

## Measuring the Role of Compensation as an Intermediary Variable in Measuring the Relationship between Management Talent and Employee Effectiveness

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### Abstract

*This study aimed to determine the effect of Talent Management moderated by Compensation on Employee Work Effectiveness. The sample in this study were employees at Aerotel Smile Hotel Makassar City. There are 50 employees as a sample. Three variables are used: talent management as an independent variable, employee effectiveness as the dependent variable, and Compensation as an intervening variable. This study uses a descriptive method with a quantitative approach, where data collection is done through interviews and questionnaires. The analysis tool used is Partial Least Square. While taking samples, the author uses the entire population. Data were obtained through interviews and distributing questionnaires to determine the influence of talent management and employee work effectiveness by making Compensation an intervening variable. The study results show that Talent Management positively and significantly affects Employee Work Effectiveness. Talent Management moderated by Compensation has a Positive and Significant Effect on Employee Work Effectiveness. In the future, the next researcher can add environmental conditions as a variable that affects work effectiveness because many studies show the important role of the environment in developing employee abilities and performance.*

**Keywords:** Compensation, Talent management, effectiveness, employees

### INTRODUCTION

The development of science and information technology in the current era of globalization has encouraged companies to analyze and anticipate every change in the environment or business climate by providing responsive responses quickly, precisely, effectively, and efficiently. Therefore, every organization must have reliable and qualified human resources (H.R.) to carry out company operational activities.

Companies must have the best talent to succeed in an increasingly competitive and complex global marketplace. For this reason, talent management has become a priority for companies worldwide in recent years. Michaels, et al (Nadira Asri 2017) talent management in companies, refers to company-specific steps to recruit, develop, and retain a group of talented people. Talent management is strategically hiring the right employees for the right jobs. Good employee talent management will significantly influence employee work effectiveness.

Based on research conducted by Revti et al. (Nadira Asri 2017) and (Mensah 2015), which examined the influence between talent management and employee work effectiveness, the research results showed a positive effect between talent management and employee work effectiveness. This indicates that if an employee has high abilities, it will increase the employee's work effectiveness.

In the end, the Company must also make efforts to maintain and develop the abilities or talents of its employees (Dhinnar 2018). Retaining employees known and recognized as having a high level of competence and experience is more complex than recruiting new employees to replace the old ones.

According to Heinen & O'Neill (Dhinnar 2018), one concept of talent management in employee retention is through job rotation and Compensation. Job rotation is for developing employee skills, while Compensation is a form of wages and various employee benefits. The Aerotel Smile Makassar Hotel also experienced these two symptoms. During the pandemic, due to employee downsizing, employee workload ended up increasing, so job rotation and Compensation became obstacles that management had to overcome so that employee work effectiveness continued as expected by the Company.

The issue of Compensation during the current pandemic is a dilemma that almost all companies face. Applying talent management to increase employee work effectiveness without being accompanied by Compensation will face obstacles (Nadira Asri 2017). Compensation mismatch can reduce employee work motivation. According to the source, Mrs. Evi, as the H.R. Department, during the pandemic, the Company has downsized employees to balance the Company's income and expenses.

The result is that employees carry out new work in addition to their primary work, which has been running to cover the existing workforce shortage. Based on the results of the researcher's direct observations (interview: 2021), employees complained about the Company's strategy of placing employees in work positions that were not their expertise. Employee work placements that are carried out without proper preparation result in obstacles for employees in increasing their work effectiveness.

Hotel Aerotel Smile has talented employees but does not have appropriate positions for employees with that talent. Talent management is helpful so that employees feel that their talents are not in vain and so that employees have better job opportunities. So far, the Compensation provided by Aerotel Smile to employees has stayed the same. Even though the

workload has increased without additional salaries or incentives, the employees still carry out all work functions well.

### **Compensation**

A sound compensation system will significantly influence a person's work morale and productivity. Sikula (A.A. Mangkunegara 2018) "Compensation is significant for both employees and employers, this is because compensation is a source of income for employees, compensation is also a reflection of social status for employees."

According to (Hasibuan 2019), Compensation is all income in the form of money, direct or indirect goods received by employees as Compensation for services provided to the Company. Establishing an effective compensation system is integral to human resource management because it helps attract and retain talented jobs. Apart from that, the Company's compensation system impacts strategic performance. According to (Hasibuan 2019), the objectives of providing Compensation include, among other things, establishing cooperation, increasing employee job satisfaction, providing effective employees, increasing motivation, employee work stability, increasing discipline, and reducing the influence of labor unions.

### **Talent Management**

Quoting the theory put forward by Pratt et al., quoted by (Bakker and Bal 2013), it explains that investment in the form of talent management can produce quality workers and work with high-performance quality, so it can be seen that *there is a significant link between talent management* with employee performance. Talent management is a series of integrated human resource processes in identifying, managing, and developing a person's abilities based on their performance to get employees who remain in line with the work expected by the Company. Initiatives in implementing talent management in business have many goals. According to (Mensah 2015), the main goal is to develop the best top management in facing business competition, looking for good external candidates to fill critical jobs, complementing each other's talents between different units, retaining talent through career development opportunities, expanding the internal talent pool by focusing on several different employees, and establishing a common need to have the best performers as the key to future business success (Mohammad Sholeh 2019).

### **Employee Effectiveness**

Effectiveness is generally interpreted as "doing something right" (Hasibuan 2019). According to (Tetik 2017), effectiveness is defined as whether or not something is chosen correctly to achieve the desired target. Effectiveness is also often viewed in terms of the success of a work program in achieving goals. Achieving these goals certainly requires competent and talented human resources to understand the vision and mission of the work program. In other words, the effectiveness of an organization or Company can be achieved if each employee can precisely achieve the desired targets (Rajab et al. 2023).

## METHODOLOGY

This research analyzes the influence of Talent Management on employee work effectiveness with Compensation as a moderating variable. A moderating variable is a variable that influences or changes the relationship between two other variables (Imam Ghozali 2018). In the context of regression analysis, moderating variables influence the strength or direction of the relationship between the independent and dependent variables (. Where the independent variable is Talent Management (X), the moderator variable is Compensation (Z), and the dependent variable is Employee Work Effectiveness (Y). This research uses a descriptive method using a quantitative approach. There are 50 populations used as saturated samples. The data sources used in this research are primary and secondary data relevant to the research objectives. In descriptive statistics, it is usually in the form of data centralization measures (Imam Ghozali 2018).

The data processing technique uses the regression method with Partial Least Square (PLS), using two PLS path analysis models, namely the structural Model (Structural Model) or inner Model and the measurement model (Measurement Model) or Outer Model.

### *Descriptive statistical test*

Descriptive statistical results from data processed following the criteria previously explained, the minimum, maximum, mean, and standard deviation values are obtained as shown in the following table.

**Table 3. Descriptive statistical test results**

	No	Missin g	Mea n	Media n	Min	Max	Standart Deviation
X11	1	0	4.615	5.000	4.000	5.000	0.487
X12	2	0	4.673	5.000	4.000	5.000	0.469
X13	3	0	4.596	5.000	4.000	5.000	0.469
X21	4	0	4.827	5.000	4.000	5.000	0.491
X22	5	0	4.923	5.000	4.000	5.000	0.378
X23	6	0	4.885	5.000	4.000	5.000	0.266
X31	7	0	4.615	5.000	4.000	5.000	0.319
X32	8	0	4.865	5.000	4.000	5.000	0.487
X33	9	0	4.615	5.000	4.000	5.000	0.341
Z11	10	0	4.673	5.000	4.000	5.000	0.487
Z12	11	0	4.673	5.000	4.000	5.000	0.469
Z13	12	0	4.596	5.000	4.000	5.000	0.491
Z21	13	0	4.827	5.000	4.000	5.000	0.378
Z22	14	0	4.923	5.000	4.000	5.000	0.266
Z23	15	0	4.500	5.000	4.000	5.000	0.500
Y11	16	0	4.577	5.000	4.000	5.000	0.494
Y12	17	0	4.865	5.000	4.000	5.000	0.341
Y13	18	0	4.885	5.000	4.000	5.000	0.319
Y21	19	0	4.827	5.000	4.000	5.000	0.378
Y22	20	0	4.673	5.000	4.000	5.000	0.469
Y23	21	0	4.731	5.000	4.000	5.000	0.444
Y31	22	0	4.154	5.000	4.000	5.000	0.361
Y32	23	0	4.846	5.000	3.000	5.000	0.411
Y33	24	0	4.846	5.000	3.000	5.000	0.411

Data source: Processed 2023

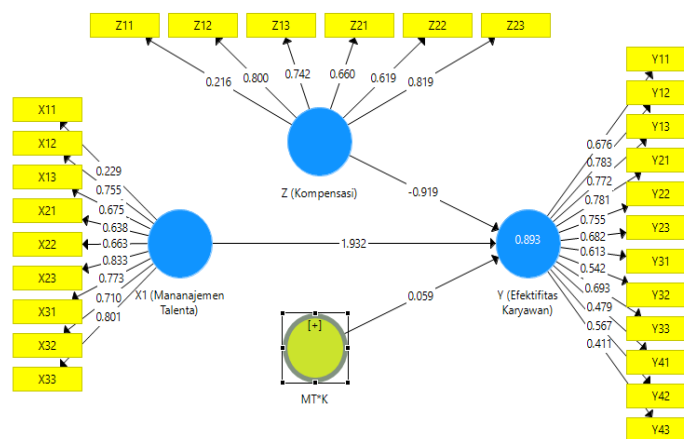
## Partial Least Square Test

Data processing uses the regression method with Partial Least Square (PLS), using two PLS path analysis models, namely the structural Model (Structural Model) or inner Model and the measurement model (Measurement Model) or Outer Model. The following is a picture of the Structural Model with PLS.

**Outer Model or measurement Model testing**

Before testing a hypothesis to predict the relationship between variables in a structural model, an evaluation of the measurement model must first be carried out to verify indicators and latent variables that can be tested later. Picture 1. Model Struktural PLS

**Convergent Validity**



**Data source:** Processed 2023

**Loading factor testing**

The loading factor limit value used in this research is 0.70. If a reflective indicator does not meet 0.70, then the indicator must be eliminated or removed from the measurement model. The following are the results of the outer loading of liquidity and profitability variables on Company Value.

**Table 4. Loading Factor Result Test**

	EK	K	MT
X12			0.814
X13			0.753
X23			0.807
X31			0.725
X32			0.763
X33			0.758
Y11	0.767		
Y12	0.848		
Y13	0.848		
Y21	0.845		
Y22	0.743		
Y23	0.739		
Y32	0.735		
Y33	0.702		
Z11		0.855	
Z12		0.895	

**Data source:** Processed 2023

From Table 4 it can be seen that the variable values for Talent Management (X), Work Effectiveness (Y), and Compensation (Z) in this study have a loading factor above 0.70, which means that this indicator can represent the construct of the Independent latent variable (Talent Management) in terms of its influence on the Dependent latent variable (Work Effectiveness).

#### **AVE (Average et al.) Testing**

An indicator is considered valid if it has an AVE (Average et al.) value above 0.5 or shows that all outer loading dimensions of the variable have a loading value > 0.5, so it can be concluded that the measurement meets the convergent validity criteria (Ghozali, 2008). The following are the results of AVE (Average et al.):

**Table 5. Cross loading test**

	rho_A	Average Variance Extraxed
K	0.706	0.766
EK	0.909	0.609
MT	0.865	0.594

**Data source:** Processed 2023

From the table above, it can be seen that all outer loading variable dimensions have a loading value > 0.5, namely 0.766 for the Moderation variable (Compensation), 0.609 for the Dependent variable (Work effectiveness), and 0.594 for the Independent variable (Talent Management). So, the measurement meets the criteria for convergent validity.

#### *Discriminant Validity Testing*

An indicator declared good discriminant validity indicates a variable whose cross-loading value must be  $> 0.70$ . The results of discriminant validity testing (cross-loading) for each research indicator are as follows:

The results of the cross-loading value data available in the table above show that each indicator has a cross-loading value of  $> 0.70$  on the variable of the indicator itself. The resulting cross-loading value states that the indicators contained in this research have good discriminant validity for their variables.

*Reliability Testing*

You must use Cronbach's Alpha and Composite Reliability values to carry out a reliability test. A construct is reliable if the Cronbach's Alpha value must be  $> 0.70$  and the Composite Reliability value must be  $> 0.70$ . The results of Cronbach's Alpha and Composite Reliability testing from the research are as follows

**Table 6. Realibilitas Test**

	Cronbach's Alpha	rho_A	Composite Reliability
EK	0.907	0.909	0.925
K	1.000	1.000	1.000
MT	0.863	0.865	0.897
MT*K	1.000	1.000	1.000

**Data source:** Processed 2023

Based on the table above, the variables contained in this study have Cronbach's Alpha and Composite Reliability values above 0.70, which can be concluded that these variables are following the provisions for composite reliability values where all variables obtain a value of 1.0 so it can be said that these variables have reliability—the good one.

*Inner Model or Structural Model Testing*

Evaluation of the structural Model is to check for collinearity between constructs and the Model's predictive ability. This research will explain the results of the coefficient of determination (R-Square) and Path Coefficient tests.

*Test of the Coefficient of Determination (R-Square) X moderated by Z to Y*

The coefficient of determination (R<sup>2</sup>) value is expected to be between 0 and 1. R<sup>2</sup> values of 0.75, 0.50, and 0.25 indicate that the Model is strong, moderate, and weak (Sarstedt et al, 2017). The R-square results of the Talent Management variable on Work Effectiveness after being processed with the moderating variable, namely Compensation, are:

**Table 7. R-square Result Test**

	R Square	R Square Adjusted
EK	0.913	0.908

**Data source:** processed 2023

Table 7 in this study shows that the R-square value of the Work Effectiveness construct is 0.905, which means that 90.5% of the Talent Management and Compensation variables, after being processed with moderation, have an effect on Work Effectiveness which can be explained by the Work Effectiveness variable, and has a powerful influence between independent variable to the dependent variable.

*Hypothesis test*

The results of hypothesis testing begin by looking at the output results using the PLS program, namely the value of the path coefficient. The significance of the influence between the independent and dependent variables can be generated by looking at the parameter coefficient values and the t-statistical significance values. The method used in the PLS program is the bootstrapping method for the sample. They are using the bootstrapping method for each coefficient. Testing with bootstrapping can also minimize the problem of non-normality of research data. So, bootstrapping is usually tested after testing the path coefficient. After testing, p-values can be produced, which can be seen to test the hypothesis in the research.

**Table 8 Hypothesis Test Results**

	Original Sample (O)	Sample Mean (M)	Standart Deviation (STDEV)	T Statistic (O/STADEVI)	P Values
K -> EK	0.691	0.683	0.081	8.532	0.000
MT -> EK	0.531	0.531	0.159	3.343	0.001
MT*K -> EK	0.208	0.197	0.087	2.398	0.017

**Data source:** Processed 2023

The results of the parameter coefficient test between Talent Management and Work Effectiveness show that the original sample estimate value is Positive at 0.531, which indicates that the direction of the relationship between Talent Management and Work Effectiveness is Positive, with a t-statistic value of 3.343. The t-statistic value is more significant than 1.96, and the P-value is 0.001, where the value is smaller than 0.05. Thus, the first hypothesis (Ho) is rejected, and the hypothesis (Hi) is accepted. The results of hypothesis testing (1) prove that the Talent Management variable, which uses Selection, Retention, and Development indicators, affects Work Effectiveness. The results of this study are in line with the results of research conducted by (Yuwono, Suroso, and Hubeis 2021), (Bakker and Bal 2013).



The second hypothesis (H2) states that compensation is able to moderate the influence of talent management on work effectiveness. The results of the parameter coefficient test between Talent Management and Compensation on Work Effectiveness show that the original sample estimate value is Positive at 0.208, which indicates that the direction of the relationship between Talent Management which is moderated by Compensation on Work Effectiveness is Positive, with a t-statistic value of 2.398. The t-statistic value is greater than 1.96 and the P-value is 0.017, where the value is smaller than 0.05, thus it can be concluded that the second hypothesis (Ho) is rejected and the hypothesis (Hi) is accepted. The results of testing the second hypothesis (H2) prove that the Talent Management variable which uses Selection, Retention and Development indicators is able to be moderated by compensation on Work Effectiveness. This is in accordance with the theory expressed by (Schuler, Jackson, and Tarique 2014) which states that: Providing compensation can increase work performance and employee motivation. Therefore, organizational or company attention to rational and fair regulation is very necessary. If employees view compensation as inadequate, their work performance/work effectiveness, motivation and job satisfaction will tend to decrease. The results of this study are in line with the results of research conducted by (Putri Bunga 2017), (Rugian et al. 2019), (Putri Bunga 2017).

## **CONCLUSION**

The results of hypothesis testing (1) prove that the Talent Management variable, which uses Selection, Retention, and Development indicators, affects Work Effectiveness. This can mean that Talent Management with these 3 Indicators is needed to manage H.R. With Talent Management, it is hoped that it will be able to create superior H.R. that works following the Company's expectations. Investment in the form of talent management can produce quality workers and produce work with high-performance quality, so it can be seen that there is a strong relationship between significant relationship between talent management and employee performance."

The results of testing the second hypothesis (H2) prove that the Talent Management variable, which uses Selection, Retention, and Development indicators, can be moderated by Compensation on Work Effectiveness. This research shows that Compensation can moderate talent management on work effectiveness. This follows the theory expressed by (Schuler, Jackson, and Tarique 2014) which states that Providing Compensation can increase work performance and employee motivation. Therefore, organizational or Company attention to rational and fair regulation is necessary. If employees view Compensation as inadequate, their work performance/effectiveness, motivation, and job satisfaction will tend to decrease."

## **Suggestion**

This research shows a positive and significant influence of Talent Management, which is moderated by Compensation on the Work Effectiveness of Aerotel Smile Makassar employees. This result contradicts the Aerotel Smile case, where employees continued to

complete more than one job without Compensation. Employee loyalty may be affected due to the difficulty of the current job market. In the future, future researchers could add environmental conditions as a variable that influences work effectiveness.

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