

Talent Management as a Governance Strategy to Improve Employee Performance Through Organizational Culture

**Nur Endah Ramayanti¹, Elisa Perwitasari², Dea Anggraini Putri³,
Annasthasya Zuhrotul Azizah Arsyid⁴**

¹Universitas Muhammadiyah Kalimantan Timur, , Indonesia

^{2,3,4} Universitas Muhammadiyah Kalimantan Timur

Corresponding Author: 2411102435002@umkt.ac.id

ner746@umkt.ac.id, 2411102435012@umkt.ac.id , 2411102435006@umkt.ac.id,

Abstract

This study investigates the role of talent management in improving employee performance through the mediating effect of organizational culture within Indonesian State-Owned Enterprises (SOEs), particularly following the implementation of the AKHLAK core values framework. While previous studies have primarily focused on the direct impact of talent management on performance, limited research has examined the strategic function of organizational culture as a mediating mechanism in public-sector institutions. Using a quantitative approach, data were collected from 63 employees of PT Sucofindo Samarinda and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results suggest that talent management has a significant impact on both organizational culture and employee performance. Furthermore, organizational culture fully mediates this relationship, underscoring its crucial role in translating strategic HR practices into effective performance outcomes. These findings highlight the importance of aligning talent management systems with institutional cultural values to enhance employee productivity and organizational effectiveness in bureaucratic environments.

Keywords: Talent Management, Organizational Culture, Employee Performance, SOEs

1. Introduction

The contemporary business environment presents multifaceted challenges across all aspects of organizational life, including increasingly stringent demands for good corporate governance and regulatory compliance in both the private and public sectors (Linawati et al., 2024). Within the context of Indonesian State-Owned Enterprises (SOEs), the transformation toward good governance has become a strategic imperative, aligned with public sector regulatory reforms and anti-corruption efforts mandated by Law No. 19 of 2003 concerning SOEs and its derivative regulations that emphasize transparency, accountability, responsibility, independence, and fairness in SOE management (BUMN, 2003). In this context, talent management is not only a human resource tool but also a governance strategy that supports the realization of these principles through systematic planning, development, and control of human capital (Wolor et al., 2020).

Employee talent and organizational culture have a significant impact on company success and employee performance, while simultaneously serving as key instruments in achieving good governance. A talent management system represents a company's strategic investment to build sustainable competitive advantage, as organizational advantage is determined by its ability to

recruit, retain, develop, and engage people at all levels of the hierarchy (Hongal & Kinange, 2020). In SOEs, talent management is increasingly framed as a governance mechanism to ensure that individuals who occupy critical positions not only have high competence but also demonstrate integrity, compliance with regulations, and alignment with the organization's ethical standards (Gallardo-gallardo et al., 2020; OECD, 2018). Prior research has primarily concentrated on the correlation between talent management and employee performance within either private sector entities or central governmental bodies. For example, Hongal & Kinange, (2020) discovered that a systematic approach to talent development enhances productivity and organizational commitment, whereas Gallardo-gallardo et al.,(2020) underscored the importance of talent governance as a framework for facilitating competence-based placement. Nevertheless, these investigations predominantly overlook the mediating influence of organizational culture, especially within state-owned enterprises (SOEs) that operate under formalized value systems such as AKHLAK. Empirical studies that scrutinize the manner in which these institutional values affect the efficacy of talent strategies in local SOEs are notably limited.

Organizational culture, which is formed and developed by individuals working within an organization, functions as a social control mechanism that guides behavior, decision-making, and interaction patterns among members (Wolor et al., 2020). In the era of global transformation, a strong integrity-based organizational culture becomes the foundation for cross-border collaboration, because universal values such as integrity, professionalism, accountability, and collaboration are increasingly demanded by investors, regulators, and international partners (Bogale & Debela, 2024). For SOEs, culture thus becomes a medium through which governance principles are internalized and translated into daily behavior (Wijaya & Rani, 2024).

Specifically for Indonesian SOEs, the implementation of AKHLAK values (Amanah/Trustworthy; Kompeten/Competent; Harmonis/Harmonious; Loyal/Loyal; Adaptif/Adaptive; and Kolaboratif/Collaborative) as stipulated in the Minister of SOEs Decree No. SK-115/MBU/05/2022 represents a concrete manifestation of the government's efforts to strengthen good governance and a compliance-oriented culture in the SOE environment (BUMN, 2020). AKHLAK functions as a unified cultural platform that binds all SOEs to apply integrity- and professionalism-based organizational culture, ensuring that talent management policies ranging from recruitment, assessment, development, to succession planning are aligned with these core values (Wijaya & Rani, 2024). In the context of global transformation, AKHLAK is also consistent with international norms such as the OECD Guidelines on Corporate Governance of State-Owned Enterprises and the UN Global Compact principles that emphasize ethical business conduct and responsible management (OECD, 2018).

In this perspective, talent management can be conceptualized as a governance strategy that is operationalized through AKHLAK-based organizational culture to drive employee behavior and performance in line with legal and regulatory requirements (Hongal & Kinange, 2020; Wijaya & Rani, 2024). When talent management processes such as talent identification, development, and retention are embedded in and guided by AKHLAK values, the organization is more likely to produce employees who are not only competent but also trustworthy, collaborative, adaptive, and loyal to the mandate of serving the public interest. This synergy between talent management and AKHLAK-based culture is expected to strengthen compliance, reduce legal and reputational risks, and enhance overall employee performance in highly

regulated environments (Agustini et al., 2023; Wolor et al., 2020).

Therefore, this research is important in the context of legal and governance development because it examines how human resource governance instruments (talent management) and AKHLAK-based organizational culture can become effective mechanisms to ensure compliance, accountability, and employee performance in local State-Owned Enterprises (SOEs) operating at the intersection of national governance and the institutional dynamics of specific regions. Unlike previous research that predominantly examines talent management in private organizations or metropolitan public institutions, this study explores how talent strategies function in local SOEs, which are characterized by rigid bureaucratic structures, limited managerial autonomy, and the enforcement of institutional systems of AKHLAK values. Therefore, this study aims to examine how talent management functions as a governance mechanism through AKHLAK-based organizational culture in enhancing employee performance within Indonesian local SOEs. Specifically, it seeks to assess the current condition of talent management, organizational culture, and employee performance; analyze the structural relationships among these variables; and test the mediating role of organizational culture within the framework of good governance.

2. Literature Review

This research is anchored in Neo-Institutional Theory, which elucidates the manner in which organizations modify their structural practices and governance frameworks in response to external institutional pressures, encompassing legal structures, regulatory stipulations, and global normative benchmarks. Within the framework of Indonesian State-Owned Enterprises, talent management transcends a mere strategic human resource function; it operates as an institutional mechanism that facilitates legal adherence, bolsters legitimacy, and synchronizes organizational conduct with both national governance directives and international standards. The institutionalization of AKHLAK values epitomizes a process whereby State-Owned Enterprises assimilate global ethical and governance benchmarks, thereby enhancing their efficacy in cross-border collaborations and strengthening their ability to function within legally pluralistic contexts.

2.1 Neo-institutional theory

Neo-institutional theory posits that organizational actions are shaped by the broader institutional environment in which they operate, leading organizations to adopt particular structures and practices that enhance their legitimacy rather than solely improving technical efficiency. The foundational work of Meyer & Rowan, (1977) argues that organizations commonly adopt formalized procedures to conform to societal expectations, while DiMaggio & Powell, (1983) later expanded this perspective by explaining institutional isomorphism—the tendency of organizations to become increasingly similar when responding to external pressures. Such pressures emerge in three primary forms: coercive forces resulting from legal mandates and regulatory requirements; mimetic forces encouraging organizations to emulate others, particularly under conditions of uncertainty; and normative forces arising from professional norms and expectations that shape organizational policies and practices.

As a result, organizations actively seek legitimacy from stakeholders and continually adapt their systems, values, and routines in response to evolving institutional demands. Neo-institutional theory has been widely applied to explain how institutional pressures influence organizational behavior, including cultural transformation and the adoption of new technologies (Greenwood

et al., 2008; Hinings et al., 2018). In this study, the theory provides a lens for understanding employee performance in State-Owned Enterprises (SOEs) by examining how talent management and organizational culture function as institutional mechanisms that align organizational behavior with governance, regulatory, and societal expectations.

2.2 Talent Management

Talent management is a set of activities integrated into a system for managing employees, with components including recruiting talent, developing talent, and retaining talent (Linawati et al., 2024). Additionally, talent management is a dynamic and comprehensive process for developing potential employees in an organization through direct and integrated development (Yuwono et al., 2021). In the context of SOEs and the public sector, talent management has an additional dimension related to governance and legal compliance. The purpose of implementing talent management in companies is not only to obtain employees who can think and work in accordance with the company's vision and mission, but also to ensure that these employees have high integrity, understand regulatory requirements, and can operate in accordance with good governance principles (Wolor et al., 2020).

The talent management system uses a comprehensive approach to identify, develop, maintain, and place the right employees in the right positions so as to improve employee performance while minimizing legal and operational risks (Srihandayani & Kusnendi, 2020). In SOE environments regulated by various regulations, from the SOE Law, Ministry of SOE regulations, to GCG (Good Corporate Governance) standards, talent management systems must be designed to ensure that every individual occupying strategic positions has adequate competence and integrity (Akinsola, 2025). Therefore, human resource management in talent management begins with the process of recruiting, developing, managing, placing, and retaining, while considering compliance aspects and ethical standards (Dessler, 2020).

2.3 Employee Performance

The outcomes of an individual's labor, evaluated in terms of both quality and quantity, in accordance with the established standardization based on the assigned responsibilities, are referred to as employee performance (Gallardo-gallardo et al., 2020). Within the framework of State-Owned Enterprises (SOEs) and principles of good governance, the assessment of employee performance encompasses not merely productivity metrics, but also includes dimensions such as regulatory adherence, work ethics, and contributions toward achieving organizational objectives that are consistent with governmental directives. The capacity of employees to execute their duties with utmost efficacy is critically essential (Hongal & Kinange, 2020) as performance outcomes are attainable only when individuals or collectives exhibit competencies, perseverance, autonomy, and problem-solving abilities within the allocated timeframes (Yuwono et al., 2021). Various indicators may be employed to evaluate employee performance, including but not limited to work quality, work quantity, time efficiency, effectiveness, and autonomy (Fath Athallah, 2023). In the scope of this investigation, the evaluation of performance additionally accounts for compliance factors and congruence with organizational values.

2.4 Talent management and employee performance

Within the framework of Indonesian State-Owned Enterprises (SOEs), talent management transcends traditional human resource methodologies and functions as a strategic governance instrument that guarantees individuals in pivotal roles exhibit not only elevated levels of

competence but also adherence to integrity and compliance with institutional values. Talent management comprises a methodical process of identifying, cultivating, positioning, and retaining high-potential personnel to optimize their contributions to organizational goals and enhance overall performance outcomes (Collings & Mellahi, 2009; Gallardo-gallardo et al., 2020). The evaluation of employee performance within SOEs is not limited to mere technical productivity; it also encompasses compliance with regulatory standards, the quality of service delivery, and the congruence of behaviors with institutional values such as integrity and accountability. From the standpoint of Neo-Institutional Theory, organizational practices—including talent management—significantly influence employee performance by integrating norms, professional standards, and compliance frameworks into quotidian work behaviors (DiMaggio & Powell, 1983; Scott, 2001).

Well-structured talent management systems enhance performance by augmenting competencies, fortifying job-role alignment, and promoting motivation, which in turn cultivates disciplined, adaptable, and high-performing employees (Boselie, P., Dietz & Boon, 2005; Hongal & Kinange, 2020). When talent management is synchronized with organizational culture and governance principles such as AKHLAK, it bolsters performance legitimacy and institutional trust, which are crucial for enduring effectiveness in SOEs (OECD, 2018; Wolor et al., 2020). Consequently, talent management is acknowledged as a pivotal determinant of employee performance, acting directly through capability enhancement and indirectly through a governance-oriented organizational culture.

H1. Talent management has a positive impact on employee performance

2.5 Talent management and employee performance

Organizational culture can be defined as a collectively embraced framework of values and meanings endorsed by members of an organization, which subsequently informs their behavioral patterns, decision-making processes, and operational methodologies, thus serving to differentiate one organization from another (Bogale & Debela, 2024). This cultural framework functions as an intrinsic mechanism of social regulation that shapes employees' interpretations of their roles, responsibilities, and performance metrics. Acting as a cohesive force, organizational culture unites individuals, cultivating a sense of belonging and collective identity through commonly acknowledged norms, leadership paradigms, strategic orientations, and a shared vision and mission (Putri et al., 2023). As a result, organizational culture is extensively acknowledged as a vital determinant of organizational efficacy and success in fulfilling strategic objectives (Wolor et al., 2020).

In the realm of State-Owned Enterprises (SOEs), organizational culture is institutionalized through the enforcement of AKHLAK values, as prescribed by the Ministry of State-Owned Enterprises of the Republic of Indonesia. These values constitute an integral component of the legal and governance framework that obliges SOEs to adhere to elevated standards of transparency, accountability, professionalism, and ethical conduct. The AKHLAK framework is congruent with principles of good governance and international corporate ethics, thereby situating organizational culture as a strategic apparatus for promoting compliance-oriented behaviors and reinforcing institutional legitimacy (Agustini et al., 2023).

Significantly, within the scope of this research, organizational culture is conceptualized not solely as an independent variable but as a mediating mechanism that facilitates the transference of the effects of talent management practices on employee performance outcomes. Talent

management initiatives—such as systematic talent identification, competency enhancement, and succession planning—are instrumental in the cultivation and internalization of AKHLAK-based cultural values, which subsequently influence employee attitudes, work discipline, and behavioral alignment with governance standards. This culturally entrenched environment empowers employees to convert augmented competencies into consistent, accountable, and high-quality performance (Collings & Mellahi, 2009; Wolor et al., 2020).

Consequently, organizational culture operates as an intervening variable that elucidates how structured talent management practices are metamorphosed into enhanced employee performance. When talent management is harmonized with a robust values-based culture, employees are more inclined to exhibit elevated levels of commitment, compliance, and productivity, thereby indicating that organizational culture plays a crucial mediating role in fortifying the effectiveness of talent management in SOEs (Agustini et al., 2023; Boselie, P., Dietz & Boon, 2005).

H2. Talent management has a positive impact on organizational culture.

H3. Organizational culture impacts employee performance.

H4. Organizational culture mediates between talent management and employee performance.

2.6 Research model

The research model explains the relationship between talent management, employee performance, and organizational culture (see Figure 1).

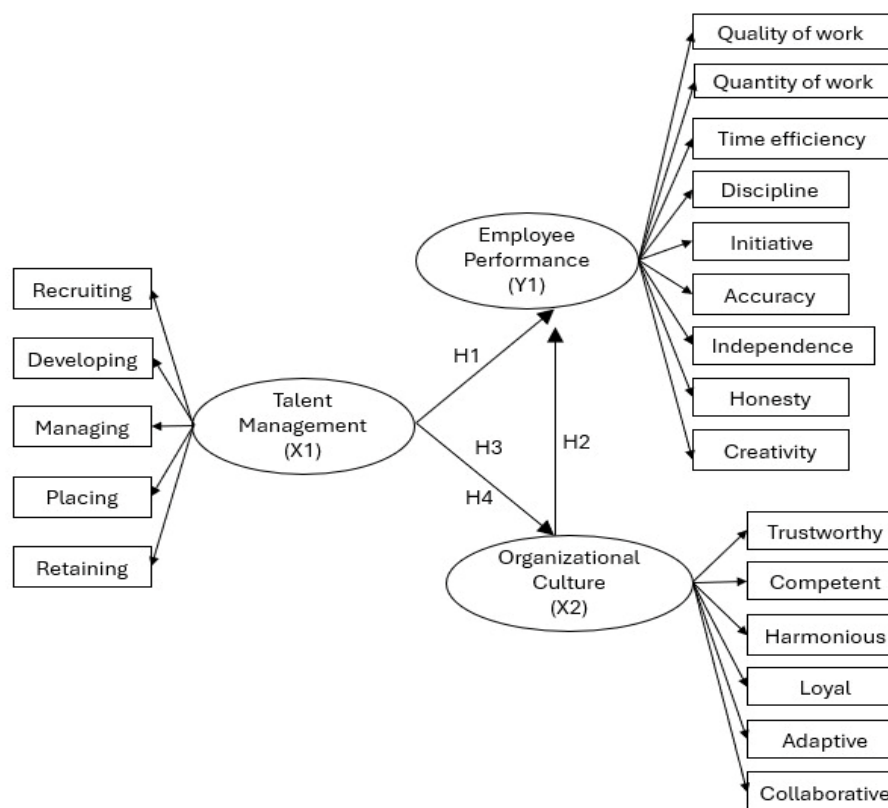


Figure 1. Research model

3. Research Method

3.1 Data collection method

Data was collected from respondents working in the State-Owned Enterprises (SOEs) of Samarinda, East Kalimantan, using online survey questionnaires. The study applied a non-probability sampling approach, specifically utilizing convenience sampling.

3.2 Population and sample

The research was conducted in a regional branch of an Indonesian state-owned enterprise located in East Kalimantan. The organization operates under the national AKHLAK values framework and plays a strategic role in supporting public governance functions. The population of this study comprised all 63 employees, and a census sampling technique was applied, meaning that the entire population was included as the research sample. This approach was selected to ensure comprehensive representation and eliminate sampling bias, allowing the study to capture the full variability of employee perceptions and experiences within the organization (Paynter & Peko, 2008).

The choice of census sampling is particularly justified given the relatively small and manageable population size. According to (Hair et al., 2019), when the population size is limited and the objective is to obtain maximum precision and generalizability within a specific organizational context, census sampling is methodologically preferable, especially in studies employing Partial Least Squares Structural Equation Modeling (PLS-SEM). Hair et al., (2019) further assert that a sample size of 30–100 is adequate for PLS-SEM when the model complexity remains moderate, making the inclusion of all 63 employees statistically sound and sufficient for robust parameter estimation.

The decision to focus exclusively on a single branch is conceptually justified by the study's intention to examine talent management and organizational culture within a specific institutional and governance context. Local SOEs exhibit unique structural characteristics, operational autonomy, and internalization patterns of AKHLAK values that may differ from those of central or metropolitan branches. Concentrating on one branch enables an in-depth, context-sensitive analysis of how talent management practices and AKHLAK-based organizational culture interact to influence employee performance under localized governance dynamics (Hair et al., 2019).

Therefore, the use of census sampling within a single organizational unit is both conceptually and statistically appropriate, ensuring high internal validity, contextual accuracy, and empirical rigor while supporting the reliability of the structural model tested in this study.

3.3 Measurement

This study employed a quantitative survey methodology using a questionnaire. To obtain a representative answer, the questionnaire was composed of five-point Likert scale questions. The scale indicated '1= Poor,' '2= Average,' '3= Neutral,' '4= Good,' and '5= Excellent. Talent management was tested using talent management indicators (Dessler, 2020). Employee management was adopted from Afandi, (2018), and organizational culture measurement was adopted from the Ministry of SOEs of Indonesia Regulation (BUMN, 2020). The study adopted the instruments/measurement scales already developed and used by prior researchers, as shown in Table 1.

Table 1

Variable	Definition	Indicators	Measurement
Talent Management (X1)	Talent management is a series of processes carried out by companies to develop, nurture, maintain, and place the right people in the right place, so that it can improve employee performance (Srihandayani & Kusnendi, 2020).	1. Recruiting 2. Developing 3. Managing 4. Placing 5. Retaining (Dessler, 2020)	Likert Scale
Organization Culture (X2)	Organizational culture is a set of values, strategies, leadership styles, visions, missions, and norms that employees adhere to to shape the organizational culture.” (Kelly Swallani, 2021)	1. Trustworthy 2. Competent 3. Harmonious 4. Loyal 5. Adaptive 6. Collaborative (Kementrian BUMN RI Nomor SK- 115/MBU/05/2022)	Likert Scale
Employee Performance (Y)	Performance is the work results that can be achieved by employees, both individuals and groups, in an organization, in accordance with the authority and responsibility given by the organization in an effort to achieve the organization's vision and mission (Kehinde 2012; Shaki and Khoshsaligheh 2017).	1. Quality of work 2. Quantity of work 3. Time efficiency 4. Discipline 5. Initiative 6. Accuracy 7. Independence 8. Honesty 9. Creativity (Afandi, 2018)	Likert Scale

Dessler, (2020) has defined five dimensions of talent management related to employee performance. These are the explanations of each dimension:

Recruiting: This stage involves strategically attracting and selecting high-potential candidates who align with the organization's current and future needs.

Developing: This step focuses on enhancing employee capabilities through continuous training, coaching, and performance management to prepare them for future roles.

Managing: This component ensures that employee efforts are consistently aligned with organizational goals through continuous monitoring, objective setting, and structured performance feedback.

Placing: This activity relates to moving employees into suitable roles through strategic job rotation, career planning, and formal succession planning to maximize their fit and contribution.

Retaining: This final step comprises implementing strategies to motivate and commit valuable

employees to the organization long-term through competitive rewards and a positive work environment.

4. Findings and Discussions

4.1 Testing for the measurement model

4.1.1 Convergent validity

Convergent validity determines the extent to which each indicator-construct relationship is valid. This validity is primarily assessed by examining the factor loadings (outer loadings) of the indicators on their respective latent variables. The expected value for the outer loading is more than 0.7.

In the second step, internal consistency reliability of data was tested through Cronbach's Alpha, composite reliability, and the Average Variance Extracted (Table 2). The values fell above the threshold limit of 0.50, making the scales reliable to use (Hair et al., 2019).

Table 2. Convergent validity

Variable	Alpha Cronbach	Composite Reliability	Average Variance Extracted (AVE)
Organizational Culture	0.901	0.918	0.530
Employee Performance	0.899	0.918	0.554
Talent Management	0.844	0.883	0.519

4.1.2 Discriminant validity

Discriminant validity aims to examine the extent to which a latent construct is statistically distinct from other constructs in the model. High discriminant validity suggests that a construct is unique and can adequately explain the phenomena it purports to measure. One common method for determining discriminant validity is through the cross-loadings criterion, where the loading of an item on its assigned construct must be greater than its loading on any other construct (cross-loading). Table 3 shows that all factor loadings are greater than the cross-loadings, indicating high discriminant validity.

4.2 Testing the structural model

In order to conduct the structural model examination, the collinearity statistics were initially scrutinized. In addition, the significance of the hypothesized path was assessed through the evaluation of R^2 and F^2 values. The assessment also included the cross-validated redundancy measure, the statistical significance, and the relevance of the path coefficients.

4.2.1 Collinearity statistic testing

The examination of collinearity within reflective statistics is performed by utilizing the inner model Variance Inflation Factor (VIF) values. It is posited that the ideal values for collinearity should approximate or remain beneath the threshold of 3 (Hair et al., 2019). The findings indicate that all measured values remain beneath the established threshold, thereby signifying an absence of collinearity concerns among the predictors of employee performance (Table 4).

Table 3. Cross Loading

	Organizational Culture	Employee Performance	Talent Management
BO1	0.724	0.509	0.394
BO2	0.781	0.704	0.360
BO3	0.764	0.664	0.469
BO4	0.630	0.516	0.541
BO5	0.692	0.531	0.400
BO6	0.719	0.653	0.364
BO7	0.715	0.570	0.386
BO8	0.726	0.617	0.614
BO9	0.756	0.623	0.543
BO10	0.761	0.622	0.589
KK1	0.634	0.812	0.585
KK2	0.485	0.682	0.432
KK3	0.610	0.765	0.577
KK4	0.541	0.732	0.576
KK5	0.482	0.711	0.529
KK6	0.588	0.770	0.553
KK7	0.758	0.774	0.562
KK8	0.720	0.688	0.358
KK9	0.665	0.753	0.374
MT1	0.411	0.442	0.682
MT2	0.373	0.468	0.666
MT3	0.427	0.478	0.690
MT4	0.528	0.539	0.671
MT5	0.502	0.476	0.808
MT6	0.510	0.557	0.792
MT7	0.488	0.444	0.720

Table 4. Collinearity Statistics Inner VIF values

Variable	Organizational Culture	Employee Performance	Talent Management
Organizational Culture		1.726	
Employee Performance			
Talent Management	1.000	1.726	

4.2.2 Testing the coefficient of determination (R^2)

We also analyzed the coefficient of determination, which evaluates the predictive efficacy of the model in relation to endogenous and exogenous variables. In an ideal scenario, values of 0.75, 0.50, and 0.25 are regarded as substantial, moderate, and weak (Sarstedt et al., 2021). Our findings revealed a moderate explanatory capacity between the variables in question, respectively (Table 5).

Table 5. Coefficient of determination R^2

	R Square	R Adjusted Square
Organizational Culture	0.713	0.698

4.2.2 Testing the distribution analysis (F^2)

The f-square (f^2) statistic represents the effect size of an exogenous construct on an endogenous construct by indicating how much the R^2 value changes when a specific predictor is removed from the structural model. This measure helps determine the practical significance of each predictor beyond statistical significance. According to Cohen, (1988), f^2 values of 0.02 indicate a small effect, 0.15 represent a medium effect, and 0.35 or higher reflect a large effect, thereby providing a standardized guideline for interpreting the substantive impact of each variable within the model.

The f^2 effect size analysis indicates that organizational culture exerts a dominant influence on employee performance with an f^2 value of 1.037, which far exceeds the threshold for a large effect (0.35), demonstrating its critical role in explaining performance variance. In contrast, the effect of talent management on organizational culture is relatively small ($f^2 = 0.037$), suggesting that while statistically relevant, its practical contribution to shaping organizational culture is limited. Meanwhile, the moderating effect shows a negligible impact ($f^2 = 0.003$), indicating that it does not meaningfully enhance the explanatory power of the model.

Table 6. Distribution analysis F^2

	Organizational Culture
Employee Performance	1.037
Talent Management	0.037
Moderating Effect 1	0.003

4.3 Direct and indirect effects of the structural model

The direct-effect model involved an examination of the association between talent management (the independent variable) and employee performance (the dependent variable). In the indirect pathways, we established a connection among talent management, organizational culture, and employee performance. This approach adhered to the mediation criteria delineated by (Baron & Kenny, 1986) (see Table 6).

4.3.1 Hypothesis testing (direct relation)

Based on the bootstrapping results in Table 6, all structural paths are statistically significant, with t-values exceeding 1.96 and p-values below 0.05. The path from organizational culture to employee performance shows a strong positive effect ($\beta = 0.672$; $t = 7.096$; $p = 0.000$), indicating a substantial contribution of organizational culture to performance outcomes. Similarly, the relationship between talent management and organizational culture is highly significant ($\beta = 0.649$; $t = 9.037$; $p = 0.000$), demonstrating the strong role of talent management in shaping organizational culture.

In contrast, the direct effect of talent management on employee performance is comparatively

weaker, although still statistically significant ($\beta = 0.243$; $t = 2.307$; $p = 0.021$). The noticeably lower coefficient of this direct path, relative to the indirect route through organizational culture, indicates that the influence of talent management on employee performance is predominantly transmitted via organizational culture.

Table 7. T Statistics (Bootstrapping)

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Organizational Culture -> Employee Performance	0.672	0.095	7.096	0.000
Talent Management -> Organizational Culture	0.649	0.072	9.037	0.000
Talent Management -> Employee Performance	0.243	0.105	2.307	0.021

4.3.2 Mediation analysis

Table 7 presents the results of the specific indirect effect of talent management on employee performance through organizational culture. The indirect path shows a coefficient of $\beta = 0.436$, with a t-statistic of 5.666 and a p-value of 0.000. Since the t-value exceeds the critical threshold of 1.96 and the p-value is below 0.05, the indirect effect is statistically significant, indicating that organizational culture significantly mediates the relationship between talent management and employee performance.

This finding confirms that talent management exerts a substantial influence on employee performance through its ability to shape and strengthen organizational culture. The magnitude and significance of this indirect effect further corroborate that the transmission of Talent Management's impact occurs primarily via cultural mechanisms rather than solely through its direct pathway.

Table 8. Specific Indirect Effect

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Talent Management - > Organizational Culture-> Employee Performance	0.436	0.077	5.666	0.000

4.4 Discussion

The results of this study show that the implementation of talent management has a positive effect on improving employee performance, in line with the view of Dessler, (2020), who emphasizes that talent management is a sustainability-oriented strategic process in the procurement, development, management, and compensation of human resources to optimize

performance. These findings also strengthen the research results of Srihandayani and Sari et al., (2020); Srihandayani & Kusnendi, (2020), who emphasized that systematic talent management is able to create superior performance through the placement of appropriate individuals based on competence. From the perspective of Neo-Institutional Theory (NIT), the practice of talent management is not only understood as a technical mechanism for human resource management but also as a form of organizational response to normative pressures that form behavioral standards, professionalism, and social expectations that are considered legitimate and ideal in the institutional environment. In other words, the implementation of competency development and learning programs found to be dominant in this study reflects organizational efforts in complying with collective norms and values that direct employee work behavior towards institutionalized performance standards.

Moreover, the results of the study show that talent management has a significant effect on the formation of organizational culture. This is in line with Kim & Chang, (2019); Stans, (2012) who stated that a good talent management system encourages the formation of a strong and competitive organizational culture. In the framework of NIT, organizational culture acts as a vehicle for internalizing normative values that govern the way members think and act. In the context of SOEs, the cultural values of AKHLAK (Trustworthy, Competent, Harmonious, Loyal, Adaptive, Collaborative) are institutional representations of the common norms that shape the legitimacy of the organization. The findings of respondents that stand out in the indicators of harmony and loyalty, as well as mutual respect and maintaining reputation, show that the values of AKHLAK have been internalized as a code of behavior that strengthens social cohesion and creates a conducive work climate.

Furthermore, organizational culture has been proven to have a positive effect on employee performance, supporting the view of Busro, (2018); Kuswati, (2020) that a strong culture is able to form disciplined, motivated, and productive work behavior. The culture of AKHLAK is not only a normative symbol but also serves as a social control mechanism that strengthens performance orientation through the internalization of moral values and work ethics. This shows that performance improvement is not solely driven by a formal managerial system but also by the conformity of individual behavior with the institutional values that live in the organization. The most crucial finding in this study is the acceptance of the role of organizational culture as a perfect mediator between talent management and employee performance. Referring to Preacher & Hayes, (2008), this condition shows that talent management cannot significantly improve performance without internalizing organizational culture. From NIT's perspective, this confirms that the effectiveness of talent management policies largely depends on the extent to which they acquire normative legitimacy and are integrated into the value system that the organization embraces. The culture of AKHLAK acts as a bridge that transforms formal managerial practices into real work behaviors that are meaningful, accepted, and consistently executed by employees.

Thus, this study emphasizes that the success of talent management in improving performance does not only lie in the design of the program but in its ability to form and strengthen an organizational culture based on AKHLAK values. Organizational culture plays a strategic role as an institutional mechanism that channels values, norms, and standards of behavior so that talent management practices are not just procedural but part of a system of meaning that motivates and directs employee work behavior in a sustainable manner.

5. Conclusion

The results of this study show that the implementation of talent management has a positive effect on improving employee performance, in line with the view of Dessler, (2020), who emphasizes that talent management is a sustainability-oriented strategic process in the procurement, development, management, and compensation of human resources to optimize performance. These findings also strengthen the research results of Srihandayani and Sari et al., (2020); Srihandayani & Kusnendi, (2020), who emphasized that systematic talent management is able to create superior performance through the placement of appropriate individuals based on competence. From the perspective of Neo-Institutional Theory (NIT), the practice of talent management is not only understood as a technical mechanism for human resource management but also as a form of organizational response to normative pressures that form behavioral standards, professionalism, and social expectations that are considered legitimate and ideal in the institutional environment. In other words, the implementation of competency development and learning programs found to be dominant in this study reflects organizational efforts in complying with collective norms and values that direct employee work behavior towards institutionalized performance standards.

Moreover, the results of the study show that talent management has a significant effect on the formation of organizational culture. This is in line with Kim & Chang, (2019); Stans, (2012) who stated that a good talent management system encourages the formation of a strong and competitive organizational culture. In the framework of NIT, organizational culture acts as a vehicle for internalizing normative values that govern the way members think and act. In the context of SOEs, the cultural values of AKHLAK (Trustworthy, Competent, Harmonious, Loyal, Adaptive, Collaborative) are institutional representations of the common norms that shape the legitimacy of the organization. The findings of respondents that stand out in the indicators of harmony and loyalty, as well as mutual respect and maintaining reputation, show that the values of AKHLAK have been internalized as a code of behavior that strengthens social cohesion and creates a conducive work climate.

Furthermore, organizational culture has been proven to have a positive effect on employee performance, supporting the view of Busro, (2018); Kuswati, (2020) that a strong culture is able to form disciplined, motivated, and productive work behavior. The culture of AKHLAK is not only a normative symbol but also serves as a social control mechanism that strengthens performance orientation through the internalization of moral values and work ethics. This shows that performance improvement is not solely driven by a formal managerial system but also by the conformity of individual behavior with the institutional values that live in the organization. The most crucial finding in this study is the acceptance of the role of organizational culture as a perfect mediator between talent management and employee performance. Referring to Preacher & Hayes, (2008), this condition shows that talent management cannot significantly improve performance without internalizing organizational culture. From NIT's perspective, this confirms that the effectiveness of talent management policies largely depends on the extent to which they acquire normative legitimacy and are integrated into the value system that the organization embraces. The culture of AKHLAK acts as a bridge that transforms formal managerial practices into real work behaviors that are meaningful, accepted, and consistently executed by employees.

Thus, this study emphasizes that the success of talent management in improving performance does not only lie in the design of the program but in its ability to form and strengthen an

organizational culture based on AKHLAK values. Organizational culture plays a strategic role as an institutional mechanism that channels values, norms, and standards of behavior so that talent management practices are not just procedural but part of a system of meaning that motivates and directs employee work behavior in a sustainable manner.

Limitations and future research

Despite its theoretical and empirical contributions, this study is subject to several limitations that open avenues for further scholarly inquiry. First, the research design relies on cross-sectional data, which constrains the ability to capture temporal dynamics in the relationships between talent management, organizational culture, and employee performance. Institutional and cultural processes are inherently evolutionary; therefore, future studies should adopt longitudinal designs to examine how cultural internalization and performance outcomes develop over time, particularly in response to changes in strategic HR policies.

Second, the study is confined to a single organizational context within a state-owned enterprise, which may limit the generalizability of the findings across different sectors, governance structures, and cultural settings. Although the AKHLAK framework provides a rich institutional lens, future research should explore comparative analyses across private firms, multinational organizations, and public institutions in different national contexts to assess the transferability of similar value-driven mediation mechanisms.

Third, the reliance on self-reported measures introduces the potential for perceptual and social desirability bias, especially within environments where strong normative expectations shape employee responses. Subsequent research could incorporate multi-source data, including supervisor evaluations, objective performance indicators, and behavioral analytics, to strengthen construct validity and mitigate method bias.

From a theoretical perspective, future studies may extend the present model by integrating additional institutional and psychological constructs, such as perceived organizational justice, employee engagement, or psychological safety, to deepen understanding of how normative systems translate into behavioral compliance and discretionary effort. Moreover, exploring moderating variables such as leadership style, organizational agility, or digital transformation readiness could refine the explanatory power of neo-institutional theory in performance contexts.

Finally, methodological advancement through the application of multilevel modeling or dynamic capability frameworks would enable scholars to examine cross-level interactions between organizational systems and individual behaviors, offering a more comprehensive understanding of how institutionalized values influence talent management effectiveness at both structural and micro-behavioral levels.

Overall, future research should focus on expanding empirical scope, strengthening methodological robustness, and further theorizing the role of cultural legitimacy in shaping the micro-foundations of organizational performance. Such efforts will not only enhance theoretical precision but also support the development of more context-sensitive talent management strategies capable of generating sustainable performance in complex institutional environments.

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