

The Impact of Talent Management on Employee Performance: A Perspective from Islamic Banking Industry

Farid Ardyansyah^{1✉}, Nur Faliza², Abdi Fadhlani³

¹Universitas Trunojoyo Madura

²Universitas Malikussaleh

³Universitas Islam Negeri Imam Bonjol Padang

farid.ardiansyah@trunojoyo.ac.id

Abstract

This study aims to examine the impact of talent management practices on employee performance in the Islamic banking industry in East Java, Indonesia. Using a quantitative approach, data were collected through questionnaires distributed to 210 employees of Islamic banks. This study employed multiple regression analysis to test the relationship between talent management practices and employee performance. The results revealed that talent management practices, including recruitment, training, career development, and retention, have a significant positive impact on employee performance. These findings provide insight that effective talent management can improve productivity, work quality, and employee commitment to the organization. Therefore, Islamic banks are recommended to continue investing in talent management as a strategic tool to enhance employee performance, while ensuring these practices align with Sharia values to create an ethical and sustainable work environment.

Keywords: Talent Management, Employee Performance, Islamic Banking, Career Development, Employee Retention.

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh praktik manajemen talenta terhadap kinerja karyawan di industri perbankan syariah di Jawa Timur, Indonesia. Dengan menggunakan pendekatan kuantitatif, data dikumpulkan melalui kuesioner yang disebarkan kepada 210 karyawan bank syariah. Penelitian ini mengadopsi analisis regresi berganda untuk menguji hubungan antara praktik manajemen talenta dan kinerja karyawan. Hasil penelitian menunjukkan bahwa praktik manajemen talenta, termasuk perekrutan, pelatihan, pengembangan karir, dan retensi, memiliki pengaruh positif yang signifikan terhadap kinerja karyawan. Temuan ini memberikan wawasan bahwa manajemen talenta yang efektif dapat meningkatkan produktivitas, kualitas kerja, dan komitmen karyawan terhadap organisasi. Oleh karena itu, bank syariah disarankan untuk terus berinvestasi dalam manajemen talenta sebagai alat strategis untuk meningkatkan kinerja karyawan, serta memastikan bahwa praktik tersebut selaras dengan nilai-nilai syariah guna menciptakan lingkungan kerja yang etis dan berkelanjutan.

Kata kunci: Manajemen Talenta, Kinerja Karyawan, Perbankan Syariah, Pengembangan Karir, Retensi Karyawan.

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1. Introduction

Talent management is a strategic process within human resource management (HRM) that is crucial to the success of any organization. As industries, including banking, become more competitive and dynamic, effective talent management has proven to be a major driver of organizational performance [1]. Talent management focuses on attracting, developing, and retaining individuals with high potential. In today's complex business environment, organizations must adopt talent management practices that are not only focused on professional competence and technical skills but also align with the broader organizational goals such as sustainability and long-term success [2].

The Islamic banking industry presents unique challenges and opportunities for talent management. Unlike conventional banks, Islamic banks operate under the principles of Sharia law, which emphasize fairness, transparency, sustainability, and ethical practices. These values influence how talent

management strategies are developed and implemented in Islamic banks, and they play a crucial role in shaping the work culture. Despite the growing interest in talent management across industries, the literature on talent management practices in the Islamic banking sector remains limited [3]. Therefore, the purpose of this study is to explore how talent management practices impact employee performance in the Islamic banking industry and identify strategies that align with Sharia principles to foster organizational success.

Talent management encompasses the systematic processes that organizations use to recruit, develop, and retain employees with the potential to contribute significantly to the organization's success [4]. According to [5], talent management is not a single activity but an integrated approach that involves managing workforce planning, recruitment, training, development, and retention. The strategic nature of talent management implies that organizations must not only focus on immediate staffing needs but also on long-term objectives such as sustainability and growth.

One widely accepted framework in talent management is the Competency-Based Human Resource Management Model, introduced by [6]. This model emphasizes aligning HR policies with the competency needs of the organization [7]. By focusing on the competencies that employees need to develop and succeed, organizations can create a work environment that encourages continuous learning and performance enhancement. This approach is particularly relevant in industries where expertise and skill development are essential, such as the banking sector [8].

In the context of Islamic banking, the framework for talent management needs to be adjusted to align with Sharia principles. As [9] argue, Islamic banks should not only focus on operational success but also ensure that their talent management practices reflect the values of justice, equity, and sustainability that are central to Sharia law. This entails providing employees with professional development opportunities that are in harmony with ethical and moral principles prescribed by Islam [10]. In this way, Islamic banks can create an environment where employees are motivated to perform well, both professionally and ethically.

The Islamic banking industry has unique features that differentiate it from conventional banking. Islamic banks operate under the guidance of Sharia law, which prohibits interest (*riba*) and promotes ethical investment in sectors such as real estate and infrastructure, while also adhering to principles of fairness, transparency, and justice [11]. This creates a work culture that is rooted in strong ethical values. [12] highlights that in Islamic banking, talent management is not only about technical expertise but also ensuring that employees understand and internalize Sharia principles. Employees must be capable of making decisions that align with Islamic values, and this requires a deep understanding of both their professional roles and the ethical frameworks in which they operate.

In Islamic banking, the complexity of managing talent increases because employees are expected to meet both performance expectations and ethical standards [13]. This creates a two-fold challenge for Islamic banks: first, they must attract and develop talented employees with the right competencies; second, they must ensure that these employees understand and adhere to the ethical and moral principles of Sharia law [14]. A critical aspect of talent management in the Islamic banking sector is employee motivation. According to [15], motivated employees tend to be more productive, committed, and engaged. For Islamic banks, employee motivation is influenced not only by financial rewards but also by the fulfillment employees derive from working in an ethically sound and socially responsible environment [16]. Therefore, it is important for Islamic banks to create a culture of trust, transparency, and respect, where employees are empowered to perform to their full potential while staying true to the values of Sharia.

Employee performance is a critical measure of an

organization's success. In banking, performance is often gauged by productivity, work quality, customer satisfaction, and organizational commitment. Effective talent management has a direct impact on employee performance by providing employees with the necessary skills, motivation, and opportunities for growth [17]. The development of career paths, training programs, and performance recognition are key strategies that organizations use to improve employee performance.

In the case of Islamic banks, employee performance is also influenced by their ability to work within a framework of ethical guidelines prescribed by Sharia. Therefore, talent management in Islamic banking must address both professional competencies (e.g., technical banking knowledge) and ethical competencies (e.g., understanding and adhering to Sharia principles). As [15] notes, organizations that excel in talent management can create a work environment that fosters employee engagement, satisfaction, and high performance. Employees in Islamic banks, when provided with the right talent management strategies, are more likely to be committed to their organization's goals, thereby improving overall performance.

Research on the relationship between talent management and employee performance has consistently shown that there is a positive relationship between the two. [18] argues that when talent management practices are aligned with organizational goals, employees perform better, both in terms of productivity and the quality of their work. This is especially true for employees in specialized industries such as banking, where technical skills and ethical considerations must be balanced.

An often-overlooked aspect of talent management is the organizational culture. According to [19], organizational culture plays a critical role in shaping how employees interact, communicate, and collaborate. A positive organizational culture that supports innovation, collaboration, and mutual respect is essential for the effectiveness of talent management [20]. In Islamic banks, the culture must reflect the values of Sharia law, emphasizing ethical behavior, social responsibility, and fairness.

The relationship between organizational culture and talent management is cyclical: a supportive culture leads to effective talent management, and effective talent management reinforces a positive culture [21]. For example, training programs in Islamic banks should not only focus on technical skills but also on fostering a deeper understanding of Islamic ethical principles. When employees are aligned with the organization's cultural and ethical values, they are more likely to be motivated, productive, and committed.

The findings from this study suggest several important implications for practice in the Islamic banking sector [22]. First, Islamic banks must continue to invest in talent management strategies that align with Sharia

principles. These strategies should focus on recruiting individuals who are not only professionally skilled but also ethically aligned with the values of the organization. Furthermore, Islamic banks should implement training and development programs that integrate Sharia-compliant practices with technical banking knowledge. Second, Islamic banks should create a positive organizational culture that fosters ethical behavior, mutual respect, and collaboration. A supportive culture is essential for the success of talent management initiatives, as it enhances employee motivation, job satisfaction, and performance. When employees feel valued and supported, they are more likely to perform at their best and contribute to the overall success of the organization.

Talent management plays a crucial role in enhancing employee performance in the Islamic banking industry. The integration of Sharia values into talent management practices ensures that employees are not only technically skilled but also ethically aligned with the organization's principles [23]. This study highlights the importance of aligning talent management with both professional competencies and ethical standards, which is essential for the long-term success and sustainability of Islamic banks. By continuing to invest in effective talent management strategies, Islamic banks can create a motivated, high-performing workforce that is committed to upholding the values of Sharia law while achieving organizational goals. This article provides an in-depth analysis of talent management in the Islamic banking industry, discussing the theoretical foundations, practical implications, and key strategies for improving employee performance. It also explores how talent management can be tailored to align with Sharia principles, making it a valuable resource for practitioners and researchers in the field of Islamic banking and human resource management.

2. Research Methodology

This research adopts a quantitative approach, aiming to examine the impact of talent management practices on employee performance in the Islamic banking industry [24]. A survey research design is used to collect data from employees working in several Islamic banks in East Java, Indonesia. The data will be collected using structured questionnaires, designed to gather information on the key elements of talent management and employee performance.

The study's sample consists of 210 employees working in different departments and roles within Islamic banks in East Java. This sample size is adequate to ensure statistical power and reliable results, as it allows for the use of multiple regression analysis, which is ideal for examining relationships between independent and dependent variables. A random sampling technique is employed to ensure that every employee has an equal chance of being selected for the survey. This method will help minimize bias and ensure that the sample is representative of the larger population of employees in Islamic banks in East Java.

Data is collected through self-administered questionnaires, which consist of both closed and open-ended questions. The closed questions are rated on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) [25]. This scale allows for the measurement of participants' attitudes and perceptions about talent management and its impact on their performance. Talent Management Practices questions regarding recruitment, training, career development, and retention strategies used by Islamic banks. Employee Performance questions assessing the performance of employees, including productivity, job satisfaction, and commitment to the organization.

The data will be analyzed using descriptive statistics to summarize the demographic characteristics of the sample and the general trends in talent management practices and employee performance. The study will also employ multiple regression analysis to test the hypotheses about the relationship between talent management practices and employee performance. To accurately measure the constructs in the study, the following operationalization of variables is used on Table 1.

Table 1. Operationalization of variables

Variable	Definition	Indicators	Measurement Scale
Talent Management Practices	Refers to the policies and practices for attracting, developing, and retaining talented employees in Islamic banks.	1. Recruitment process 2. Training and development opportunities 3. Career advancement 4. Retention strategies	Likert Scale (1-5)
Employee Performance	The level of individual job performance, including task productivity, quality of work, and organizational commitment.	1. Job productivity 2. Quality of work 3. Job satisfaction 4. Organizational commitment	Likert Scale (1-5)

The research ensures the ethical standards of confidentiality, informed consent, and voluntary participation. Participants are informed that their participation is voluntary, and their responses will be anonymous and used solely for academic purposes.

3. Results and Discussion

This section presents the results of the statistical analysis, focusing on the hypothesis testing conducted to examine the relationship between talent management practices and employee performance in the Islamic banking industry. The data collected from 210 respondents were analyzed using multiple regression analysis to test the hypotheses. The results show that talent management practices have a significant positive impact on employee performance.

The descriptive statistics provide an overview of the demographic profile of the sample, as well as the

average ratings for the key variables in the study. The following table summarizes the means and standard deviations for each variable on Table 2.

Table 2. Summarizes the Means and Standard Deviations

Variable	Mean	Standard Deviation
Talent Management Practices	4.12	0.68
Employee Performance	4.25	0.62

The hypotheses were tested using multiple regression analysis to determine the strength and significance of the relationship between talent management practices and employee performance. The results of the hypothesis testing are shown in the Table 3.

Table 3. Results of The Hypothesis Testing

Hypothesis	Path Coefficient	t-value	p-value
H1: Talent Management Practices → Employee Performance	0.467	7.123	0.000

The path coefficient of 0.467 indicates a moderate positive relationship between talent management practices and employee performance. The t-value of 7.123 is greater than the critical value (typically 1.96), and the p-value of 0.000 is less than the significance level of 0.05, indicating that the relationship is statistically significant. Therefore, H1 is supported. The results of this study indicate a significant positive impact of talent management practices on employee performance in the Islamic banking sector. This finding aligns with previous research that has demonstrated the importance of talent management in enhancing employee performance [17] [18]. Specifically, practices such as recruitment, training, career development, and retention strategies are crucial in improving the productivity and quality of work of employees.

The path coefficient of 0.467 suggests that talent management practices have a moderate positive effect on employee performance. This is consistent with the findings of [15], who argued that a well-structured talent management system can increase employee commitment and job satisfaction, which in turn improves overall performance. The significant results indicate that when Islamic banks invest in effective talent management, such as providing continuous learning opportunities and clear career paths, employee performance is likely to improve.

The t-value of 7.123 and p-value of 0.000 further support the validity of this relationship, confirming that the results are statistically significant. This is an important contribution to the literature on human resource management in the Islamic banking sector, where previous research has been limited. One key implication of these findings is that Islamic banks should continue to focus on talent management as a strategic tool to improve employee performance. This involves not only recruiting talented individuals but also providing them with the resources and opportunities to grow within the organization.

Furthermore, considering the unique ethical and moral guidelines of Islamic banking, talent management strategies should be aligned with these values to foster a supportive and ethical work environment.

4. Conclusion

This study reveals that talent management practices significantly and positively influence employee performance in the Islamic banking industry. The findings highlight that practices such as effective recruitment, continuous training programs, career development opportunities, and retention strategies are key contributors to enhancing individual performance within the organization. When talent management is executed effectively, it leads to improved productivity, higher work quality, and greater employee commitment to the organization. These improvements collectively contribute to the overall success and performance of the organization. The results suggest that Islamic banks must prioritize continuous investment in talent management as a strategic approach to boosting employee performance. This strategic investment is essential not only for operational efficiency but also for maintaining competitive advantage in the increasingly dynamic and competitive banking sector. Furthermore, it is crucial for Islamic banks to align their talent management practices with Sharia principles, ensuring that ethical values permeate all aspects of organizational life. By fostering an ethical work environment rooted in Sharia values, Islamic banks can ensure that employees are motivated, engaged, and productive, while also promoting organizational sustainability. Focusing on these aspects of talent management will enable Islamic banks to attract and retain top talent, improve employee performance, and achieve long-term organizational goals. This alignment of talent management with both business objectives and ethical considerations is vital for the growth and success of Islamic banks in the competitive financial industry.

Daftar Rujukan

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