

The Role of Talent Management and Career Development in Improving Organizational Performance: A Study on the Indonesian Banking Industry

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Abstrak

Studi ini mengeksplorasi dampak manajemen talenta dan pengembangan karier terhadap kinerja organisasi di sektor perbankan Indonesia. Penelitian ini membahas tantangan utama yang dihadapi perbankan, termasuk retensi talenta, transformasi digital, dan adaptasi regulasi. Dengan menggunakan pendekatan studi kasus kualitatif, data dikumpulkan melalui wawancara semi-terstruktur dan analisis dokumen yang melibatkan manajer SDM dan karyawan senior dari bank komersial terpilih. Analisis tematik digunakan untuk mengekstrak pola dan wawasan. Temuan penelitian menunjukkan bahwa manajemen talenta terstruktur yang mencakup rekrutmen berbasis kompetensi, pelatihan kepemimpinan, dan perencanaan suksesi berdampak positif terhadap keterlibatan dan produktivitas karyawan. Demikian pula, jalur pengembangan karier yang jelas meningkatkan retensi dan motivasi karyawan. Lebih penting lagi, studi ini menyoroti efek sinergis ketika kedua strategi diimplementasikan secara bersamaan, yang menghasilkan kelincuhan organisasi dan kualitas layanan yang lebih baik. Namun, hambatan seperti resistensi budaya dan terbatasnya investasi dalam sistem SDM masih tetap ada. Studi ini berkontribusi pada literatur manajemen sumber daya manusia strategis di pasar negara berkembang dan menawarkan rekomendasi praktis untuk mengintegrasikan strategi sumber daya manusia dengan tujuan kinerja. Studi ini juga mengidentifikasi keterbatasan terkait pengambilan sampel dan cakupan, yang menunjukkan perlunya penelitian di masa mendatang yang lebih luas dan inklusif.

Kata Kunci: Kinerja Organisasi, Manajemen Talenta, Pengembangan Karir.

Abstract

This study explores the impact of talent management and career development on organizational performance within the Indonesian banking sector. The research addresses key challenges faced by banks, including talent retention, digital transformation, and regulatory adaptation. Using a qualitative case study approach, data were collected through semi-structured interviews and document analysis involving HR managers and senior employees from selected commercial banks. Thematic analysis was employed to extract patterns and insights. Findings reveal that structured talent management comprising competency-based recruitment, leadership training, and succession planning positively influences employee engagement and productivity. Similarly, clear career development pathways enhance employee retention and motivation. More importantly, the study highlights the synergistic effect when both strategies are implemented in tandem, leading to greater organizational agility and service quality. However, barriers such as cultural resistance and limited investment in HR systems persist. The study contributes to the strategic human resource management literature in emerging markets and offers practical recommendations for integrating human capital strategies with performance goals. It also identifies limitations related to sampling and scope, suggesting the need for broader and more inclusive future research.

Keywords: Career Development, Talent Management, Organizational Performance

INTRODUCTION

Organizational performance remains a central concern for financial institutions, particularly in the banking sector, which operates in a highly competitive and regulated environment. Performance in banking is not only measured by financial profitability but also by operational efficiency, service quality, innovation, and customer satisfaction (Masa'deh et al., 2022). In Indonesia, banks are under increasing pressure to maintain strong performance while adapting to digital transformation, evolving consumer preferences, and dynamic regulatory frameworks (Chen et al., 2021). This situation underscores the need for effective internal management strategies, particularly in human capital, to ensure sustained competitiveness and resilience.

Without well-structured approaches to talent management and career development, banks risk a decline in organizational performance in the long term (Sofyani et al., 2022).

The urgency of this research arises from the rapid growth of digital banking services, which presents both opportunities and challenges for organizational performance. Data from Bank Indonesia (2023) highlight a surge in digital banking penetration, accompanied by intensified demands for employee adaptability and advanced competencies. However, retaining highly skilled employees remains a persistent problem, exacerbated by the increasing competition from fintech firms and global financial institutions (Wuryaningrat et al., 2021). Talent management and career development thus become urgent priorities for banks, as they represent structured mechanisms to build, retain, and empower employees. Addressing these issues through empirical analysis is essential for providing both academic and practical solutions to strengthen the Indonesian banking sector.

Talent management plays a critical role in sustaining organizational performance by focusing on attracting, developing, retaining, and deploying high-potential employees (Collings et al., 2021). In banking, this includes competency-based recruitment, succession planning, leadership training, and strategies for employee engagement (Shafique et al., 2020). Research has shown that effective talent management significantly improves employee commitment, innovation, and productivity, which directly contribute to organizational outcomes (Otoo, 2021). Despite this, many Indonesian banks face challenges in implementing robust talent management systems due to cultural barriers, limited HR investments, and gaps in merit-based practices (Setyowati et al., 2023). Investigating the role of talent management in this context is therefore necessary to uncover its true impact on organizational performance.

Career development is another crucial dimension for enhancing organizational outcomes. It involves providing employees with clear career pathways, continuous training opportunities, and support for skill development aligned with industry demands (Park et al., 2022). Employees who perceive growth opportunities within their organization tend to display stronger loyalty, higher engagement, and improved job performance (Nawaz & Gomes, 2020). In the Indonesian banking industry, where workforce mobility is relatively high, career development strategies are vital to reduce turnover and strengthen employee retention (Sutanto et al., 2021). Effective career development initiatives not only enhance individual competencies but also contribute to building long-term organizational capabilities, making them indispensable for sustainable performance (Alagaraja et al., 2022).

Building on these issues, this study aims to analyze the influence of talent management and career development on organizational performance in the Indonesian banking sector. Theoretically, this research contributes to expanding the literature on strategic human resource management and organizational effectiveness within the context of emerging markets. Empirically, it provides actionable recommendations for bank managers and policymakers to design HR strategies that enhance competitiveness, employee engagement, and long-term sustainability in the face of digital and regulatory disruptions.

Although numerous studies have confirmed that talent management and career development positively influence organizational performance, most of this research has focused on multinational corporations or industries in developed countries, rather than on the banking sector in emerging markets like Indonesia (Collings et al., 2021; Otoo, 2021). Existing literature often discusses talent management in general terms without explicitly connecting it to the unique dynamics of digitalization, competition with fintech companies, or the regulatory pressures faced by banks in Indonesia (Wuryaningrat et al., 2021; Setyowati et al., 2023). Moreover, performance measurement in many of these studies remains centered on financial metrics, despite growing recognition that bank performance is also shaped by service quality, customer satisfaction, and digital adaptability (Masa'deh et al., 2022; Chen et al., 2021).

Furthermore, few studies have examined the *combined* impact of talent management and career development as complementary HR strategies influencing organizational performance (Park et al., 2022; Nawaz & Gomes, 2020). Most prior research tends to analyze these variables in isolation, leaving a gap in

understanding how their synergy contributes to performance—particularly in digital banking environments that require both high-skilled talent and long-term employee retention. Additionally, previous models rarely incorporate mediating or moderating variables such as employee engagement or organizational commitment that could deepen understanding of the mechanisms at play (Shafique et al., 2020; Alagaraja et al., 2022). Thus, there is a pressing need for empirical studies that take a holistic approach to examining both talent management and career development in the Indonesian banking sector, using a multidimensional view of organizational performance and more comprehensive analytical models.

Research methods

This study adopts a qualitative research approach with a case study design to explore how talent management and career development strategies influence organizational performance within the Indonesian banking sector. The case study method is appropriate because it enables an in-depth and contextualized understanding of complex phenomena in real-life organizational settings (Yin, 2021). The object of the research consists of selected Indonesian commercial banks that have implemented structured human capital strategies over the past five years.

The target audience includes HR managers, middle and senior-level employees, and banking professionals who are directly involved in talent and career development initiatives. Informants were selected using purposive sampling, emphasizing individuals with deep knowledge and experience in the subject area (Palinkas et al., 2015). This technique ensures that the data gathered is rich and relevant for theory development.

Data collection techniques include semi-structured interviews and document analysis. Interviews are guided by open-ended questions to allow flexibility while maintaining focus on key themes: talent attraction, employee development programs, promotion systems, and organizational performance indicators such as service quality, customer satisfaction, and employee productivity. Document analysis complements the interviews by reviewing internal HR reports, performance dashboards, and organizational development policies to triangulate findings (Bowen, 2009).

The data analysis technique applied is thematic analysis, following the steps proposed by Braun and Clarke (2021), involving data familiarization, code generation, theme identification, and interpretation. NVivo software is used to organize and analyze qualitative data efficiently. This approach helps reveal patterns and relationships among variables and facilitates the development of a conceptual model linking talent management and career development to performance outcomes.

The qualitative approach is justified by the research objective, which seeks to uncover deep insights, meanings, and contextual factors influencing HR practices in Indonesian banks rather than testing predefined hypotheses. The method provides rich, detailed data that can inform both academic theory and practical HRM strategies.

RESULTS AND DISCUSSION

This section presents and interprets the findings derived from the qualitative case study conducted in selected Indonesian commercial banks. It aims to systematically address the research objectives by analyzing how talent management and career development strategies influence organizational performance. The data were gathered through semi-structured interviews and document analysis, and subsequently analyzed using thematic analysis to identify patterns, relationships, and contextual factors. By organizing the discussion around key themes that emerged during analysis, this section not only describes the empirical results but also links them to relevant theoretical frameworks and prior studies. The discussion also considers the implications of these findings for human resource management practices and the broader performance dynamics in the Indonesian banking sector.

To enhance clarity and analytical depth, the results are presented in four thematic subsections. The first discusses how banks implement talent management practices and their effect on employee and organizational outcomes. The second examines the role of career development in strengthening employee engagement and reducing turnover. The third explores the synergistic relationship between both strategies and how they collectively impact organizational agility and service quality. The final subsection offers comparative insights with existing literature, outlines the strategic implications of the findings, and addresses limitations of the study. Together, these subsections provide a comprehensive understanding of the mechanisms through which human capital strategies affect institutional performance in a rapidly evolving financial landscape.

The Influence of Talent Management on Organizational Performance

Findings from in depth interviews with HR managers and senior employees in Indonesian commercial banks reveal that structured talent management strategies significantly contribute to improved organizational performance. The implementation of competency-based recruitment, leadership development programs, and succession planning has demonstrated positive impacts on employee engagement and unit productivity. Banks that actively identify and nurture high-potential individuals reported notable improvements in operational efficiency and customer service quality. These observations align with existing literature asserting that talent management serves as a strategic tool for enhancing competitive advantage through human capital development (Collings et al., 2021; Otoo, 2021). The evidence supports the argument that institutions integrating talent management into their business strategy exhibit greater resilience in navigating digital disruptions and competitive market pressures.

Nevertheless, the implementation of talent management practices remains inconsistent across institutions. Some banks face challenges such as limited training budgets, cultural resistance to merit-based systems, and the absence of objective performance evaluation frameworks. Several informants emphasized that the success of these strategies heavily depends on consistent leadership support and organizational commitment. These findings are consistent with Setyowati et al. (2023), who identify structural and cultural barriers as key impediments to effective talent management in Indonesia's banking sector. As a result, financial institutions must not only focus on talent identification but also cultivate an organizational ecosystem that supports continuous development and retention of high-performing employees.

Career Development as a Driver of Employee Retention and Performance

Clearly defined and structured career paths have emerged as crucial drivers of employee engagement and loyalty in the banking sector. This study found that banks offering transparent advancement opportunities and continuous professional development programs experienced reduced employee turnover and increased organizational commitment. Interview data indicate that employees feel more valued and motivated when supported in their career aspirations. These findings echo previous studies which show that perceived career growth prospects enhance both individual performance and organizational outcomes (Park et al., 2022; Nawaz & Gomes, 2020). Given the high workforce mobility in the sector, career development strategies are essential for maintaining talent stability and ensuring consistent performance outcomes.

However, the study also uncovered gaps between policy and practice in several institutions. Some respondents reported that career development initiatives are often implemented superficially without proper follow-up or impact assessment. Additionally, the absence of formal mentoring and career monitoring systems was identified as a critical weakness. These limitations reinforce insights from Alagaraja et al. (2022), who emphasize the need for integration between career development efforts and broader managerial strategies. To maximize effectiveness, banks must adopt a holistic approach encompassing

career planning, needs-based training, and continuous evaluation to ensure that these initiatives meaningfully enhance long-term organizational performance.

The Synergistic Effect on Organizational Performance

The integration of talent management and career development strategies has shown a compounded impact on the performance of banking institutions. Informants consistently emphasized that talent management initiatives, when aligned with structured career development plans, resulted in higher organizational agility and employee accountability. Banks that implemented both strategies simultaneously experienced stronger inter-departmental collaboration, reduced skill gaps, and enhanced responsiveness to market changes. For instance, institutions that combined leadership succession planning with tailored training programs reported improvements in decision-making efficiency and innovation capacity. This supports the theoretical view that human resource strategies work most effectively when deployed in synergy, rather than isolation (Park et al., 2022; Shafique et al., 2020). Such integrated practices not only elevate individual competencies but also build organizational systems that are resilient and adaptive.

Furthermore, the data indicate that the simultaneous application of these strategies contributes to a culture of continuous learning and performance orientation. Employees perceive a clearer linkage between their development efforts and career progression, which fosters intrinsic motivation and reduces disengagement. As employee satisfaction rises, so too does customer satisfaction an indirect but critical indicator of performance in the banking sector. This chain reaction confirms the role of human capital alignment in driving service quality and stakeholder trust, consistent with the multidimensional performance metrics discussed by Masa'deh et al. (2022). The findings also suggest that banks failing to integrate these strategies often encounter fragmented efforts that dilute their impact, underscoring the necessity for HR departments to adopt cohesive and strategic human capital planning frameworks.

Comparative Insights and Strategic Implications

When compared to previous international studies, the findings of this research offer distinctive insights into the contextual challenges and opportunities in the Indonesian banking sector. While prior research in developed countries has consistently demonstrated the positive effects of talent management and career development on firm performance (Collings et al., 2021; Otoo, 2021), the present study emphasizes the importance of cultural adaptability, leadership involvement, and institutional commitment in emerging market settings. In contrast to Western banking systems where performance frameworks and HR investments are well-established, Indonesian banks still face fragmentation in implementation and limited alignment between HR strategy and business goals. These gaps reveal that although the foundational principles of strategic human resource management are universal, their effectiveness is contingent on organizational readiness and contextual factors such as regulatory environments and labor market dynamics (Setyowati et al., 2023; Wuryaningrat et al., 2021).

Strategically, the study underscores the need for banks to institutionalize HR practices through policy reform, technology integration, and leadership development. Banks that build a systemic approach by linking talent management pipelines with long-term career trajectories are better positioned to maintain talent competitiveness and meet the challenges of digital transformation. From a policy perspective, this calls for active collaboration between HR departments and top-level management in developing integrated human capital strategies that are data-driven and performance-oriented. However, this study is not without limitations. Its qualitative scope and case-study design limit the generalizability of findings across the entire industry. Additionally, it does not incorporate the perspectives of frontline employees or external stakeholders such as customers or regulators. Future research should adopt mixed-method approaches and broader sampling strategies to validate these findings across diverse banking contexts and to explore the

role of mediating variables such as organizational culture or digital literacy in strengthening HR-performance linkages.

CONCLUSION

This study set out to investigate the influence of talent management and career development on organizational performance within the Indonesian banking sector, responding to the growing demands for human capital resilience amid digital transformation and competitive pressures. As outlined in the introduction, organizational performance in banking extends beyond financial indicators to encompass operational efficiency, customer satisfaction, innovation, and adaptability. The findings confirm that both talent management and career development are critical drivers of these performance dimensions, particularly when implemented in an integrated and strategic manner. Structured talent identification, competency-based recruitment, leadership training, and transparent career pathways collectively shape a high-performing workforce capable of sustaining organizational excellence in a volatile environment.

The discussion has highlighted that the synergy between talent management and career development yields greater performance impact than when these strategies are pursued in isolation. The research also points to institutional and cultural barriers that must be addressed to ensure successful implementation, including leadership commitment, meritocratic values, and continuous monitoring. Strategically, banks should institutionalize HR practices and ensure alignment with long-term business goals. From a development perspective, future service implementation plans should emphasize policy integration, digital HR systems, and leadership capacity building to enhance human capital effectiveness. Further research should extend the empirical base through mixed methods and longitudinal designs, incorporating stakeholder perspectives to enrich understanding of HR-performance dynamics in emerging markets.

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