



# Optimizing Gen-Z Employee Performance through Talent Management Strategies: A Partial Least Squares Approach

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## Abstract

Research related to optimizing Generation Z employee performance through talent management is still limited, particularly among Gen Z employees in Bandar Lampung City. Gen Z possesses distinct characteristics from earlier generations, thereby requiring the application of suitable talent management strategies to maximize their potential. This study seeks to examine the effect of talent management on Generation Z employees' performance, focusing on three main dimensions: recruitment and selection, employee retention and talent development. The research employs a quantitative approach, with data collected through an online Google Form questionnaire. The sample was determined using a purposive sampling technique, involving 155 respondents. Data were analyzed using the Partial Least Squares (PLS) method. The findings indicate that all indicators of talent management have a positive and significant influence on employee performance. Recruitment and selection had a significant and positive effect on employee performance, employee retention has a significant and positive effect on employee performance and talent development has a significant and positive effect on employee performance. Therefore, this study emphasizes that the implementation of effective talent management strategies, starting from the recruitment and selection process, competency development, until retention the employees plays a crucial role in improving the performance of Generation Z employees.

## INTRODUCTION

In an era of increasingly competitive and dynamic business environments, the caliber of human resources has emerged as a crucial element in determining an organization's overall success. Companies are required not only to recruit competent employees but also to develop their potential and retain the best talents in order to make optimal contributions toward achieving organizational goals. Therefore, talent management has become an essential strategy that must be implemented by every organization to face the challenges of the modern workforce. According to Lewis and Heckman (2006), there are three ways to define talent management: as an integration of fundamental human resource management activities, including recruitment, selection, employee retention, and talent development. The coordinated application of these three dimensions is considered to have a notable influence on enhancing employee performance. This aligns with the results of previous research by Ekhsan et al. (2023), which states that talent management can enhance employee performance. By having the right employees, continuously developing them, and retaining them in the long term, a company will have high-quality, flexible, and achievement-driven human resources. This is especially significant in the case of Generation Z, who constitute the upcoming generation of the workforce.

Generation Z refers to individuals born between 1997 until 2012, who are currently between 13 and 28 years old. This generation has characteristics and work expectations that differ from previous generations, requiring a more innovative and strategic approach to talent management. Bandar Lampung, as the capital city of Lampung Province, is one of the cities with a relatively large Generation Z population. Based on data from the Central Bureau of Statistics of Bandar Lampung City (2023), the number of Generation Z workers reached 150.823 people, or around 26.42% of the city's total

population. Along with the growing number of companies and the increasing demand for labor, challenges in managing employees have also become more complex. Companies are required not only to recruit competent individuals but also to develop their potential and establish a workplace atmosphere that fosters increased employee satisfaction and improved performance.

Generation Z is known for its tendency to switch jobs frequently (job hopping). A study by the employment platform CareerBuilder shows that the average length of employment for Generation Z workers in a company is approximately 2 years and 3 months, which is shorter compared to Millennials (2 years and 9 months), Gen X (5 years and 2 months), and Baby Boomers (8 years and 3 months). This tendency toward job hopping is further evidenced by a 2023 ResumeLab survey of 1,100 Gen Z workers, showing that 83% identified themselves as job hoppers. The elevated turnover rate among Generation Z employees may stem from several factors, including the inadequate application of talent management practices within companies. When talent management is not properly applied—such as insufficient skill development opportunities, lack of appreciation for employee achievements, and weak retention programs—employees often feel less motivated and disengaged from their workplace. Consequently, this can lower their performance and increase their likelihood of leaving the company. Considering these circumstances, this study aims to further explore the effect of the three dimensions of talent management on the performance of Generation Z employees in Bandar Lampung City.

## **Talent Management**

Talent management, as defined by Armstrongs (2010) in his book, is a process to ensure that an organization has the talented individuals needed to achieve its business objectives. This process involves the strategic management of talent movement and development within the organization by building and maintaining a sustainable talent pipeline. According to Lewis & Heckman (2006), there are three ways to define talent management: As an integration of fundamental HRM activities, including recruitment and selection, employee retention, and talent development. It also serves as an approach to establishing and maintaining a broad pool of talent to guarantee a consistent quantitative and qualitative supply of employees across the organization, aligning with the principles of succession planning and HR planning and employee talent development and as an approach focused on managing talent based on demographic needs in the labor market, emphasizing the importance of employee retention so that the organization can maintain its talented workforce amid changes in demographic structure and dynamics. According to Younger et al. (2007) the approaches that should be implemented in talent management include emphasizing the development of employees from within the organization, making talent development an essential part of the business strategy, and clearly defining the competencies and characteristics required. In addition, organizations should establish well-structured career paths, implement management development, training, and mentoring programs seriously.

## **Recruitment & Selection**

Recruitment refers to a set of organizational activities aimed at attracting potential candidates who have the necessary skills and competencies to support the organization in reaching its goals and objectives (Abdalla Hamza et al., 2021). The recruitment process involves determining job qualifications, attracting prospective employees, evaluating and selecting candidates, hiring them, and assisting new hires in adjusting to the workplace environment. The human resources department also has a crucial role in locating and choosing individuals who are most qualified and capable of fulfilling the organization's staffing needs (Dessler, 2018). Recruitment can be understood as the process of discovering, evaluating, and hiring the best candidates, either from within or outside the organization, to fill available job opportunities (Mondy, 2016). After that we need to proceed with the selection process. The selection process aims to identify the individual who is most capable of performing the job effectively from a group of qualified candidates. Before conducting the selection, job analysis, human resource planning, and recruitment are essential preliminary steps (Byars & Rue, 2017).

## Employee Retention

Employee retention denotes the initiatives undertaken by an organization to maintain employee commitment and working within the company for an extended duration. It can be defined as a method used by organizations to maintain a productive workforce and meet operational needs (Ghani et al., 2022). According to Elsafy and Oraby (2022), employee retention is a strategy implemented by companies through training and development programs that help employees enhance their skills, become more committed to their work, and ultimately contribute positively to the organization. Therefore, retaining employees becomes a key objective for every company, starting with the recruitment of qualified individuals. However, employee retention is considered more important than recruitment, as the cost of training new employees is higher than keeping existing ones. Moreover, Newly hired employees need a period of adjustment before achieving their maximum performance, which may temporarily lower overall productivity (Alshurideh, 2019).

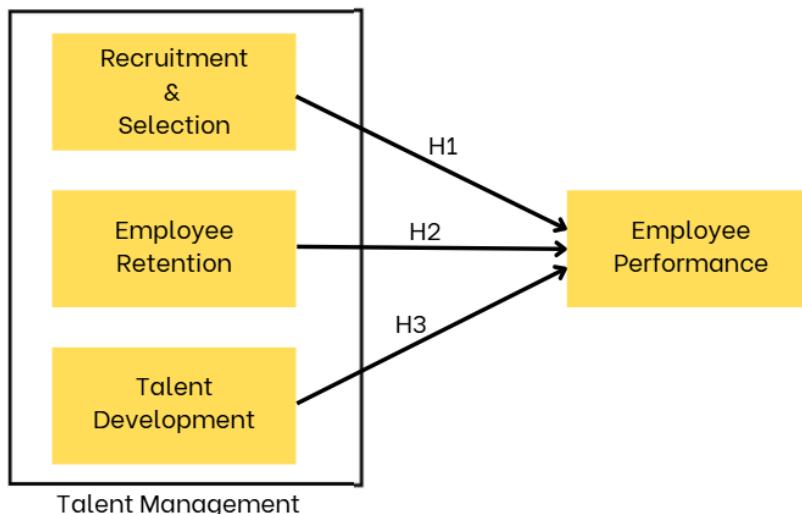
## Talent Development

Kaliannan et al. (2023) states, talent development (TD) represents a component of the broader talent management (TM) framework. It emphasizes aligning employees' career growth with the organization's immediate and future objectives. This process is carried out through training provided to all employees, regardless of their performance level, to ensure their skills match the requirements of the organization's internal talent pipeline. Mahapatra & Dash (2022) explains that talent development (TD) is a complex process because each employee has different needs and ways of growing. Every organization needs to define what "talent" means to them and manage talent development comprehensively, including human resource activities, in order to maximize the potential of their employees through collaboration and cognitive synergy. According to Hauser et al. (2024) the factors that influence the success of talent development are divided into three main categories: environment, individuals, and support provided, such as long-term development programs.

## Employee Performance

Parveen et al. (2023) states employee performance describes the results an individual achieves while completing assigned tasks, shaped by elements such as skills, experience, dedication, and time. Meanwhile, according to Rahmadila (2021), employee performance can be defined as the way employees evaluate their contribution to the organization through performance relates to the quality of services delivered and the results produced from one's work. It represents the achievements of an individual employee, a managerial process, or the organization as a whole. These results must be tangible and measurable by comparing them to predetermined standards (Andreas, 2022).

## Conceptual Model



**Figure 1.** Conceptual Framework

## METHODS

A quantitative method is used in this research. The population of this study includes all Generation Z employees residing in Bandar Lampung City. The sample size was determined based on the guidelines suggested by Hair et al. (2016) which state that the total number of indicators across all latent variables should be multiplied by 5 to 10. In other words, the number of statement items in each variable is multiplied by 5 to 10. As a result, the final sample consisted of 155 Generation Z employees working in various companies within Bandar Lampung City. A purposive sampling method, which is a type of non-probability sampling, was used in this study, with data collected through questionnaires distributed using Google Forms and subsequently analyzed with SmartPLS version 4.0.

## RESULTS AND DISCUSSION

### A. Result

The research utilized the Partial Least Squares Structural Equation Modeling (PLS-SEM) method through SmartPLS 4.0 software as an analytical tool. The choice of this analytical method was made because SmartPLS allows data analysis without the requirement of a normal distribution, as it applies the bootstrapping technique. In addition to addressing data normality issues, bootstrapping also means that PLS does not require a minimum sample size (Harahap, 2020). The questionnaire was distributed to 155 respondents, with the majority being female (58.3%), aged 25–29 years (64.7%), predominantly employees in the business, finance, and retail sectors (37.8%), and having 1–3 years of work experience (55.9%). This study analyzes the measurement model based on the constructs and the structural model (inner model) to test the research hypotheses.

The findings from the construct validity and reliability assessment show that the Cronbach's alpha value is above the minimum standard of 0.7, demonstrating that the instrument possesses strong internal consistency (Taber, 2018). In addition, the Composite Reliability (CR) value is above 0.8, while the Average Variance Extracted (AVE) value reaches at least 0.5 (Hulland, 1999), indicating that the instrument has met the criteria for good reliability. Based on Table 1, the Cronbach's alpha values range between 0.910 and 0.945, which signifies that the instrument has high reliability. The CR values, ranging from 0.914 to 0.953, indicate that the constructs possess strong internal consistency. In addition, the (AVE) values, which fall between 0.644 and 0.804, all the indicator variance is valid.

**Table 1. Reliability and Construct Validity**

Variables	Cronbach's Alpha	CR	AVE
(X1)	0.939	0.940	0.804
(X2)	0.910	0.914	0.689
(X3)	0.941	0.953	0.679
(Y)	0.945	0.945	0.644

Source: The data were processed using SmartPLS 4.0, 2025.

### Structural Model Evaluation (Inner Model)

The coefficient of determination describes the percentage shows how much impact the independent variable (X) has on the dependent variable (Y), with the unexplained portion representing the effects of factors outside the scope of this research (Sehangunaung et al., 2023). Based on Table 2, the coefficient of determination is 0.559 or equivalent to 55.9%. This indicates that 55.9% of the performance of Generation Z employees in Bandar Lampung is influenced by the three talent management indicators.

**Table 2. R Square ( $R^2$ )**

Variables	R-Square	R-Square adjusted
(Y) Employee Performance	0.567	0.559

Source: The data were processed using SmartPLS 4.0, 2025.

**Table 3. Hypothesis Test Result**

Hypothesis	Path	Effect Size	T-value	p-value	Decision
H1	X1 -> Y	0.631	14.359	0.000	Supported
H2	X2 -> Y	0.356	6.803	0.000	Supported

H3	X3 -> Y	0.174	3.082	0.002	Supported
Source: The data were processed using SmartPLS 4.0, 2025.					

## B. Discussion

### Recruitment & Selection Influences Employee Performance

The calculation results for the recruitment and selection variable on Generation Z employee performance in Bandar Lampung indicate an effect size of 0.631, with a T-value greater than 1.96 (14.359) and a p-value below 0.05 (0.000). Hence, it can be inferred that recruitment and selection exert a significant positive influence on employee performance, thus confirming hypothesis H1 is supported. Earlier studies have also shown by Girsang et al. (2023), Anggesti (2023), Desri et al. (2024) indicated that recruitment and selection positively affect employee performance. The findings revealed that the better the recruitment and selection processes are carried out, the more employee performance will improve and continue to develop. In addition, the proper execution of recruitment and selection helps develop a workforce with strong integrity, professionalism, and competence, which in turn significantly improves overall employee performance.

### Employee Retention Influences Employee Performance

The analysis results for the employee retention variable on Generation Z employee performance in Bandar Lampung reveal an effect size of 0.356, with a T-value exceeding 1.96 (6.803) and a p-value below 0.05 (0.000). Consequently, it can be inferred that employee retention has a significant positive influence on employee performance, thereby confirming that hypothesis H2 is supported. Research conducted by Achmada et al. (2022) employee retention positively and significantly influences employee performance. This implies that increased retention levels lead to improved performance outcomes. Effective employee retention contributes to maintaining consistent performance, as the organization helps employees recognize the value of their roles and the challenges of securing employment in the current competitive business landscape. This is also supported by previous research from Sutanto & Kurniawan (2016) which indicates that an increase in employee retention corresponds to an improvement in employee performance.

### Talent Development Influences Employee Performance

The analysis results for the employee development variable on Generation Z employee performance in Bandar Lampung indicate an effect size of 0.174, with a T-value greater than 1.96 (3.082) and a p-value below 0.05 (0.002). Thus, it can be concluded that employee development significantly and positively influences employee performance, thereby confirming the acceptance of hypothesis H3. This finding is consistent with the results of a prior study conducted by Tamunomiebi & Elechi (2020) on academic staff lecturers and researchers at public universities in Uganda, which indicated that talent development positively and significantly influences employee performance.

## CONCLUSIONS AND SUGGESTIONS

### A. Conclusion

This study delivers important perspectives within the field of talent management which has an influence on employee performance. The researcher used three dimensions of talent management: recruitment and selection, employee retention, and talent development to measure the extent of their impact on the performance of Generation Z employees in the city of Bandar Lampung. Based on the findings, 55.9% of the three dimensions of talent management affect employee performance. Furthermore, recruitment and selection had a significant and positive effect on employee performance, employee retention has a meaningful positive impact on employee performance, with talent development similarly showing a significant positive effect. Therefore, it can be concluded that the successful application of talent management practices among Generation Z employees enhances overall performance and contributes to the continuous attainment of organizational or corporate objectives.

## B. Suggestion

Based on the conclusions and existing limitations, the authors provide several recommendations that may serve as a guideline for future research to achieve more optimal results compared to this study. First, future researchers are encouraged to explore additional variables, as there are 44.1% of factors influencing the performance of Generation Z employees in Bandar Lampung that were not examined in this study. Second, future studies should select a broader population scope, such as Generation Z employees across Sumatra Island or even throughout Indonesia, so that the research findings can offer a broader and more representative understanding of how talent management influences Generation Z employees' performance in a broader context, while also enhancing the credibility and generalizability of the research findings.

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