showed that Talent Management has a positive effect on Employee Retention, as proved by the path coefficient value of 0.555. Talent Management also has a significant effect on Employee Retention, where good Talent Management will deliver consistent Employee Retention.

Surprisingly, also at PT. Panahmas Ekatama Distrindo, Employee Retention can affect Talent Management. There were 11 respondents with a work duration of 11-15 years and there were 9 respondents with a work duration of 16-20 years. It gives proof that since the beginning of its founding, PT. Panahmas Ekatama Distrindo Malang has considered Employee Retention as an essential factor for the company. Consistent Employee Retention can enable the company to apply Talent Management strategies to minimize employee turnover. Indeed, employee retention is essential to keep talented employees stay with the company.
This position is in line with Ratnawati and Subudi (2018). Their research found that Talent Management has a positive and significant effect on Employee Retention. The most expected product of Talent Management is the retention of talented employees in the organization. Conclusion: there is a belief that talented employees are a core investment of an organization and this is why an organization should retain such employees.

The Effect of Employee Retention on Employee Performance

Statistic analysis on the effect of Employee Retention on Employee Performance was operated using path analysis. The analysis revealed that Employee Retention has a positive effect on Employee Performance, which is shown by path coefficient value of 0.634. The direction of this relationship is positive, which signifies that employee performance improvement follows employee Retention. Besides this result, it was also found that Employee Retention has a significant effect on Employee Performance, which can be said that consistent Employee Retention will engender optimum Employee Performance.

If each path coefficient value is examined, it seems that the path coefficient value of the effect of Employee Retention on Employee Performance is the highest if compared to the path coefficient value of other relationships. This position proves that consistent Employee Retention has a big effect on Employee Performance at PT. Panahmas Ekatama Distrindo. There were 20 employees with a work duration of over 11 years. Apart from this fact, the company needs to sort over manager candidates who can effectively guide employees to create solid teamwork. Such a team may enable the company to achieve its Employee Performance target.

The finding above is consistent with the result of previous research conducted by Sumarni (2011), in which it was found that Employee Retention has successfully improved Employee Performance in the hospital. This position was confirmed with a significance value of 0.000 that is smaller (<) than 0.05. It was also found that the effect of Employee Retention on Employee Performance is positive and significant.

The Effect of Talent Management on Employee Performance through Employee Retention

The relationship between Talent Management and Employee Performance through Employee Retention has been tested. The test result showed that the value of the indirect path coefficient was 0.352 with a t-statistic value of 3.739. The value of t count is higher than t table (1.960) or p (0.000) < 0.05, which signifies that Employee Retention has a significant contribution in mediating the effect of Talent Management on Employee Performance. Besides this explanation, it was also found that the effect level of Talent Management on Employee Performance through Employee Retention is higher than the effect level of Talent Management on Employee Performance, which is indicated by the path coefficient value of the former as much as 0.352 compared to 0.297 of the latter. Employee Retention has a good effect on corporate well-being. Therefore, consistent Employee Retention will facilitate the company to implement Talent Management, which as the consequence, will help the company to attain optimum Employee Performance as the company has been targeted.

Employee Performance at PT. Panahmas Ekatama Distrindo Malang is already good and optimum, but it is not yet achieving the corporate target at 99%. Employee Retention is considered a key needed to create strategies for Talent Management, including maintaining and selecting excellent employees or retaining loyal and talented employees who may be helpful for corporate well-being or may help the company achieve the corporate goal. If work duration is taken into account, there were 28 respondents with a work duration of 6-10 years (29.2%), 11 respondents with work duration of 11-15 years (11.4%), and 9 respondents with a work duration of 16-20 years (9.4%). In total, respondents with a work duration of 6 – 20 years are 50 % of all respondents. By virtue of these data, Employee Retention at PT. Panahmas Ekatama Distrindo is already consistent, although still there is a problem concerning with distribution of frequency.
The indicator of Employee Retention (Z) with the lowest contribution is appreciation (Z3) with mean value of 3.80, which is lower than other indicators of Variable Z. Four items make up this indicator and the lowest mean value is found at Item Z3.2, which is 3.74. The item is “Giving appreciation to employee with achievement will strengthen the intention of employee to retain with the company”. To this item, there were 24 respondents answering neutral, 2 respondents answering disagree, and 2 respondents answering very disagree. Therefore, it can be said that giving appreciation to employee with achievement is not good as expected. Several factors cause this problem. As researchers have observed, the appreciation given to employee at PT. PanahmasEkata Distirindo takes a form of monthly incentive and this incentive is handed over by Division of Marketing. However, abuse of power at this Division has obstructed this incentive from being accepted regularly every month. This obstruction has bad impact on the company, which at least impels employees to have intention to leave the company. Resolute policy is needed to reduce ambiguity in understanding Employee Performance at PT. Panahmas Ekatama Distirindo.

Good Talent Management is in line with consistent Employee Retention. The presence of good Talent Management can produce optimum Employee Performance through and consistent Employee Retention. In this relationship, Employee Retention acts as an intervening (mediation) variable. This variable needs to be enforced by making policy that enables the employee to work conveniently, discipline, effectively, and efficiently to ensure that the employee will positively contribute to the company.

Previous research that is relevant to the position above was done by Rahmawati (2019), which found a significant effect of talent management on employee performance at PD. BPR Bank daerah Lamongan. This result affirms that talent management program has a big contribution to optimizing employee performance.

CONCLUSIONS

After taking into consideration of the formulated problem and the results of the hypothesis test and analysis, several conclusions are taken as follows:

Good Talent Management can produce optimum Employee Performance. It is suggested to the company to create and enforce Talent Management strategies. Good Talent Management can deliver consistent Employee Retention. It is suggested to the company to maintain and develop talented employees. Consistent Employee Retention can engender optimum Employee Performance. It is suggested that the company maintain and improve its existing condition to get a better future. The contribution of good Talent Management to optimum Employee Performance will be better if Employee Retention can be conditioned to be improving and consistent.

IMPLICATIONS

Considering that the independent variables in this study are very important in influencing employee performance, it is hoped that the results of this study can be used as a reference for further researchers to develop this research by considering other variables which are other variables outside the variables that have been included in this study.

LIMITATIONS

This research is limited to employees at PT. Panahmas Ekatama Distirindo Malang hopes that further research can be carried out on a larger and more detailed sample.

RECOMMENDATIONS

Based on the conclusions above, several suggestions can be put forward that is expected to be useful for the company and other parties. The suggestions given include: It is expected that the company can maintain and improve services for Talent Management, because the Talent Management variable has a significant influence on Employee Ret-
Based On Talent Management As Employee Performance Optimization by ...

tention and Employee Performance, including by providing compensation for employees who have high talent so that employee performance will increase.

REFERENCES