DIGITAL TALENT ON EMPLOYEE RETENTION: THE ROLE OF EMPLOYEE ENGAGEMENT AS MEDIATION

a Muhamad Ekhsan, b Yuan Badrianto, c Suwandi Suwandi

ABSTRACT

Objective: This study aims to determine and analyze the effect between the variables of Digital Talent on Employee retention, the effect of Employee Engagement on Employee Retention, the effect of Digital Talent on Employee Engagement and the effect of Digital Talent on Employee Retention mediated by Employee Engagement.

Methods: The research was conducted using quantitative methods consisting of 3 variables, namely Digital Talent, Employee Retention and Employee Engagement. The population used is employees who work in the manufacturing sector in West Java province with a sample size of 170 respondents, the sampling technique used is probability sampling technique with random sampling method. Data collection is done through google form in filling out an online survey using a Likert scale of 1-5. Data analysis in this study used the help of the SmartPLS software program version 3.0.

Results and Conclusion: The analysis explains that the higher the level of digital capabilities and skills possessed by employees, the more likely they are to stay with the company. Employees' engagement at work and their relationships with coworkers, management, and the company as a whole play an important role in linking digital talent with employee retention.

Implications of the research: This research has broad implications, both in the practice of human resource management in companies and in social dynamics in the world of work. By understanding the relationship between Digital Talent, Employee Engagement, and Employee Retention, companies can improve employee retention, promote employee well-being, and foster the growth of a more digitized industry.

Originality: This research brings novelty by focusing on digital talent in the manufacturing industry. This industry is traditionally known for its different work structures and varying levels of automation. In the face of the industrial revolution 4.0, manufacturing companies in West Java need to evaluate the impact of digital talent on their employee retention, having unique characteristics and challenges.

Keywords: digital talent, employee retention, employee engagement.

Received: 31/07/2023
Accepted: 23/10/2023
DOI: https://doi.org/10.55908/sdgs.v11i10.1121
TALENTO DIGITAL NA RETENÇÃO DE FUNCIONÁRIOS: O PAPEL DO ENGAJAMENTO DOS FUNCIONÁRIOS COMO MEDIAÇÃO

RESUMO

Objetivo: Este estudo tem como objetivo determinar e analisar o efeito entre as variáveis do TALENTO DIGITAL NA RETENÇÃO DE FUNCIONÁRIOS, o efeito do ENGAJAMENTO DOS FUNCIONÁRIOS NA RETENÇÃO DE FUNCIONÁRIOS, o efeito do TALENTO DIGITAL NO ENGAJAMENTO DOS FUNCIONÁRIOS e o efeito do TALENTO DIGITAL NA RETENÇÃO DE FUNCIONÁRIOS mediado pelo ENGAJAMENTO.

Métodos: A pesquisa foi realizada por meio de métodos quantitativos compostos por 3 variáveis, a saber: TALENTO DIGITAL, RETENÇÃO DE FUNCIONÁRIOS e ENGAJAMENTO DE FUNCIONÁRIOS. A população utilizada são funcionários que trabalham no setor manufatureiro na província de Java Ocidental, com um tamanho de amostra de 170 entrevistados, a técnica de amostragem utilizada é a técnica de amostragem probabilística com método de amostragem aleatória. A recolha de dados é feita através do formulário google no preenchimento de um inquérito online utilizando uma escala Likert de 1 a 5. A análise dos dados deste estudo utilizou o auxílio do software SmartPLS versão 3.0.

Resultados e Conclusão: A análise explica que quanto maior for o nível de capacidades e competências digitais possuídas pelos colaboradores, maior será a probabilidade de permanecerem na empresa. O envolvimento dos funcionários no trabalho e as suas relações com os colegas de trabalho, a gestão e a empresa como um todo desempenham um papel importante na ligação do talento digital com a retenção de funcionários.

Implicações da investigação: Esta investigação tem amplas implicações, tanto na prática da gestão de recursos humanos nas empresas, como na dinâmica social do mundo do trabalho. Ao compreender a relação entre talento digital, envolvimento e retenção de funcionários, as empresas podem melhorar a retenção de funcionários, promover o bem-estar dos funcionários e promover o crescimento de uma indústria mais digitalizada.

Originalidade: Esta pesquisa traz novidades ao focar no talento digital na indústria de manufatura. Esta indústria é tradicionalmente conhecida por suas diferentes estruturas de trabalho e diversos níveis de automação. Diante da revolução industrial 4.0, as empresas de manufatura em West Java precisam avaliar o impacto do talento digital na retenção de seus funcionários, tendo características e desafios únicos.

Palavras-chave: talento digital, retenção de funcionários, engajamento de funcionários.

1 INTRODUCTION

Technological developments and the digital revolution have created major changes and dramatically altered the landscape of the world of work. The industrial era 4.0, technology becomes the backbone of almost every industrial sector and economic sector, this revolution focuses on digitization and automation patterns in all aspects of human life (Rezky et al., 2019). Organizations and companies are starting to adopt advanced technologies to improve operational efficiency and compete in an increasingly global and competitive market. However, these changes also bring challenges to employees, affect the way employees work, and demand higher digital capabilities.
Everything becomes borderless with the use of unlimited computing power and data, because it is influenced by the massive development of the internet and digital technology as the backbone of human and machine movement and connectivity (Rohida, 2018). The industrial revolution 4.0 will disrupt various human activities that have an impact on determining the direction and progress of an organization. Digital talent is an important factor in today's digital era because companies need employees who have high technology skills to achieve business goals (Kiron et al., 2016).

In the face of digital transformation and competition in the digital job market, organizations and companies must focus on efforts to retain qualified employees by creating an attractive work environment and empowering them to deal with changes brought about by technology. Strong employee retention will help organizations and companies retain valuable talent, reduce turnover costs, and achieve long-term success in the digital age. Digital talent is the most important resource to deal with increased productivity, profitability, and stable company growth in the era of the industrial revolution 4.0 (Sumarni, 2018).

Employee retention is a person's ability to adapt, innovate, and remain relevant in an ever-changing work environment. This includes the ability to face challenges, handle change, and continue to learn and develop in order to remain productive and contribute optimally in the workplace. Employee retention is influenced by their attitude and willingness to keep learning and improving their digital skills. Employees who are proactive in honing their digital skills are better able to handle change and find new opportunities to contribute in the workplace. Organizational success depends on employee retention which helps organizations in reducing employee exit intentions and increasing organizational efficiency (Hosseini et al., 2016). Thus, organizations pay more attention to retention and attraction than recruitment and selection to survive in a competitive environment (Holland et al., 2007) and digital talent plays an important role in this process. Employee retention is very important because it keeps the organization on track by maintaining the loyalty of its employees in performing their duties. A low retention rate will cause great losses because it will directly affect the decrease in employee contributions in their performance (Achmada & Soetjipto, 2022). Ismail et al (2021) argue that organizations must recognize that replacing positions with comparable employees is more challenging than starting a new business. As a result, companies must
realize the importance of employee retention to retain their employees and reduce turnover.

Employee engagement is important for organizations and companies to continue to invest in building a strong employee engagement culture. Engagement itself is a binding force between organizations and employees both emotionally, rationally and motivationally which is able to encourage optimal individual performance so that the organization is able to achieve its goals of having a competitive advantage (Srimulyani, 2020). Ekhsan's research (2020) states that there is a significant influence between employee engagement on the level of employee retention. This includes recognizing the importance of improving employees' digital capabilities through training and development. In addition, an inclusive and empowering management approach is also important to encourage employees to feel motivated and excited to develop their digital skills. Employee engagement is a condition where employees feel psychologically involved in their work, feel happy, have a sense of belonging to their work, feel connected to the organization, and have meaning and purpose in their work. Paying attention to employee engagement can be one of the keys to retaining experienced digital talent and creating a successful and sustainable organization in the era of revolution 4.0. Manufacturing companies in West Java also need to pay attention to the development of digital talent in their organizations. Digital talent is the technological skills and capabilities required by employees to operate effectively in today's digital era (Collins & Stevens, 2002; Farley, 2005; Lewis & Heckman, 2006; Tarique & Schuler, 2010). Digital talent development is considered important to achieve business goals and improve the competitiveness of the company (Cairns, 2012).

2 THEORITICAL FRAMEWORK

Digital talent is a collection of skills, knowledge and abilities of individuals in understanding, adopting and innovating with digital technology and utilizing it effectively in various aspects of personal and professional life. Digital talent includes an understanding of technological developments, technical skills and the ability to communicate and work in a dynamic digital environment (Dan et al., 2021). Digital talent can help manufacturing companies improve operational efficiency through process automation, the use of sensors and data analysis to optimize supply chains and production (Florea, 2019). In the era of digital transformation, digital talent is becoming increasingly
important in various industries and economic sectors. Organizations are looking for individuals with digital talent to fill roles that require a deep understanding of technology and the ability to adapt quickly to evolving digital changes.

Employee engagement is a concept that refers to the level of involvement, commitment, and enthusiasm employees have for their work, their team, and the organization they work for. Actively engaged employees tend to feel dedicated, passionate and have strong emotional ties to the company's goals, values and vision. Employee engagement encompasses the interaction between employees and their tasks, coworkers, management, and the overall work environment. High employee engagement can have a positive impact on productivity, work quality, innovation and employee retention. In employee engagement, employees are not just working mechanically or out of obligation, but they have intrinsic motivation and a feeling of ownership towards their work. This can be reflected in active participation, a drive to contribute more, and a positive attitude towards challenges and changes in the work environment (Saxena & Srivastava, 2015). Employee engagement is not just about job satisfaction, but also involves emotional, cognitive, and behavioral aspects. Engaged employees feel meaningful in their work, feel recognized for their contributions, and feel empowered to contribute more significantly to the achievement of organizational goals. The ability to understand, measure, and improve employee engagement has become a major concern for organizations in an effort to create a productive, positive, and sustainable work environment (Yahya et al., 2018)

Employee retention is a concept that refers to an organization's efforts to retain well-performing and high-potential employees in the work environment. It involves a set of strategies and practices aimed at preventing employees from leaving the organization and ensuring that they remain active, engaged and contribute positively over a longer period of time. Employee retention focuses on retaining employees who add value to the organization, whether in terms of knowledge, skills, experience or contribution to the company culture. Employee retention efforts have an impact on reducing the costs of re-recruitment, training for new employees, as well as the loss of valuable knowledge when employees leave the organization (Swamy et al., 2019). Employee retention strategies can include a variety of approaches, such as offering career development opportunities, work flexibility, financial incentives, work-life balance, learning opportunities, recognition of contributions, and creating a positive and supportive work environment. Understanding
and managing employee retention is key to creating a high-performing and sustainable organization (Skelton et al., 2020).

3 METHODOLOGY

The research was conducted using a quantitative method consisting of 3 variables namely Digital Talent, Employee Retention and Employee Engagement. The population used was employees working in the manufacturing sector located in West Java province with a sample size of 170 respondents. Data was collected using a questionnaire developed based on related literature as well as adjustments to the context of manufacturing companies in West Java. The questionnaire consists of three main parts: first, measuring the level of employee Digital Talent; second, measuring the level of employee Engagement; and third, measuring employee perceptions related to Employee Retention. The sampling technique used was probability sampling technique with random sampling method. The data obtained were analyzed using descriptive statistical techniques and path analysis. Path analysis is used to identify the direct relationship between Digital Talent and Employee Retention, as well as to test the mediating role of Employee Engagement in this relationship. Data collection was done through google form in filling out an online survey using a Likert scale of 1-5. Data analysis in this study used Partial Least Square structural equation modeling (SEM) with the help of the SmartPLS version 3.0 software program. The data analysis stages begin with testing the validity and reliability of variables, determination and hypothesis testing.

Source: Prepared by the authors (2023)
**Hypothesis:**

H1 : Digital talent has a significant effect on employee retention  
H2 : Employee Engagement has a significant effect on employee retention  
H3 : Digital talent has a significant effect on employee engagement  
H4 : Digital talent has a significant effect on employee retention mediated by employee engagement.

**4 RESULTS AND DISCUSSION**

**4.1 VALIDITY TEST**

![Figure 2. Validity Test](image)

It can be seen from Figure 2 that there are six variable indicators that have an outer loading value or measurement model <0.70, so the seven variable indicators are eliminated and then tested again to produce all outer loading numbers <0.70.

**4.2 PATH ANALYSIS**

At this stage is to measure the amount of influence to test the hypothesis. Hypothesis testing, the coefficient value of influence between constructs is used to determine direct or indirect influence.
Table 1. Path Coefficients

| Employee Engagement -> Employee Retention | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|------------------------------------------|---------------------|-----------------|----------------------------|---------------------------|----------|
| Digital Talent                          | 0.667               | 0.669           | 0.055                      | 12.084                    | 0.000    |
| Employee Engagement                     | 0.457               | 0.464           | 0.068                      | 6.673                     | 0.000    |
| Digital Talent                          | 0.171               | 0.174           | 0.071                      | 2.407                     | 0.016    |

Source: Prepared by the authors (2023)

Table 2. Indirect Effect

| Digital Talent | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|----------------|---------------------|-----------------|----------------------------|---------------------------|----------|
| Employee Engagement | 0.305               | 0.311           | 0.056                      | 5.428                     | 0.000    |

Source: Prepared by the authors (2023)

5 DISCUSSION

5.1 THE EFFECT OF DIGITAL TALENT ON EMPLOYEE RETENTION

From the results of the analysis, the p value of 0.000 > 0.050 indicates that digital talent has an effect on employee retention. This means that the more effective the practice of digital talent, the higher the employee retention. This research is also in line with research conducted by (Srimulyani, 2020) which states that there is a significant influence between digital talent on employee retention. Strong digital skills not only improve employee performance on the job, but also help create a work environment that motivates and supports their growth. Therefore, companies need to focus on developing employees' digital skills and creating a culture that encourages technology adoption and innovation (Nag et al., 2023). This will contribute to better and sustainable Employee Retention. The results of this study show that the higher the level of competition in organizations in Indonesia, the more challenges organizations must face in order to survive. One way is to improve the quality of their workforce. Talented employees will be needed by the organization and need to be retained by the organization to achieve its goals.

5.2 THE EFFECT OF DIGITAL TALENT ON EMPLOYEE ENGAGEMENT

From the analysis results show a p value of 0.000 > 0.050, this indicates that the digital talent variable has an effect on employee engagement, this means that the higher the digital talent variable, the higher the employee engagement. This research is in line with research (Ratnawati & Subudi, 2018) which shows that digital talent variables have
a positive and significant effect on employee engagement. Employees who have strong digital skills tend to be more engaged at work and more eager to contribute to the company. Therefore, companies need to invest in developing employees' digital skills and creating an environment that encourages the use of technology in a positive way. This will contribute to increased employee engagement and overall organizational performance. When employees have self-development opportunities, it means they have the chance to develop their skills, learn new skills, gain new experiences and realize their potential. This means that the organization makes employees a form of investment for organizational development. Therefore, improving policies and matters related to employee career development is a shared responsibility between employees and management, so that its implementation makes a positive contribution to the progress of employees and organizations. So digital talent practices are needed which include managerial support, employee career development, and rewards & recognitions to foster employee attachment to the organization (Srimulyani, 2020).

5.3 THE EFFECT OF EMPLOYEE ENGAGEMENT ON EMPLOYEE RETENTION

From the results of the analysis, it shows that the p value of 0.016> 0.050, this indicates that the employee engagement variable has an effect on employee retention, this means that the higher the employee engagement, the higher the employee retention. This research is in line with the research of Ekhsan et al., (2020) which states that the employee engagement variable has a positive and significant effect on the employee retention variable. Employee engagement can be a major force in maintaining employee resilience and reducing employee turnover. Employees who feel engaged tend to be more satisfied, motivated, and committed to staying with the company. Therefore, companies need to invest in strategies that encourage Employee Engagement, such as providing development opportunities, recognition, and creating a positive work environment (Nurcholidah et al., 2023). This not only helps in retaining talented employees, but can also improve the overall performance of the company.

5.4 THE EFFECT OF DIGITAL TALENT ON EMPLOYEE RETENTION MEDIATED BY EMPLOYEE ENGAGEMENT

From the results of the analysis, the p value of 0.000> 0.050 indicates that the employee engagement variable has an effect in mediating digital talent on employee
retention. This research is in line with research conducted by Ismail (2021) which shows that employee engagement mediates the relationship between digital talent and employee retention. Ratnawati (2018) in their research prove that employee engagement is able to have a positive influence in mediating digital talent on employee retention. Engagement as a mediator in the relationship between talent management practices and employee retention makes it very valuable to expand the evidence in this study. The effect of Digital Talent on Employee Retention mediated by Employee Engagement is a complex and interrelated process. Digital skills can improve Employee Engagement, which in turn can influence Employee Retention. Therefore, companies need to recognize the value of developing employees' digital skills, creating a culture that encourages Employee Engagement, and ultimately retaining engaged and positively contributing employees.

6 CONCLUSION

Based on the results of the analysis, it can be concluded that digital talent has a positive and significant effect on employee retention, employee engagement has a positive and significant effect on employee retention, digital talent has a positive and significant effect on employee engagement and digital talent has a positive and significant effect on employee retention mediated by employee engagement. This research shows that the higher the digital talent who feels psychologically involved in their work, feels happy, has a sense of belonging to their work, feels connected to the organization, and has meaning and purpose at work through employee engagement will increase the level of employee retention which will have an impact on creating employee exit intentions and increasing organizational efficiency. Digital skills pave the way for employee growth, while Employee Engagement plays an important role in translating this growth into a deeper connection with the company. Therefore, developing Digital Talent and driving Employee Engagement should be a central part of a company's strategy to retain talented employees and achieve long-term success.

ACKNOWLEDGEMENTS

Thank you to Universitas Pelita Bangsa for providing the opportunity to participate in regular fundamental grants and my gratitude also goes to the Directorate of Research, Technology, and Community Service, Directorate General of Higher Education,
Research, and Technology with contract number 019/SP2H/RT-MONO/LL4/2023; 009/KP/7.NA/UPB/VII/2023 for providing funding for this research activity, as well as respondents and human resources practitioners who have provided input related to employee retention in the manufacturing sector in West Java.
REFERENCES


