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The Mediating Role of Talent Management in the Influence between Knowledge Management and Employee Engagement on Employee Performance

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ABSTRACT

In today's increasingly competitive business environment, companies are required to optimize the potential of human resources as a strategic asset. The rapid development of technology, dynamic market conditions, and high employee mobility drive organizations to adopt effective strategies in managing knowledge, employee engagement, and talent. Many companies face challenges such as the loss of competencies due to weak knowledge sharing and low employee engagement, which often lead to high turnover. This condition highlights that knowledge management, employee engagement, and talent management are critical factors in enhancing employee performance. This study aims to analyze the influence of knowledge management and employee engagement on employee performance with talent management as a mediating variable at PT Bank Sumut Head Office Medan. The research employed an associative design with a quantitative approach. Data were collected through questionnaires distributed to 83 respondents selected using purposive sampling from a population of 473 employees working across 18 divisions. The sample criteria included employyees who had worked for at least one year at the Bank Sumut Head Office. Data analysis was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The results indicate that knowledge management and employee engagement have a significant effect on employee performance, both directly and indirectly, through talent management as a mediating variable. These findings suggest that the integrated implementation of knowledge management, employee engagement, and talent management can drive improvements in employee performance. Furthermore, this study provides practical implications for company management to strengthen sustainable human resource development strategies.

Keywords: Knowledge Management, Employee Engagement, Talent Management, Employee Performance

1. Introduction

Rapid changes in technology, market demands, and the expectations of new generations of workers have transformed the way organizations operate [1]. Companies are now faced with a situation where innovation, adaptability, and employee engagement are key factors in determining success. In these circumstances, employee performance is not just a number on an evaluation report, but rather a reflection of resilience, creativity, and the ability to collaborate to meet evolving challenges [2]. Paying attention to employee performance is essential because they are the main drivers that determine the smooth running of business processes as well as determining long-term competitiveness.[3]. When organizations neglect this aspect, the risk of decreased productivity, low engagement, and high turnover increases. Conversely, proper attention can foster motivation, loyalty, and innovation, strengthening the organization's position amidst uncertain change. [4].

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In the era of the knowledge-based economy, companies not only compete on price and product aspects, but also on the ability to manage and utilize the knowledge possessed by employees. Knowledge management is an important strategy to ensure that individual knowledge can be identified, stored, and shared effectively within an organization [5-6]. However, in practice, many companies still face obstacles, such as knowledge that is only stored in documents without being implemented, a lack of a knowledge-sharing culture, and the loss of competence when expert employees leave the company [7]. This condition shows that the success of knowledge management is very important in determining the effectiveness of talent management, because talent development requires access to structured and reliable knowledge. When knowledge management is executed well, companies can easily identify high-potential employees, support the learning process through knowledge sharing, and create a talent pipeline ready to face business challenges [7-9]. Thus, knowledge management serves as a foundation that strengthens talent management programs, such as talent pools, succession planning, and training programs [10]. Talent formed from a strong knowledge base tends to be more innovative, productive, and has a stronger commitment to the company because they feel they have room to grow. Ultimately, the integration of knowledge management and talent management has been proven to drive sustainable company performance improvements [11-12].

Employee engagement is closely linked to talent management. When companies successfully create an environment that encourages engagement, their talent management strategies will be more effective. Employees who feel emotionally and professionally connected to the company will be more open to participating in development programs, training, and job rotations that are part of talent management [13]. They also tend to be loyal, making it easier for companies to retain high-potential employees [14]. Conversely, low engagement often results in suboptimal talent management programs, as employees lack motivation to develop or even choose to leave the company before their potential is fully realized. The integration of employee engagement and talent management ultimately has a significant impact on company performance [15]. Engaged employees managed with the right talent strategy not only contribute significantly to productivity but also drive innovation, better service, and higher customer satisfaction. For example, companies that effectively manage engagement and talent, such as Google or Unilever, are able to create a healthy work culture, retain top talent, and maintain their performance at the forefront of the global market [16]. Conversely, companies that fail to integrate these two aspects tend to face classic problems such as declining productivity, high turnover, and high costs for recruitment and retraining [17].

In the context of modern organizations, talent management plays a crucial role as an intervening variable that bridges the influence of knowledge management and employee engagement on performance. Studies on this topic have been scarce by previous researchers. Therefore, this research is necessary to provide a scientific contribution and enrich the literature on the role of talent management in improving organizational performance. Effective knowledge management enables companies to identify, store, and disseminate strategic information, which then serves as the foundation for talent development. Well-managed knowledge not only enriches individual competencies, but also makes it easier for companies to create a talent pipeline that meets long-term needs [18-19]. At the same time, employee engagement contributes to strengthening the effectiveness of talent management, as engaged employees tend to be more open to learning processes, career development, and active participation in talent management programs [21-22]. Thus, the influence of knowledge management and employee engagement on performance is not direct, but rather is strengthened through the existence of talent management that ensures that individual potential can be maximized into real performance for the organization [23-28].

2. Literature review

2.1 Employee Performance

Employee performance is the work results achieved by individuals or groups in an organization in accordance with their responsibilities to achieve predetermined goals. In the context of human resource management, employee performance is influenced not only by technical competence but also by psychological and strategic factors that direct employee behavior to provide optimal contributions [29-30]. Previous research shows that employee engagement has a significant positive relationship with employee performance because engagement encourages intrinsic motivation, commitment, and extra effort at work. However, engagement alone is not enough to maximize performance if it is not accompanied by an effective talent management strategy [31].

Talent management acts as a strategic mechanism that links employee engagement with performance improvement through the process of identifying, developing, retaining, and utilizing the best potential of employees [32]. A good talent management system is able to facilitate employees who are emotionally attached to their work to access self-development opportunities, improve their competencies, and contribute more to organizational goals [33]. Therefore, talent management can be an important mediator that transforms employee engagement into sustainable performance improvement.

Furthermore, in a dynamic work environment, employee performance also depends on effective knowledge management, where employee knowledge can be integrated with talent management strategies. Thus, the mediating role of talent management is crucial to ensuring that high employee engagement and organizational knowledge utilization can synergize in improving employee performance. These findings indicate that proper talent management not only plays a direct role in improving performance, but also serves as a strategic bridge connecting psychological factors (employee engagement) and structural factors (knowledge management) in achieving organizational competitive advantage [34-37].

2.2 Talent Management

Talent management is a strategic approach to managing human resources that focuses on identifying, developing, retaining, and optimizing employee potential to achieve organizational goals [38]. In the context of the relationship between knowledge management, employee engagement, and performance, talent management acts as a bridge, ensuring that employee knowledge and engagement are integrated into effective HR practices. Organizations with a sound talent management strategy are able to allocate individuals with the best competencies to the right positions, develop relevant skills, and create a work environment that supports innovation. Research shows that high employee engagement can increase the effectiveness of talent management, because engaged employees are more willing to contribute maximally to competency development and the achievement of company targets [39]. Furthermore, effective talent management strategies have been proven to improve employee performance by increasing motivation, skill mastery, and commitment to the organization's vision [40]. Therefore, within the framework of this research, talent management is positioned as a mediating variable that facilitates the transfer of positive influences from knowledge management and employee engagement towards improving employee performance.

2.4 Knowledge Management

Knowledge management is a strategic process that involves the creation, storage, distribution, and utilization of knowledge within an organization to improve performance and competitive advantage [41-42]. In the context of employee performance, knowledge management plays a vital role because it ensures that information, experience and best practices can be accessed and used effectively by employees [43]. Empirical studies show that organizations that systematically implement knowledge management practices are able to increase innovation, work efficiency, and timely decision-making, which in turn have a positive impact on individual and organizational performance [44]. Knowledge management also strengthens employee engagement with the organization because access to information and learning opportunities creates a sense of ownership, increases motivation, and encourages active participation in work processes. Furthermore, the integration of knowledge management with talent management enables organizations to channel the potential of highly engaged and knowledgeable employees into strategic positions, thereby supporting the achievement of optimal performance [45]. Thus, knowledge management, talent management, and improved employee performance [46].

2.4 Employee Engagement

Employee engagement is a psychological state of employees characterized by energy, dedication, and full involvement in their work, which encourages maximum contribution to organizational goals. Employees who have high levels of engagement tend to demonstrate intrinsic motivation, loyalty, and proactive behavior, which have a positive impact on both individual and organizational performance [47]. Recent empirical research shows that employee engagement can improve productivity, service quality, and customer satisfaction, particularly in the service and banking sectors, where direct interaction with customers is crucial to an organization's success [48]. Furthermore, employee engagement has been shown to be an important antecedent in talent management development, as engaged employees are more likely to participate in development programs, share knowledge, and take advantage of growth opportunities provided by the organization [49-50]. Thus, employee engagement not only has a direct impact on performance, but

also becomes the foundation that enables talent management to function as a strategic mediator in increasing the effectiveness and sustainability of organizational performance [51-53].

3. Research Methodology

The type of research used is descriptive quantitative research. The research population is all employees working in 18 divisions.PT. Bank Sumut Medan Head Office, totaling 473 people, using a non-probability purposive sampling method and criteria for employees with a minimum work period of one year. Based on the Slovin formula with a 10% error rate, a sample of 83 respondents was obtained, divided proportionally in each division. The research data consisted of primary data obtained through questionnaires and interviews, as well as secondary data obtained from books, journals, documents, and online sources. Data collection techniques included documentation studies, distribution of printed questionnaires, and additional interviews with staff in the Human Resources division. Data analysis was carried out using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method.

4. Results And Discussion

This section presents the findings of a study conducted to examine the influence of knowledge management and employee engagement on employee performance through talent management as a mediating variable. Using a Structural Equation Modeling (SEM) approach, the analysis results illustrate the strength of the relationship between variables, both partially and overall. All of these test results serve as the basis for answering the research questions and providing evidence-based recommendations for human resource management at PT. Bank Sumut Head Office, Medan.

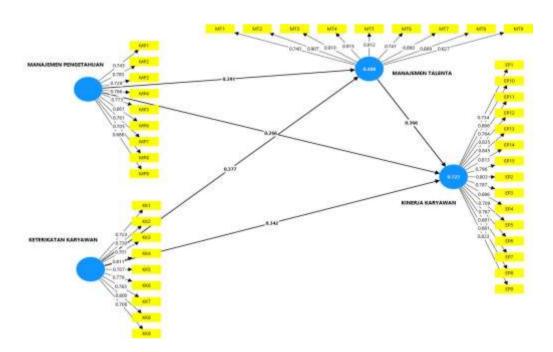


Figure 1. Loading Factor Full Model

Figure 1 is the Full Model Loading Factor in this study, which illustrates the influence between latent variables and their indicators. This model consists of four main latent variables: Knowledge Management (X1), Employee Engagement (X2), Talent Management (Z), and Employee Performance (Y), each of which is measured through several indicators.

Table 4.1 Validity and Reliability Test

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Indicator	Variables	Outer Loading	AVE	Cronbach's alpha	Composite reliability (rho_a)	
X1.1	Knowledge	0.745	0.567	0.905	0.909	
X1.2	Management	0.783	0.567	0.903	0.909	

X1.3	(X1)	0.729			
X1.4		0.786			
X1.5	_	0.773			
X1.6	_	0.801			
X1.7	_	0.761			
X1.8	_	0.705			
X1.9	_	0.688			
X2.1	Employee	0.723			
X2.2	Engagement	0.730			
X2.3	(X2)	0.701			
X2.4	_	0.811			
X2.5	_	0.707	0.563	0.902	0.904
X2.6	_	0.779			
X2.7	_	0.783			
X2.8	_	0.800			
X2.9	_	0.708			
Z.1	Talent	0.740			
Z.3	Management	0.907			
Z.4	(Z)	0.910			
Z.5	_	0.915			
Z.6		0.912	0.704	0.945	0.947
Z.7	_	0.741			
Z.8		0.860			
Z.9	_	0.889			
Z2		0.627			
Y.1	Employee	0.803			
Y.2	Performance	0.787			
Y.3	(Y)	0.696			
Y.4	_	0.709			
Y.5	_	0.767	0.602	0.952	0.954
Y.6	_	0.681			
Y.7	_	0.681			
Y.8	_	0.823			
Y.9		0.803			

The validity and reliability test results presented in Table 4.1 indicate that the measurement model in this study has excellent psychometric qualities. All indicators have outer loading values above the threshold of 0.70, indicating strong convergent validity and a significant contribution of each indicator in representing the latent variable. The Average Variance Extracted (AVE) values for the constructs of Knowledge Management (X1 = 0.567), Employee Engagement (X2 = 0.563), Talent Management (Z = 0.704), and Employee Performance (Y = 0.602) are all above 0.50. This indicates that more than 50% of the indicator variance can be explained by their respective latent constructs, thus confirming the model's convergent validity. From the reliability aspect, the *Cronbach's alpha* values of 0.905 (X1), 0.902 (X2), 0.945 (Z), and 0.952 (Y) indicate excellent internal consistency because they exceed the minimum limit of 0.70. In addition, the composite reliability values for each construct, namely 0.909 (X1), 0.904 (X2), 0.947 (Z), and 0.954 (Y) further confirm the high reliability and internal consistency of the constructs used. Thus, these results prove that the measurement model has adequate validity and reliability for use in further structural analysis, thus providing a strong foundation for scientifically and in-depth examination of the relationships between variables in this study.

Table 4.2 Discriminant validity - Heterotrait-monotrait ratio (HTMT)

			11001101101100100 (1111111)	
	Employee	Employee	Knowledge	Talent
	Engagement	performance	Management	Management
Employee				
Engagement				

Employee	0.804			
performance				
Knowledge	0.720	0.772		
Management				
Talent	0.680	0.789	0.682	
Management				

Based on Table 4.2, the results of the discriminant validity test using the method *Heterotrait-Monotrait Ratio* (HTMT) shows that all pairs of constructs in this study have HTMT values below the threshold of 0.85, thus meeting the criteria for discriminant validity. The HTMT value between Employee Engagement and Employee Performance is 0.804, indicating a strong relationship but still within acceptable limits to differentiate the two constructs. The relationship between Employee Engagement and Knowledge Management has a value of 0.720, while Employee Engagement with Talent Management is 0.680. Furthermore, the relationship between Employee Performance and Knowledge Management has a value of 0.772, and Employee Performance with Talent Management is 0.789. Finally, the relationship between Knowledge Management and Talent Management shows a value of 0.682. All these values confirm that each construct in this study is measured uniquely and does not experience excessive conceptual overlap, so it is suitable for further structural analysis in testing the mediating role of talent management on the influence of knowledge management and employee engagement on employee performance.

Table 4.3 Multicollinearity Testing

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	VIF
Employee Engagement -> Employee Performance	2,021
Employee Engagement -> Talent Management	1,743
Knowledge Management -> Employee Performance	2,042
Knowledge Management -> Talent Management	1,743
Talent Management -> Employee Performance	1,953

Based on the multicollinearity test results in Table 4.3, all Variance Inflation Factor (VIF) values range from 1.743 to 2.042, well below the general threshold of 5. This indicates that there is no multicollinearity problem among the independent variables in the research model. In other words, employee engagement, knowledge management, and talent management do not have a high correlation with each other, so each variable can provide a unique explanatory contribution to the dependent variable. This condition ensures that the resulting regression coefficient estimates are more stable, valid, and can be accurately interpreted to test causal relationships in the research model.

Table 4.4 R Square

	R-Square	R-Square Adjusted
Employee performance	0.723	0.713
Talent Management	0.488	0.475

Based on Table 4.4, the value *R-Square* The value for the Employee Performance variable is 0.723, meaning that 72.3% of employee performance variability can be explained by the independent variables in this study, namely Knowledge Management, Employee Engagement, and Talent Management (as a mediator). Meanwhile, the Adjusted R-Square value of 0.713 indicates an adjustment to the number of predictor variables used in the model, thus avoiding potential overestimation. This value indicates that the model has strong predictive ability in explaining changes in employee performance.

For the Talent Management variable, the R-Square value of 0.488 indicates that 48.8% of the variability in talent management can be explained by the Knowledge Management and Employee Engagement variables. The Adjusted R-Square value of 0.475 is slightly lower, but still indicates a substantial relationship. These results confirm that although most of the variation in employee performance can be explained by the model, there are still other factors outside the model that also influence performance and talent management, thus providing opportunities for further research.

Table 4.5 F Square

	F-Square
Employee Engagement -> Employee Performance	0.210
Employee Engagement -> Talent Management	0.160
Knowledge Management -> Employee Performance	0.125
Knowledge Management -> Talent Management	0.171
Talent Management -> Employee Performance	0.248

Based on the results in Table 4.5 regarding the F-Square value, it can be seen that the greatest influence on employee performance comes from talent management with a value of 0.248 which indicates a moderate and most significant contribution compared to other variables. Furthermore, employee engagement has a fairly strong influence on employee performance with a value of 0.210, and influences talent management with a value of 0.160, reflecting its important role in shaping the quality of talent management in the organization. Knowledge management also contributes to employee performance with a value of 0.125, and influences talent management with a value of 0.171. Overall, these results indicate that although all variables have a significant contribution, talent management is the most dominant factor in improving employee performance, which is strengthened by employee engagement and knowledge management as its supporters.

Table 4.6 Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Employee Engagement -> Employee Performance	0.342	0.346	0.100	3,418	0.001
Employee Engagement -> Talent Management	0.377	0.376	0.122	3,089	0.002
Knowledge Management - > Employee Performance	0.266	0.267	0.110	2,420	0.016
Knowledge Management - > Talent Management	0.391	0.388	0.099	3,931	0.000
Talent Management -> Employee Performance	0.366	0.362	0.093	3,921	0.000

Based on the results in Table 4.2 Path Coefficients, it can be concluded that allThe relationship between variables in this research model has a positive and significant influence. Employee engagement has a direct effect on employee performance with a path coefficient of 0.342, a t-statistic of 3.418, and a p-value of 0.001, indicating significance at the 1% level. Furthermore, employee engagement also influences talent management with a coefficient of 0.377, a t-statistic of 3.089, and a p-value of 0.002, indicating a significant relationship. Knowledge management has a positive influence on employee performance with a coefficient of 0.266, a t-statistic of 2.418, and a p-value <0.05, which means it is significant. Furthermore, the influence of knowledge management on talent management has the highest coefficient in this table, namely 0.391 with a t-statistic of 3.939, which indicates a strong and significant contribution. Finally, talent management has a positive influence on employee performance with a coefficient of 0.366, a t-statistic of 3.925, and a p-value <0.001. These results indicate that improving employee engagement and knowledge management not only has a direct impact on employee performance, but also strengthens talent management, which in turn further drives improvements in overall employee performance.

5. DISCUSSION

The research results prove that knowledge management has a positive and significant impact on employee performance. This means that the higher the knowledge management at work, the higher the employee's performance. This is due to the employees of PT Bank Sumut Medan Head Office who are able to manage, document, and utilize their knowledge optimally in every work process. Employees do not only rely on personal experience, but also utilize a structured shared knowledge base so that work can be completed more quickly, precisely, and efficiently. Furthermore, good knowledge management helps employees anticipate and resolve work problems with more effective solutions, because they have access to relevant and accurate information. Well-stored knowledge also facilitates the learning process between employees, so that work competencies can continue to improve. Thus, knowledge management not only plays a role in improving the quality of work output but also in forming an adaptive, innovative, and results-oriented work culture.

Research also shows that employee engagement has a positive and significant impact on employee performance, meaning that the higher the level of employee engagement, the higher the resulting performance. Employees with high engagement generally demonstrate enthusiasm (vigor), dedication, and full concentration (absorption) in completing their work. In the context of PT Bank Sumut Head Office Medan, this engagement is evident in employee commitment to completing tasks on time, willingness to put in extra effort, and a sense of ownership in the organization's success. Employees who are emotionally engaged with their work also tend to have strong intrinsic motivation, thus maintaining the quality of work results and increasing productivity. Furthermore, high engagement encourages solid teamwork. More effective communication and a proactive attitude in facing work challenges. This ultimately creates a positive work environment that supports the consistent achievement of organizational targets. Thus, employee engagement not only directly contributes to improved individual performance but also becomes a key factor in building organizational competitiveness.

Knowledge management has a positive and significant impact on talent management. This finding aligns with previous research confirming that effective knowledge management practices, including the creation, storage, sharing, and application of knowledge, can enhance an organization's capacity to identify, develop, and retain its best talent. Well-managed knowledge enables organizations to provide strategically relevant information for talent development, accelerate learning processes, and facilitate innovation. This ultimately contributes to the creation of a more adaptive talent management system oriented towards long-term competitive advantage.

The research also shows that employee engagement has a positive and significant impact on talent management. Employees with high levels of engagement tend to demonstrate commitment, loyalty, and active participation in various development programs, making it easier for organizations to identify, develop, and retain top talent. High employee engagement creates a collaborative work environment, motivates individuals to make optimal contributions, and strengthens the overall talent management chain. which demonstrates that employee engagement can drive talent management effectiveness by improving the quality of work relationships, encouraging innovation, and reducing turnover rates. employee engagement serves as a catalyst in talent management strategies, as an engaged workforce is more open to career development programs, training, and strategic placements, thereby providing significant added value to the organization.

Research shows that talent management has a positive and significant impact on employee performance, meaning that the better talent management in an organization, the higher the level of performance achieved by employees. Effective talent management includes the process of identifying, developing, and retaining employees with the best potential so they can make optimal contributions to achieving organizational goals. emphasized that organizations that successfully manage talent will excel in productivity, innovation, and competitiveness compared to their competitors. Therefore, the implementation of structured and sustainable talent management is key to significantly improving employee performance.

Various studies have shown that knowledge management has a significant influence on employee performance through the mediating role of talent management. Effective knowledge management enables organizations to systematically manage, store, and distribute information, transforming it into knowledge that can be utilized for employee competency development. In other words, knowledge management enhances the quality of talent management programs, ultimately improving individual and team performance. confirms that talent management can act as a mediating variable that strengthens the relationship between knowledge management and employee performance, as well-managed talent is able to optimally apply their knowledge to achieve organizational goals. Therefore, the integration of knowledge management and talent management strategies is an important step for organizations to build sustainable superior performance.

Employee engagement has also been shown to significantly influence employee performance through the mediating role of talent management. Highly engaged employees tend to demonstrate greater

dedication, loyalty, and work ethic, making it easier for organizations to Identifying, developing, and retaining top talent. employee engagement increases active participation in talent development programs, which in turn strengthens individual and team capabilities. This mediation process occurs when employee engagement creates positive working conditions that facilitate the implementation of talent management strategies, such as training, coaching, and career development programs, ultimately increasing productivity and performance quality. In other words, employee engagement serves as a catalyst that activates talent management mechanisms to produce superior performance, both at the individual and organizational levels.

Based on the findings of this study, it can be concluded that the success of an organization in improving employee performance is greatly influenced by the integration between knowledge management, employee engagement, and talent management. These three aspects complement and strengthen each other, where knowledge management provides the foundation of information and skills, employee engagement builds motivation and work commitment, and talent management ensures that the best potential can be optimized to achieve the organization's strategic goals. PT Bank Sumut Head Office Medan is a clear example that planned, structured, and sustainable human resource management can create a productive, innovative, and adaptive work environment to change. Thus, organizations need to continue to develop strategies that combine these three factors synergistically to maintain competitive advantage and ensure the sustainability of high performance in the future.

6. CONCLUSION

Based on the research results, it can be concluded that knowledge management, employee engagement, and talent management have a positive and significant influence on employee performance, both directly and through a mediating relationship. Effectively managed knowledge management enables employees to optimally utilize information and work experience, thereby supporting the decision-making process, accelerating task completion, and improving the quality of work results. Employee engagement has been shown to encourage intrinsic motivation, loyalty, and active participation in achieving organizational goals, which in turn strengthens the effectiveness of talent management. Talent management plays a crucial role in ensuring that individuals with the best potential can be developed, placed, and retained to make maximum contributions to the organization. Furthermore, research findings indicate that talent management is a significant mediator in the relationship between knowledge management and employee engagement on performance. The integration of these three factors creates a synergy that can increase organizational productivity, innovation, and competitiveness in a sustainable manner. Therefore, organizations, including PT Bank Sumut Medan Head Office, need to implement human resource management strategies that focus on optimizing knowledge management, increasing employee engagement, and strengthening talent management systems in a planned and sustainable manner, in order to maintain superior performance amidst increasingly fierce competition.

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