HR Quality in Talent Management Relationship and Employee Performance in State Owned Enterprises

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Abstract

State-owned enterprises must manage their human resources well to develop following changes in intense competition. Antam (Persero) Tbk UBPN Southeast Sulawesi can improve employee performance by using human resource (HR) quality as an intervening variable. This study aims to determine talent management in a limited liability company (PT). It conducted the research quantitatively by collecting data through online questionnaires filled out by 200 respondents—data analysis using Structural Equation Modeling (SEM) Amos 23 and SPSS 22. The results show that talent management positively and significantly influences employee performance. Likewise, it was found that there was a positive and significant influence of talent management on HR quality and employee performance. However, it also found that HR quality could not correctly mediate the effect of talent management on employee performance. This study strengthens human capital theory and adds empirical evidence of the relationship between talent management and the quality of human resources.

Keywords

Talent management, HR quality, employee performance
Introduction

State-owned enterprises must manage their human resources properly to continue to grow and develop in the midst of fierce competition. To face the competition, the organization must focus on changing its internal factors, namely, finding, attracting, and retaining the company's best people. However, having quality human resources is a substantial investment (Kehinde, 2012; Tan, 2014). Talent management is one of the efforts to manage human resources in an organization. Previous research stated that talent management is a planning tool (Cappelli & Keller, 2014; Garavan et al., 2012; Kehinde, 2012) and development (Claus, 2019) in the HR management process. However, not all organizations can manage HR talent successfully. Many organizations fail to utilize their HR talents in maximizing performance (Al Ariss et al., 2014; Joyce & Slocum, 2012). Improved organizational performance depends on how the organization manages HR talent (Boudreau et al., 2007; Vaiman et al., 2012).

Other studies have shown that the type of business an organization does affect how it carries out its talent management (Guerci & Solari, 2012; Mathew, 2015). For example, in the banking industry, the lack of skills and employee retirement periods are the basis for decision-making in talent management. In contrast, the manufacturing and pharmaceutical industries only see the retirement effect.

This study aims to elaborate and analyze talent management in encouraging the improvement of the quality of human resources, which in turn can promote employee performance. This research was conducted based on human capital theory, where talent and quality of human resources are intangible assets that can be developed to increase productivity and organizational performance (Mention & Bontis, 2012; Sharabati et al., 2010). Empirical evidence that management talent can improve the quality of human resources is still very lacking, so this research is expected to fill the gap.

Literature Review

Talent management is a planned and structured corporate approach to recruiting, developing, and retaining talented individuals who consistently deliver superior performance. The talent management process requires recruiting gifted individuals, keeping them in the company so they won't leave, and developing them to improve their performance (Karuri & Nahashon, 2015; Lewis & Heckman, 2006).

Talent management is a process by which an organization anticipates and fulfills its need for talents that follow the organization's needs in achieving its goals (Cappelli & Keller, 2014). Talent management has undergone development at the stages of design thinking, agility management to economic behavior that aims to improve HR quality so that it can compete in an increasingly competitive market (Al-Azzam & Al-Qura'an, 2019; Claus, 2019; Joyce & Slocum, 2012). Talent management that is applied consistently will produce employees who meet expectations in recruitment, are talented and can be developed according to their
potential and company needs. This process can encourage the improvement of the quality of human resources owned, both in terms of intellectual quality and the level of education possessed will be the capital in improving the workability of employees (Dwi Cuslinda et al., 2015; Tamsah et al., 2020).

The capabilities possessed by HR are beneficial to the maximum to improve performance (Hatta et al., 2019) to achieve organizational goals. Quality human resources are valuable assets in organizations (Baquayan, 2014; Maier et al., 2012). Therefore, every process in creating quality human resources is an important thing that must be understood and implemented by the organization. Human resources' intellectual quality and educational level can encourage increased workability so that employee performance can be maximized. The academic and educational attributes will make it easier for employees to master technology and work tools (Sawitri et al., 2019), which will increase work efficiency and effectiveness. The more efficient and effective in carrying out the work, the more employee performance will improve.

Various studies have shown that talent management and HR quality can improve employee performance (Baquayan, 2014; Bibi, 2019; Guerci & Solari, 2012; Kehinde, 2012; Wu et al., 2016), which in turn affects organizational performance (Tusang & Tajuddin, 2015). Employee performance can be seen by fulfilling obligations and following the standards and rules (Inuwa, 2016; Mei-Ying Wu & Lee, 2011). Employee performance has always been a challenge in an organization (Inuwa, 2016; Mensah, 2015; Nausheen & Lin, 2013), so research on how to improve employee performance has always been an interesting issue in human resource management. Based on the conceptualized relationships, it can formulate the following hypotheses:

H1: Talent Management has a positive and significant direct effect on Employee Performance.
H2: Talent Management has a positive and significant effect on HR Quality.
H3: HR Quality has a positive and significant effect on Employee Performance.
H4: Talent Management positively and significantly affects Employee Performance through HR Quality.

Research Methods

Sample Criteria

Respondents of 200 people, based on gender, were dominated by 181 (91%) men and 19 (9%) women. Based on age, respondents were overwhelmed by the age range of 36-40 years, as many as 157 (79%), age 25 years and under, as many as 13 (6%), and age over 40 years, as many as 30 (15%) respondents. In terms of education level, 136 (68%), diploma and undergraduate levels are dominated by high school equivalents with 62 (31%), and postgraduate level as many as 2 (1%) respondents. Dominant length of work at 11-20 years as many as 71 (35%), 21-30 years as many as 57 (29%), 1-10 years as many as 53 (26%),
and over 30 years as many as 19 (10%) respondents. The number of training in a year is dominated by respondents who attend training 1-3 times a year, as many as 195 (97%) respondents and 4-6 times a year as many as 5 (3%) respondents.

**Measurement**

Analysis of the data used in this study is a quantitative explanatory approach with structural equation modeling (SEM) as the basis of analysis in determining the effect through the AMOS software. Data were collected by online survey using a Likert scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree). This study uses three variables, e.g., talent management (TM), HR quality (HRQ), and Employee Performance (EP). As latent variables that cannot be measured directly, each variable in this study is measured by its respective indicators, whereas talent management is measured by recruitment, retain, and development (Al Ariss et al., 2014; Kehinde, 2012; and Vaiman et al., 2012). Then HR quality is measured by intellectual quality and education (Subrata, 2018; Sudarma, 2012), and employee performance is measured by productivity, knowledge, trustworthiness, availability, and freedom (Inuwa, 2016; Mariana et al., 2018; Zargar & Rezaee, 2013). Based on the literature research, this research is conceptualized as shown in Figure 1 below.

![Figure 1: Conceptual Framework](image1)

**Results and Discussion**

By using AMOS software version 23, the results of the data processing are shown with the full model in figure 2.

![Figure 2 Structural Equation Model](image2)
The relationship between variables that have been previously constructed after processing with SEM-Amos can be seen that talent management influences HR quality and employee performance and HR quality with employee performance. The values obtained based on this modeling can then be seen in table 1.

Table 1. Statistical Result

<table>
<thead>
<tr>
<th>Variables</th>
<th>Item</th>
<th>Standardized estimate</th>
<th>Estimate</th>
<th>Standard Error</th>
<th>Critical Ratio</th>
<th>P Value</th>
<th>Reliability (Cronbach’s Alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Talent Management</td>
<td>developing</td>
<td>0,518</td>
<td>1,000</td>
<td>0,765</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>retain</td>
<td>0,624</td>
<td>1,276</td>
<td>0,313</td>
<td>4,08</td>
<td>***</td>
<td>0,736</td>
</tr>
<tr>
<td></td>
<td>recruitment</td>
<td>0,522</td>
<td>1,726</td>
<td>0,439</td>
<td>3,931</td>
<td>***</td>
<td>0,738</td>
</tr>
<tr>
<td>Human Resource (HR) Quality</td>
<td>intellectual quality</td>
<td>0,440</td>
<td>1,000</td>
<td>0,748</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>education</td>
<td>0,851</td>
<td>1,916</td>
<td>0,444</td>
<td>4,317</td>
<td>***</td>
<td>0,714</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>productivity</td>
<td>0,723</td>
<td>1,000</td>
<td>0,709</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>knowledge</td>
<td>0,706</td>
<td>1,095</td>
<td>0,439</td>
<td>3,931</td>
<td>***</td>
<td>0,713</td>
</tr>
<tr>
<td></td>
<td>trustworthiness</td>
<td>deleted item</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>availability</td>
<td>0,533</td>
<td>0,775</td>
<td>0,13</td>
<td>5,96</td>
<td>***</td>
<td>0,729</td>
</tr>
<tr>
<td></td>
<td>freedom</td>
<td>0,557</td>
<td>0,858</td>
<td>0,127</td>
<td>6,74</td>
<td>***</td>
<td>0,734</td>
</tr>
</tbody>
</table>

Model Fit Testing

<table>
<thead>
<tr>
<th>Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>45.012</td>
</tr>
<tr>
<td>Significance</td>
<td>0.006</td>
</tr>
<tr>
<td>Degree of Freedom</td>
<td>24</td>
</tr>
<tr>
<td>CMINDF</td>
<td>1.876</td>
</tr>
<tr>
<td>GFI</td>
<td>0.955</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.915</td>
</tr>
<tr>
<td>TLI</td>
<td>0.911</td>
</tr>
<tr>
<td>CFI</td>
<td>0.941</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.660</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Standardized estimate</th>
<th>Estimate</th>
<th>Standard Error</th>
<th>Critical Ratio</th>
<th>P Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Performance ← Talent Management (H1)</td>
<td>0.321</td>
<td>0.479</td>
<td>0.205</td>
<td>2.331</td>
<td>0.020</td>
<td>Supported</td>
</tr>
<tr>
<td>HR Quality ← Talent Management (H2)</td>
<td>0.501</td>
<td>0.457</td>
<td>0.150</td>
<td>3.050</td>
<td>0.002</td>
<td>Supported</td>
</tr>
<tr>
<td>Employee Performance ← HR Quality (H3)</td>
<td>0.579</td>
<td>0.944</td>
<td>0.253</td>
<td>3.730</td>
<td>***</td>
<td>Supported</td>
</tr>
<tr>
<td>Employee Performance ← HR Quality ← Talent Management (H4)</td>
<td>0.290</td>
<td>Sobel Test Statistic = 1.91</td>
<td>Not Supported</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: *** (Significant at Level P < 0.01)
Based on Table 1, it can be seen that each construct has valid and reliable items as indicated by the standardized estimate value > 0.4; C.R > 1.96, P-Value < 0.05 and Cronbach's alpha > 0.6 (Ferdinand, 2014; Ghozali, 2017; Hair et al., 2014). One item is discarded, namely trustworthiness in the employee performance variable, because the item does not meet the measurement standards. Furthermore, the fit testing model shows that the goodness of fit value meets the standard. With Chi-square 45,012; DF=24; CMIN/DF=1.876; GFI=0.955; AGFI=0.915; TLI=0.911; CFI=0.941 and RMSEA=0.66 indicate that the model is in accordance with the conceptualized structure (Ghozali, 2017).

The results of the hypothesis testing in Table 1 can show that talent management has a positive and significant effect on employee performance. The standardized estimate value is 0.321; C.R of 2.331 > 1.96; and P-value of 0.02 < 0.05, so it can be confirmed that H1 is accepted. These results imply that any improvement in talent management can directly encourage an increase in employee performance significantly. Talent management in this study was built from indicators with their respective contributions, namely developing (0.518), retaining (0.624), and recruitment (0.522). These results indicate that the retain indicator whose contribution is dominant compared to other indicators, so talent management at PT. Antam (Persero) Tbk UBPN Southeast Sulawesi emphasizes retaining or keeping employees who are believed to have the talent and ability to stay with the company to work together to improve performance and achieve organizational goals. These results also confirm previous studies which state that maximizing retention will automatically add value to the success of talent management, which will then improve employee performance (Baqutayan, 2014; Bibi, 2019; Deery & Jago, 2015; Hamad, 2019; Korany, 2014). Ahmed, 2016). Overall, these results support previous studies that state that talent management has a positive and significant effect on employee performance (Hameed, Abdul, 2011; Mahlahla, 2018; Renaldo Potale et al., 2016). Having talented employees is a distinct advantage for companies, especially in the era of industry 4.0. The company's inability to retain talented employees will be a problem. It is not uncommon for competitors to offer attractive offers and facilities to win over these employees (Harvey, 2014; Nura, 2020).

The results of the second hypothesis analysis show that talent management has a positive and significant effect on HR quality. The standardized estimate value is 0.501; C. R=3,050 > 1.96; and P-Value of 0.002 < 0.05 confirms that H2 is accepted. These results imply that any increase in talent management will significantly improve HR quality. It built HR quality in this study from indicators with their respective contributions, namely intellectual quality (0.44) and education (0.85). These results indicate the quality of human resources at PT. Antam (Persero) Tbk UBPN Southeast Sulawesi is clearly described by the level of education. The better the recruiting, retaining and developing processes carried out by management, the better the knowledge and intellectual quality of HR will improve overall HR quality. These results confirm previous studies that show talent management's positive and significant influence on HR quality (Anlesinya et al., 2019; Baquatayan, 2014).
The relationship between HR quality and employee performance as the third hypothesis shows that HR quality has a positive and significant effect on employee performance. The standardized estimate value is 0.59; C.R of 3.73 > 1.96; and P-value of 0.000 < 0.05, it can be confirmed that H3 is accepted. These results imply that any increase in HQ quality will have an impact on increasing employee performance. Employee performance in this study is built from indicators with their respective contributions, namely productivity (0.723), knowledge (0.706), availability (0.533), and freedom (0.577). These results support previous studies which state that any increase in HR Quality, both intellectual and educational level, will increase productivity, knowledge, availability, and freedom, which in turn will affect increasing employee performance (Aisyah et al., 2017; Hitalessy et al., 2018; Jennifer Octora Kapahang, Christoffel Kojo, 2014; Ruhana, 2012).

The influence of talent management on employee performance through HR quality conceptualized through the fourth hypothesis shows that the value of the standardized indirect effect of talent management on employee performance is 0.29. However, the results of the Sobel test showed that HR quality as an intervening variable could not mediate the effect of these two variables (Sobel test statistic = 1.91 < 1.96). Thus, H4 is rejected. This result also means that HR quality only partially mediates the relationship between talent management and employee performance (Baron & Kenny, 1986). This finding shows that even without having to go through HR quality, talent management can directly encourage the improvement of employee performance at PT. Antam (Persero) Tbk.

Conclusion

Talent management contributes positively to improving the quality of human resources and employee performance. Talent Management emphasizes retaining processes to keep quality human resources within the company to work together to improve organizational performance. On the other hand, the quality of human resources also contributes significantly to improving performance. Still, the quality of human resources is not a full mediator in enhancing the relationship between talent management and employee performance. Thus, improving the talent management process will directly strengthen employee performance, and improving the quality of human resources will have the same impact on improving the performance of PT. Antam (Persero) Tbk. This finding strengthens the human capital theory in that talent and quality of human resources are intangible assets that, if managed properly, will improve employee performance, enhancing organizational performance.

References


