

# The Role of Employee Engagement as a Mediating Variable of the Effect of Talent Management on Employee Retention

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**Abstract:** Employee retention is a process in which employees are encouraged to remain in an organization until the goals are achieved or for a maximum period. This study aims to analyze the role of employee engagement in mediating the influence of talent management on employee retention. This study took a sample of 144 respondents using simple random sampling method. Collecting data through interview techniques and distributing questionnaires. The data analysis technique used is path analysis. The results show that talent management has a positive and significant effect on employee retention, employee engagement has a positive and significant effect on employee retention, talent management has a positive and significant effect on employee engagement.

**Keywords:** talent management, employee engagement, employee retention.

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## I. INTRODUCTION

The fast-changing business climate and competitive business challenges in today's business competition encourage business actors who design corporate strategies to be able to face increasingly fierce external competition. (Kossivi et al., 2016) stated that employees have a fairly important role in company performance. Employees are said to be a determinant of the progress or decline of a company. Recruiting talented employees and keeping them in the workplace for a long period of time is important to face the competition. Employee retention is an effort to encourage talented employees to have a high level of loyalty. Employee retention is a factor that influences success in increasing productivity and increasing the profitability of a company. Employee retention is needed as a function and competitiveness of the company. Employee retention has a function as a company's competitiveness. Retaining talented and skilled employees is very important in a competition. Employee retention is determined by the level of employee turnover where employees leave the company and the company must place new employees. Employee turnover intention can be restrained through a more efficient recruitment process and selection of employee candidates that match the talents needed by the company in the last 5 years. High employee retention is needed for all types of organizations to minimize turnover and support business performance within the organization.

Employee retention is one of the main focuses in many organizations today. Employee retention is defined as the ability and effort of management to encourage talented employees to have high loyalty. The desire that exists in employees to stay in the company is determined by how much employee retention is. The quality of work will deteriorate when there is no attention by the company, it will have an impact on decreasing commitment in the organization and reducing employee performance which has a major influence on achieving organizational goals. Effective employee retention is influenced by several factors, namely talent management, employee recruitment, and employee engagement. Every employee wants a work position that matches his potential. Employees will feel enthusiastic at work when the company can place them in positions that match their talents and abilities. Isanawikrama et al. (2018) defines talent management as a concept starting from how to plan, acquire, develop, and retain talent. Talent management refers to the systematic and dynamic process of finding, developing, and retaining talent. If the employee's talent can be managed properly, the employee will have the enthusiasm and less boredom at work. Talent management practices that demonstrate a commitment to managing human resources result in more engaged employees and lower employee desire to leave the company. Talent management encourages high employee retention through efforts to manage the flow of human resources in all parts of the

organization. Talent management is a process in human resource management and employee talent distribution. The distribution of employee talent will encourage employee retention rates so that the organization can be competitive in facing a competitive environment (Pasaribu & Absah., 2021).

Talent management is a concept that focuses on human resource planning, including employee recruitment and employee retention. Talent management programs are used in organizations and most of the activities of talent management programs are related to human resource activities which include recruitment, selection, development, evaluation, and retention. Employee engagement is a factor that influences employee retention in the company. Organizations can achieve goals efficiently when supported by the implementation of effective talent management and employee engagement (Motlou et al., 2016). Employee engagement is defined as a positive motivational state that has the characteristics of persistence, enthusiasm, and totality towards work. The positive relationship between talent management and employee retention in the company is influenced by the role of employee engagement. Employee engagement drives the effectiveness of talent management in the organization and provides an increase in employee retention

## **II. HYPOTHESIS DEVELOPMENT**

Talent management has an influence on employee retention, because the implementation of good talent management in the organization can show that the organization cares about the future of employees and the skills possessed by their employees which will have a direct impact on the desire of employees to continue working at the company. This statement is supported by research Aula Rahmawati (2018) showing that talent management has a positive and significant influence on employee retention, and these findings are in line with the results of research Kigo & Gachunga (2016) which state similar results. Basically, the better the application of talent management, the higher the employee retention. Pandita & Ray (2018) also found that talent management has a positive and significant effect on employee retention, because when talent management is implemented effectively it makes the organization the employer of choice and the right place to work, and these findings are in line with Ayub (2017) who found similar results. Based on the description above, the following hypothesis is put forward:

H1: Talent Management has a positive and significant effect on Employee Retention

Employee engagement can grow and develop in the work and workplace organization by implementing effective talent management, because with the implementation of effective talent management managerial readiness to appreciate work improvement and providing assistance for employees in order to increase the effectiveness of work implementation. This statement is supported in research Srimulyani (2020) showing that talent management has a positive and significant influence on employee engagement. Pandita & Ray (2018) which found that talent management has a positive effect on employee engagement explains that the implementation of talent management by ensuring employees get the opportunity to use and improve their skills is very meaningful in ensuring that employees' experience with the organization exceeds their expectations so that they become more engaged, and these findings are in line with the results of research Ayub (2017) which states the same thing. Based on the description above, the following hypothesis is put forward:

H2: Talent Management has a positive and significant effect on Employee Engagement

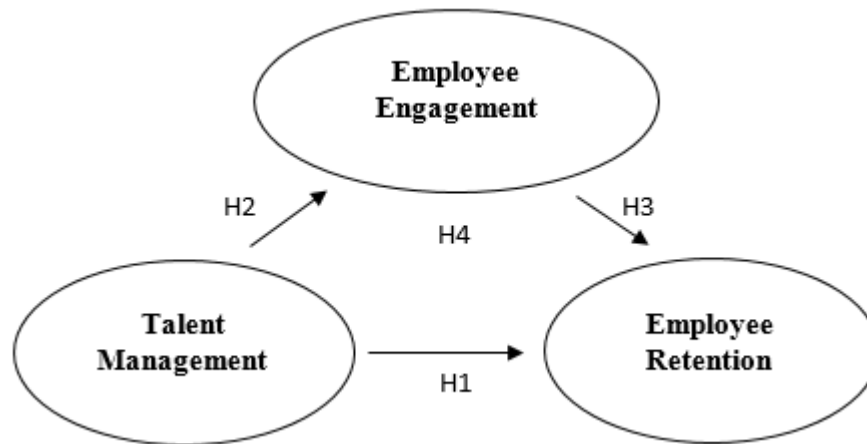
Employee engagement is a form of effort by employees physically, cognitively, and emotionally to bind themselves to roles in their work so as to be able to increase the desire of employees to remain in the company. Kristianto & Handoyo (2020) showing that employee engagement has a positive influence on employee retention, and these findings are in line with the results of research Ekhsan & Taopik (2020) which states the same thing. Srimulyani (2020) concluded that employee engagement has a positive and significant influence on employee retention. This is because when employees' active participation in work can lead to commitment, the desire to contribute and a sense of belonging to the work and organization, including the emergence of mutual trust, a spirit of cooperation, pride in the organization, and high loyalty to the work and organization, and these findings in line with the results of research Pandita & Ray (2018) which states the same thing. Based on the description above, the following hypothesis is put forward:

H3: Employee Engagement has a positive and significant effect on Employee Retention

Ekhsan & Taopik (2020) stated that the relationship between talent management and employee retention is not very close, therefore it is important to add variables that can strengthen the relationship and determine the extent to which talent management can contribute to increasing employee retention. Therefore, the employee engagement variable was chosen as a variable that acts as a mediator in the relationship between talent management variables and employee retention, it is also based on research previously conducted by Pandita & Ray (2018). Talent management is a set of organizational human resource processes designed to attract, develop, motivate, and retain productive and engaged employees, who in

turn can remain long-term in the organization. This statement is supported in research Srimulyani (2020) showing that employee engagement acts as a partial mediation in the influence of talent management on employee retention, and these findings are in line with the results of the research Nursanti & Then (2019) which states something similar. Based on the description above, the following hypothesis is put forward:

H4: Employee engagement mediates the effect of talent management on employee retention



**Fig. 1 Conceptual framework**

### III. RESEARCH METHODS

The type of research used in this research is quantitative research that uses surveys and questionnaires as a data collection tool. This method is called the quantitative method because the research data is in the form of numbers and the analysis uses statistics. Data was collected by distributing questionnaires which were distributed to employees. The location of the study was carried out in a logistics company in Bali, Indonesia, Badung Regency. sampling is done randomly from the existing population with 144 respondents. The method used to collect research data is by distributing questionnaires. Questionnaires were distributed in physical form in the form of paper. The variables in the questionnaire were measured using a Likert Scale, namely by describing the variables to be measured into variable indicators.

### IV. RESULTS AND DISCUSSION

The path coefficient calculation is done by regression analysis through SPSS 25.0 software for windows. Seen in Table 1, the following results are obtained.

**Table 1: Results of Path analysis**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
<b>Results of Path analysis 1</b>					
(Constant)	9.587	2.229		4.301	0.000
Talent Management (X)	0.714	0.072	0.638	9.875	0.000
R Square	0.407				
Adjusted R Square	0.403				
F Stat	97.509				
Sig. F	0.000				
<b>Results of Path analysis 2</b>					
(Constant)	6.633	3.219		2.061	0.041
Talent Management (X)	0.409	0.128	0.261	3.211	0.002
Employee Engagement (M)	0.664	0.114	0.473	5.823	0.000
R Square	0.449				
Adjusted R Square	0.441				
F Stat	57.408				
Sig. F	0.000				

**Sobel and VAF test**

$$S_{ab} = \sqrt{b^2 sa^2 + a^2 sb^2 + sa^2 sb^2}$$

$$= \sqrt{(0.664^2 \cdot 0.072^2 + 0.714^2 \cdot 0.114^2 + 0.072^2 \cdot 0.114^2)}$$

$$= \sqrt{0.002244 + 0.006566 + 0.000065}$$

$$S_{ab} = 0.094$$

$$Z = \frac{ab}{S_{ab}}$$

$$= \frac{0.474}{0.094} = 5.003$$

$$VAF = \frac{b \times c}{a + (b \times c)}$$

$$VAF = \frac{0.473 \times 0.0638}{0.562 + (0.473 \times 0.638)}$$

$$VAF = \frac{0.301}{0.863}$$

$$VAF = 34,8\%$$

The total determination value is 0.673 which means that 67.3% of employee retention variable is influenced by talent management variables and employee engagement, while 33.7% is explained by other factors not included in the research model. The direct influence of talent management variables on employee retention is 0.261; the direct effect of employee engagement on employee retention is 0.473. This means that the employee retention variable is more influenced by the employee engagement variable. The indirect effect of talent management variables on employee retention variables through employee engagement variables as mediating variables is 0.301 so that the total influence of talent management variables on employee retention variables through employee engagement variables as mediating variables is 0.562. This means that the total influence of the talent management variable on the employee retention variable is greater than the indirect effect of the talent management variable on the employee retention variable through the employee engagement variable as a mediating variable. Because the VAF value of 34.8 percent is greater than 20 percent and less than 80 percent, it can be explained that there is a partial mediation effect in other words employee engagement as partial mediation. This shows that the influence of talent management on employee retention is strengthened by the inclusion of employee engagement as a mediator variable.

Based on the results of the path analysis of the influence of talent management on employee retention, a significance value of 0.002 was obtained with a positive regression coefficient of 0.261. A significance value of  $0.002 < 0.05$  indicates that H0 is rejected and H1 is accepted. These results mean that talent management has a positive and significant effect on employee retention. Based on the results of the path analysis of the influence of talent management on employee engagement, a significance value of 0.000 was obtained with a positive regression coefficient of 0.638. A significance value of  $0.000 < 0.05$  indicates that H2 is accepted. These results mean that talent management has a positive and significant effect on employee engagement. Based on the results of the path analysis of the influence of employee engagement on employee retention, a significance value of 0.000 was obtained with a positive regression coefficient of 0.473. A significance value of  $0.000 < 0.05$  indicates that H3 is accepted. These results mean that employee engagement has a positive and significant effect on employee retention. The results of the Sobel test calculation get a z value of 5.003. The z value of  $5.003 > 1.96$  with a significance level of 5 percent proves that the employee engagement variable (M) can mediate the effect of talent management (X) on employee retention (Y).

The results of this study support the theory used as the basis for making the hypothesis that talent management affects employee retention. The results of this study also found that the employee engagement variable was able to mediate the influence of talent management on employee retention. This finding explains that when the company's talent management is good, it can increase employee engagement, so that employee retention in the company will be higher. The results of this study strengthen the theory used, namely the theory of social exchange. Based on the results of previous tests, that the theory of social exchange has been confirmed in this study because when the company implements good talent management, employees reward the company in the form of employee attachment to the company so that the employee's desire to leave the company decreases in other words the employee retention rate increases.

This research was conducted in a limited scope so that these results cannot be used in different companies in the same or dissimilar business fields. The factors that influence employee retention in this study are talent management and employee engagement, while many other factors can affect employee retention based on the existing literature. The limited time and communication that existed because this research was conducted during the COVID-19 pandemic caused research activities, in this case, to not be optimal in distributing questionnaires because they could not accompany respondents intensely when filling out questionnaires.

## V. CONCLUSION

Theoretically, the results of this study found that the employee engagement variable was able to mediate the influence of talent management on employee retention. This finding explains that when the company's talent management is good, it can increase employee engagement, so that employee retention in the company will be higher. Companies can implement good talent management so that employee engagement can increase and employee retention also increases. Employee retention can be increased in providing continuous training and development to employees and providing appropriate compensation and benefits, talent management needs to be improved in providing compensation according to the best performance and application of job rotation for talented employees, and employee engagement needs to increase employee inspiration when work and employee pleasure at work. By improving the quality of these indicators, the application of talent management will be better which has an effect on higher employee engagement and increased employee retention or in other words the company has succeeded in retaining employees. For further research, it should be carried out on different research objects both in terms of the business industry and the location of the object of research and further researchers can add, reduce, or change further research variables because it is found that employee engagement only partially mediates which means employee engagement is not the only mediator between relationship between talent management and employee retention, but there are other mediating factors.

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