

**Talent management and organizational performance: The mediating role of employee engagement****Eny Yuniati<sup>a</sup>, Budi Eko Soetjipto<sup>b</sup>, Tjipto Wardoyo<sup>b</sup>, Sudarmiati<sup>b</sup> and Farika Nikmah<sup>c\*</sup>**<sup>a</sup>*Stikes Widya Cipta Husada and Universitas Negeri Malang, Malang, East Java, Indonesia*<sup>b</sup>*Universitas Negeri Malang, Malang, East Java, Indonesia*<sup>c</sup>*Politeknik Negeri Malang, Malang, East Java, Indonesia***CHRONICLE***Article history:*

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Talent management and Employee Engagement have been studied extensively in management literature in the last ten years, both concepts have become a field of interest. Therefore, this study explores the impact of employee engagement as a mediator on the relationship between talent management and organizational performance. The reason for doing this research is that most of the studies have studied the relationship between talent management directly on organizational performance and have not included employee engagement as a mediator. Midwives were selected as samples since their talents can further enhance the professional ability of midwives in carrying out their duties: to save mothers and children during childbirth.

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**1. Introduction**

In today's business, human resource management is a team that promotes a positive environment for employees, continues to grow and develop, while providing the right services to the right people to achieve the desired goals. The hospital sector is categorized as a service industry and faces many challenges such as human resource management and risk management. Effective management of future challenges has a major impact on the survival and success of the hospital department. However, risk management will not be successful without qualified people. This is achieved through talent management practices that help achieve the organization's overall strategy by attracting, encouraging, developing and retaining the most qualified and talented staff (Aina & Atan, 2020). Organizations face the challenge of being limited by talented employees. Talented employees are only 3-5% of all employees in an organization (Kehinde, 2012). Talent is a key success factor for improving and maintaining organizational performance, where talent consists of abilities, experience, knowledge, intelligence, and individual qualifications, as well as their ability to learn and develop (Berger, 2004). Having talented employees can achieve organizational goals efficiently and effectively with outstanding performance, and they have more engagement with the organization because they are highly motivated, which in turn provides a significant competitive advantage while increasing productivity and profitability (Nafei, 2015). Studying the impact of talent management on organizational performance is based on the assumption that talent management improves organizational performance by attracting and retaining the talented people it needs (Armstrong & Taylor, 2014). The goal is to create a positive and comfortable environment for employees, strive to get employees who are satisfied and then engaging. Employee engagement is defined as a state of wanting, fulfilling, and affective motivation for well-being and not job fatigue (Maslach & Leiter, 2008). Talent management has attracted a lot of attention from academics and practitioners since a group of McKinsey consultants coined the phrase "The War for Talent" in 1997 (Moayed & Vaseghi, 2016). Organizations around the world realize that the knowledge, skills, and abilities of employees as sources of competitive advantage (Jamnagar, 2014). Indeed, even in times of financial crisis, talent remains an important agenda to focus on highest achievers and the majority of companies still intend to focus on the best talents, with nearly half

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of companies planning to maintain or enhance learning (Lockwood, 2006). Without a doubt, talent management will continue to grow important in the knowledge economy era. Research to advance the theoretical and empirical developments of talent management as part of being human resource management (Moayedi & Vaseghi, 2016), remains interesting to do. Midwives, whose job is to assist with childbirth, is a big challenge. The midwife profession is the largest group of health workers in the world (Dahshan, Keshk, & Dorgham, 2018). In their work activities, midwives have a big responsibility for the safety of mothers and their babies (Hajy & Alsadat, 2013), so that midwives must have good qualifications (Hajy & Alsadat, 2013). So that the condition of a comfortable work environment greatly affects performance, as well as having good talent (Aina & Atan, 2020). The sample of this study is midwives who work in private hospitals in East Java, Indonesia.

## 2. Literature review

### 2.1 Talent management on organizational performance

Talent in the twenty-first century, being characterized by high speed and competitiveness, has become one of the most vital pillars which companies and organizations rely on in achieving their strategic vision, not to mention that the demand for it has increased (Almaaitah et al., 2020). Talent may be defined as the inherent ability of an individual to do a particular task in a particular way. Talent is seen as the sum of an individual's abilities, which includes his or her intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character, and drive. It also incorporates the individual's ability to learn and grow (Nafei, 2015). Talent refers to unique characteristics, qualities, traits or abilities of people who utilize this to reach the objectives of organizations (Sheehan, Grant, & Garavan, 2018). On the other hand, (Yllner & Brunila, 2013) noted that talent represents greater mastery of developed abilities and knowledge systematically in the field of human endeavor. Talent management has been perceived as part of human resource management strategies, where it consists of the implementation of integrated strategies that are executed to improve and sustain the organizational performance by improving procedures for attracting, retaining, developing, and profiting from individuals with the necessary qualifications and skills to achieve present and future business requirements (Cheese, Thomas, & Craig, 2007). Talent management sustains organizational performance by providing essential knowledge and strategies for improvement and change; it helps organizations to recognize the most talented employees to become the potential future leaders, whenever there is a vacant position (Aina & Atan, 2020). Talent management is not only related to employee talent, in its development it is linked to the mission and vision of the organization, resulting in sustainability and a competitive advantage for the organization. Most researchers who have investigated the effect of talent management have confirmed that talent management has a significant impact on the sustainability of organizational performance (Aina & Atan, 2020; Valverde, Scullion, & Ryan, 2013; Dahshan et al., 2018; (Almaaitah et al., 2020). These researchers reinforced the assumption of a positive significant relationship between talent management and organizational performance.

*H<sub>1</sub>: Talent management has a positive influence on organizational performance.*

### 2.2 Talent management on employee engagement

Employee engagement is how effective the employees are committed to the organization's activities. They are dependent on talent management, and they are based on the emotions and intellects of an individual employee (Ayub, 2017). In various organization, employees' engagement starts with talent management (Chou, 2012). If the organization focuses on employee welfare and talent management, it will generate satisfaction and commitment (Lockwood, 2006). Employee engagement consists of ways that keep employees concerned with the operations of the organization. Talent management for organizations is considered as the most efficient and effective variable that can capture, adopt, develop and utilize based on employee engagement to achieve organizational performance. Strategically, it aims to achieve market value and increase competitive advantage (Ayub, 2017). Schaufeli et al. (2002) define employee engagement as the positive fulfilling, work related state of mind that is characterized by vigor, dedication and absorption. They moreover stated that engagement is not a momentary and specific state, but is a more persistent and pervasive affective and cognitive state that is not focused on any particular object, event, individual, or behavior. Talent management can function as a framework within which to define, communicate and engender the development of qualities considered important for the achievement of present and future organizational goals (Hoglund, 2012). Talent management is basically related to employee engagement (Onday, 2016). Talent management is processes that provide the capabilities the organization needs, determine potential competence, ensure team capabilities, generate innovation, strive for people's creativity and communicate actively. Several indicators of successful talent management to achieve employee engagement and the most relevant examples are employees who are talented, more capable the organization needs, when and where it is needed.

*H<sub>2</sub>: Talent management has a positive influence on employee engagement.*

### 2.3 Employee engagement as mediator on the relationship between talent management and organizational performance

Talent management must apply to all human resource management functions in the organization (Ali, Bashir, & Mehreen, 2019). Having the right talent is the biggest benefit for any company (Ali, Bashir, & Mehreen, 2019). Organizations must be able to ensure that employees with the right skills and talents must remain with the organization for a longer period of time (Ifeoma, Purity, & Okoye-Nebo, 2015). Talent management is increasingly popular as a tool for employee and organizational performance (Kimani & Waithaka, 2013). The talent management process reinforces that talented employees have good work results for the prosperity of the company (Lyria et al., 2017). In the current era of competition, it is quite difficult to retain

talented employees due to the high mobilization of employees from one organization to another (Kehinde, 2012). This can be minimized if the company tries hard to engage employees by involving employees in every activity of the company and paying attention to their career development (Lockwood, 2006).

**H<sub>3</sub>:** *Employee engagement positively mediates the relationship between talent management and employee engagement.*

### 3. Methodology

The data were obtained from questionnaires distributed to midwives who work in private hospitals in East Java, Indonesia. The reason for selecting the sample was that the midwife was not a specialist. they work with limited authority and a code of conduct. for example: to see the health of the fetus in the womb, the tools used are not three or four-dimensional which can show a clear picture of the fetus's condition, but with a device that can only be heard and needs a separate analysis to find out that the fetus is fine. At the time of the birth process, it is also limited to normal delivery, and section is the domain of doctors. That was the background of the sample selection because the midwife's profession was unique and required talent management to carry out her duties. As many as 200 questionnaires were distributed, and those who returned and were declared eligible were 172 questionnaires and the rest were deemed not eligible to be used as research data. Using the Likert scale, talent management adopts from Almaitaah (2019), uses six question items, employee engagement adopts from Schaufeli & Bakker (2004) with 17 questions and organizational performance adopts from Dahshan (2019) using eleven questions. The operational definitions of these variables are presented:

**Table 1**  
Description of Variables

<b>Talent management (Almaitaah, 2019)</b>
The hospital has attractive salaries and incentives for talented people to work for the hospital (TM1)
Directly, the hospital searches for those with expertise and, competence to fill important senior positions (TM2)
The hospital adopts a culture of employing talented employees and those with expertise and competencies (TM3)
The hospital depends on highlighting the role of the gifted and facilitating their mission inside and outside the hospital (TM4)
The management of the hospital seeks to increase the knowledge and expertise of talented employees by participating in scientific seminars and courses inside and outside the hospital (TM5)
The hospital provides a lot of modern technology to talents for more creativity and innovation (TM6)
<b>Employee engagement (Schaufeli &amp; Bakker, 2004)</b>
At my work, I feel bursting with energy (EE1)
At my job, I feel strong and vigorous (EE2)
When I get up in the morning, I feel like going to work (EE3)
I can continue working for very long periods at a time (EE4)
At my job, I am very resilient, mentally (EE5)
At my work I always persevere, even when things do not go well (EE6)
I find the work that I do full of meaning and purpose (EE7)
I am enthusiastic about my job (EE8)
My job inspires me (EE9)
I am proud on the work that I do (EE10)
To me, my job is challenging (EE11)
Time flies when I'm working (EE12)
When I am working, I forget everything else around me (EE13)
I feel happy when I am working intensely (EE14)
I am immersed in my work (EE15)
I get carried away when I'm working (EE16)
It is difficult to detach myself from my job (EE17)
<b>Organizational performance (Dahshan, 2019)</b>
My organization practice effective twoway communication (OP1)
My organization have a clear sense of direction and focus (OP2)
My organization rapidly adapt to needed operational changes (OP3)
My organization Practice effective planning at all levels (OP4)
Place a high priority on workforce training and development (OP5)
My organization conduct formal performance appraisals on a regular basis (OP6)
At my department my performance on the job is evaluated fairly (OP7)
My organization has policies that encourage career growth and developmental opportunities (OP8)
My organization builds a deep reservoir of successors at every level (OP9)
If you left your job tomorrow, someone in your unit could immediately take over (OP10)
My organization has policies that encourage career growth and developmental opportunities (OP11)

Data were analyzed by SEM-PLS, and previously tested the validity and reliability of the questions, shown in the table below:

**Table 2**  
The Results of Validity and Reliability Test

	Loading Factor	Validity	Variant Extract	Reliability
Talent management	.882	Valid	.843	Reliable
Employee engagement	.912	Valid	.929	Reliable
Organizational performance	.960	Valid	.852	Reliable

Source: Data Processed (2021)

#### 4. Results

SEM PLS is used to analyze the data, and the following results are shown as the output of SEM-PLS:

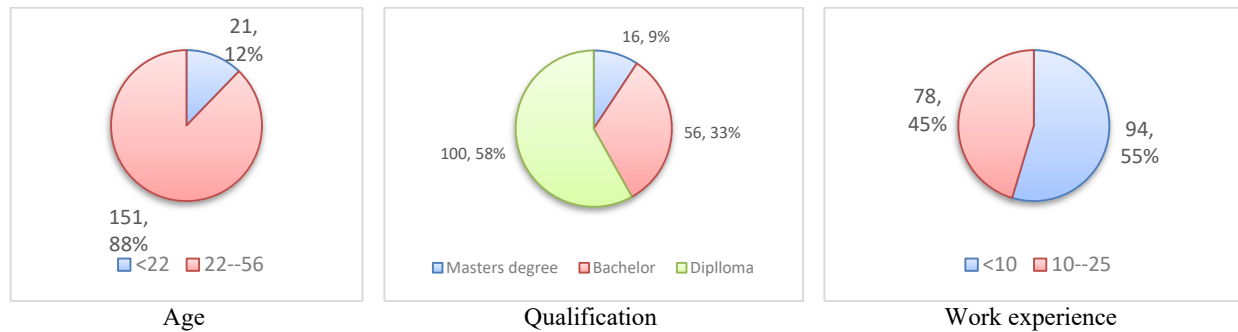


Fig. 1. Respondents' profile

Furthermore, before testing the hypothesis to predict the relationship between variables in the structural model, the first step is to evaluate the measurement model, with the following results:

Table 3

The summary of measured factors

	Loading Factor	Composite Reliability	AVE	T-Statistic	P-Value
<b>Talent management</b>					
TM1	0.912	0.964	0.871	32.416	0.000
TM2	0.946			83.974	0.000
TM3	0.961			84.124	0.000
TM4	0.956			105.09	0.000
TM5	0.917			45.63	0.000
TM6	0.912			32.416	0.000
<b>Employee engagement</b>					
EE1	0.984	0.984	0.968	232.455	0.000
EE2	0.917			228.934	0.000
EE3	0.912			18.329	0.000
EE4	0.984			48.64	0.000
EE5	0.902			73.847	0.000
EE6	0.762			15.873	0.000
EE7	0.869			19.293	0.000
EE8	0.906			22.671	0.000
EE9	0.697			31.745	0.000
EE10	0.772			34.372	0.000
EE11	0.772			21.816	0.000
EE12	0.856			3.797	0.000
EE13	0.848			3.844	0.000
EE14	0.794			42.724	0.000
EE15	0.816			42.572	0.000
EE16	0.85			40.128	0.000
EE17	0.872			18.561	0.000
<b>Organizational Performance</b>					
OP1	0.96	0.897	0.748	137.977	0.000
OP2	0.649			7.163	0.000
OP3	0.949			113.326	0.000
OP4	0.853			18.329	0.000
OP5	0.853			48.64	0.000
OP6	0.937			73.847	0.000
OP7	0.906			15.873	0.000
OP8	0.893			19.293	0.000
OP9	0.908			22.671	0.000
OP10	0.919			31.745	0.000
OP11	0.852			34.372	0.000

Source: Data Processed (2021)

The loading factor test in table 4 shows that the value of the estimate (loading factor) obtained is significant, with the value of  $t\text{-test} > t\text{-table}$  (1.97). In accordance with the rule of thumb, all composite reliability values are greater than 0.7, with an AVE score more than 0.5, and the p-value shows a significant value. To determine the relationship between variables, either directly or indirectly, then the hypothesis testing is carried out as follows:

**Table 4**  
The summary of testing the hypotheses

X	Mediator	Y	Coefficient		
			Direct	Indirect	Total
Talent management	→	Organizational performance	0.758		0.758
Talent management	→	Employee engagement	0.819		0.819
Talent management →	Employee engagement →	Organizational performance	0.150	0.544	0.816

Table 4 shows the results that the indirect effect of talent management on organizational performance through employee engagement is stronger than the direct effect, namely  $0.816 > 0.758$ .

## 5. Discussion, implication and limitations

Talent management has a significant impact on patient safety, access to timely care, and control of costs which is considered to be the most serious operational problem in health care organizations (Taha, 2015). Ogden (2010) claims that talent management is in crisis in many hospitals and that midwife involvement is now needed more than ever. The biggest problem is: a shortage of midwives, high turnover rate, the number of midwives who have entered retirement age, and the difficulty of finding talented midwives. Based on the problems found, the following results are presented:

There is a positive and significant relationship on the direct influence between talent management and organizational performance (Almaaitah et al., 2020; Aina & Atan, 2020; Nafei, 2015; Sheehan, Grant, & Garavan, 2018; Yllner & Brunila, 2013). Organizations that have talented employees are easier to achieve organizational performance (Cheese, Thomas, Craig, 2007). Currently talent management is known as a systematic approach to attracting, screening, selecting the right talent, engaging, developing, deploying, leading and retaining high potential and performing employees to ensure continued talent delivery within organizations that aim to increase labor productivity (Davies & Davies, 2010; Behera, 2016; Thunnissen & Buttiens, 2017). The goal of talent management is to create high performance, sustainability organizations that meet their strategic and operational goals and objectives (Behera, 2016). Interesting, selecting, engaging, developing, and retaining employees are the top five focuses of talent management. So that companies gain a competitive advantage, the demand for human resources will continue to encourage talent management (Oladapo, 2014). Talent development is the process of changing an organization, its employees, its stakeholders, and groups of people within it, using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization. Talent development is process of upgrading the skills and attitude of the employees (Dahshan, Keshk, & Dorgham, 2018).

Talent management and employee engagement have a positive and significant relationship (Ayub, 2017; Chou, 2012; Hoglun, 2012). It is very important to understand the skills and knowledge possessed by employees (Lyon, 2010), and it is very important for organizations to identify, develop, deploy and retain key talent. Talent management is a systematic way of trying recruiting, developing and retaining highly productive and promotable people (Davies & Davies, 2010). Attracting high potentials is not enough; there must be an overall strategy for managing their talents. Organizations must also focus on the future and predict the skills, attitudes, and behaviors of talented employees to be managed properly so that these employees engage. Organizations must be able to create the right environment or culture so that their talents are honed. Talent management and employee engagement are capable of describing organizational performance. There is a positive relationship between talent management, employee engagement with organizational performance (Kimani & Waitihaka, 2013; Lockwood, 2006). In this study it was proven that an indirect relationship, the role of employee engagement as a mediator in the relationship between talent management and organizational performance, shows a greater value than the direct relationship between talent management and organizational performance. Talented employees have an initiative to involved in organizational decision making, so leads to positive employee attitudes which can be interpreted as engagement. Organizations that have employees like this feel lucky, because the organization will find it easier to achieve goals and produce maximum organizational performance. This research has implications for several previous studies, that there is indeed a positive and significant relationship between talent management and organizational performance, directly or indirectly with mediation: career development (Ali, Bashir, & Mehreen, 2019); organizational commitment (Almaaitah et al., 2020). Then as a result of the findings in this study, employee engagement has also succeeded in playing a role as a mediator. Unfortunately, this study is still limited to a sample, geographically only in the East Java region. Meanwhile, the midwife profession is spread throughout Indonesia. It is hoped that this type of research will further expand the reach of the respondents so that more novelties can be found in accordance with the changes and needs of the community.

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