

## Do Internal Capabilities Affect Competitive Advantage? The Case of a Regional-Owned Company

Anita Maharani<sup>1\*</sup>, Tammy Kathlia Kartasunjaya<sup>2</sup>

<sup>1,2</sup> Bina Nusantara University, Indonesia

<sup>1</sup>[anita.maharani@binus.edu](mailto:anita.maharani@binus.edu), <sup>2</sup>[tammy.kartasunjaya@binus.ac.id](mailto:tammy.kartasunjaya@binus.ac.id)

\*corresponding author

### Abstract

This research aims to obtain an overview of the factors that influence an organization's competitive advantage and to gain insight into the most influencing factors that contribute to an organization's competitive advantage. This research uses the Integrated Talent Management Scale, Utrecht Work Engagement Scale-9, Employee Satisfaction Scale, Employee Performance Scale, and Competitive Advantage Scale. This study uses a quantitative approach. Then, the data used in this research is primary data. Researchers collect data without intervention. This research uses variance-based structural equation modeling with Partial Least Square (SEM-PLS) and uses SMART PLS as a tool. Questionnaires were distributed to one of the DKI Jakarta Regional Owned Enterprises (BUMD), and 108 responses were collected through distributing questionnaires on a Likert scale. This research found that employee engagement has no effect on employee satisfaction or performance in regionally owned companies, and employee satisfaction has no effect on competitive advantage in regionally owned companies.

**Keywords:** Organization, Competitiveness, Advantage, Factors

## Apakah Kapabilitas Internal Mempengaruhi Keunggulan Kompetitif? Kasus Perusahaan Daerah

### Abstrak

Penelitian ini bertujuan untuk memperoleh gambaran mengenai faktor-faktor yang mempengaruhi keunggulan kompetitif suatu organisasi dan untuk mendapatkan wawasan tentang faktor-faktor yang paling mempengaruhi yang berkontribusi terhadap keunggulan kompetitif suatu organisasi. Penelitian ini menggunakan Skala Integrated Talent Management, Utrecht Work Engagement Scale-9, Skala Kepuasan Karyawan, Skala Kinerja Karyawan, dan Skala Keunggulan Kompetitif. Penelitian ini menggunakan pendekatan kuantitatif. Kemudian, data yang digunakan dalam penelitian ini adalah data primer. Peneliti mengumpulkan data tanpa intervensi. Penelitian ini menggunakan pemodelan persamaan struktural berbasis varians dengan Partial Least Square (SEM-PLS) dan menggunakan SMART PLS sebagai alat bantu. Kuesioner disebar ke salah satu Badan Usaha Milik Daerah (BUMD) DKI Jakarta, dan diperoleh 108 respon melalui penyebaran kuesioner dengan skala likert. Penelitian ini menemukan bahwa keterikatan karyawan tidak berpengaruh terhadap kepuasan atau kinerja karyawan pada perusahaan milik daerah, dan kepuasan karyawan tidak berpengaruh terhadap keunggulan kompetitif pada perusahaan milik daerah.

**Kata kunci:** Organisasi, Kompetitif, Keunggulan, Faktor-Faktor

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## INTRODUCTION

It is common for organizations to conduct human resource management activities from the beginning to attract and then to select whoever matches the organization's requirements, and not just stop there but also to develop and remember to keep the employees in the organization through retention management. Within retention management, organizations aim to retain the best employees in strategic roles, as well as identify individuals who excel at specific activities and performance and support them to allow them to push the boundaries while absorbing and sharing how they do things so that coworkers can emulate them. This is referred to as talent management (Rabbi et al., 2015). Employees should serve their companies' purpose to grow, and they become more loyal when enterprises emphasize talent management and adopt a solid performance system (Altındağ et al., 2018).

Moreover, effective talent management is regarded as a critical success factor for organizations seeking to gain long-term competitive advantage. A study found that talent management also positively impacts employee performance (Sopiah et al., 2020). Another study demonstrated that when a company invests time and money in training and talent management, their employee performance improves. There is a strong correlation between talent management and employee performance (Nagi & Ali, 2020). Employee engagement is also important and significantly affects employee performance (Anitha, 2014). This will result in enhanced trust and confidence in the organization's ideals, which will give their jobs a higher purpose.

The organization should be able and capable of recognizing individuals and capabilities that can provide value to the organization and offer a competitive advantage (Rabbi et al., 2015). Organizations must devise innovative talent management techniques that enable employees to display good attitudes and behaviors that will allow the company to achieve long-term success (Al-Hussaini et al., 2019).

Porter (2001) explained the importance of competitiveness, which is also mentioned by Jatmiko et al. (2021) that encouraging productivity and independence may boost the economic capacity, both in terms of the regional economy and the number of economic actors, hence enhancing economic growth, as well as the idea that market processes can boost economic growth. A competitive advantage is gained through the human resource management implemented in an organization (Hamadamin et al, 2019). Therefore, there is an opportunity to explore human resource management practices in an organization in order to acquire a competitive advantage.

By 2020, the DKI Jakarta government collaborated with a human resource consultant as part of a regional owned enterprise growth acceleration program through an integrated and comprehensive transformation plan. This transformation is based on regional owned enterprises' potential and business opportunities that can still be optimized. The business consolidation of several regional-owned enterprises can bring added value to regional revenues. Also, developing superior talents is a key factor in transforming regional-owned enterprises. This program aims to "Go Beyond: Achieving Public Service Excellence through Value Creation". One form of the program is to build a talent management system, which aims to form a talent development scheme to support the achievement of the strategic

direction of a regional owned enterprise. However, talent management is not the only factor in improving organizational performance; employee engagement, satisfaction, and performance also contribute.

In order to elaborate on the problems that exist within regional owned enterprises, the researchers conducted an exploration study and found that regional owned enterprises are under the Greater Jakarta Regional Government; one of which is Perumda Paljaya (currently Perumda Paljaya ). Among the companies managed by the Greater Jakarta Regional Government, Perumda Paljaya actively performs human resource development activities, often carried out in capacity-building activities. Based on interviews with human resources in 2022, it was revealed that Perumda Paljaya has an initiative to improve its human resources management, one of which is through the Talent Management Program. In practice, Perumda Paljaya has two Talent Management Programs in process, namely the Competency Dictionary and the Employee Assessment. The Competency Dictionary defines the competencies that must be possessed by job positions from staff to manager levels. At the same time, the Employee Assessment includes several forms of employee appraiser tests such as psychological tests, work program presentations, and interviews with professionals to classify employee competencies in the company. This process is the company's response in building good talent management in the organization (sources are processed by the researchers based on company documents).

Since this research was conducted, Perumda Paljaya has made many efforts to stimulate employee engagement, such as by having family gatherings, employee loyalty awards, spiritual travel (based on internal documents), and press releases on some news websites. However, Perumda Paljaya does not have specific activities to encourage employee satisfaction. However, from this engagement effort, it is hoped that it can encourage employee satisfaction and performance (Setyaningsih, 2019). Like other companies, Perumda Paljaya also has tools to measure employee performance through key performance indicators (KPIs) (Hermawan, 2019).

In this competitive era, an organization's competitive advantage is important to maintain the company's overall growth. Porter (2001) explained the importance of competitiveness to encourage productivity and increase independence, improve economic capacity both in the context of regional economies and the number of economic actors so that economic growth increases, and have the belief that market mechanisms create more efficiency (Jatmiko et al., 2021). The main difficulty for commercial companies is in maintaining and developing a competitive advantage. This can be obtained by providing the best and most valuable service to the clients. A competitive advantage is the ability earned via traits and resources to operate better than others in the same sector or market (Radhika & Dayini, 2017).

Studies on human resource management are often conducted in companies with business and manufacturing backgrounds and even human resource institutions (Suhardoyo, 2019). This research addressed factors affecting competitive advantage in a regional owned enterprise, in particular Perumda Paljaya , which has not received much attention from researchers. Thus, this provides an opportunity to be studied in more depth.

### **Talent Management**

According to Odierno (2015) and Zyl, Mathafena, and Ras (2017), despite the numerous obstacles that organizations face in becoming sustainable, talent management provides tangible and measurable benefits such as cost savings on recruitment, an effective transfer of knowledge, the implementation of business strategies, the delivery of cutting-edge goods and services, as well as the establishment of a competitive edge. According to Ashton and Morton (2005) and Zyl et al. (2017), strong talent management may distinguish an organization and strategy when it becomes a core competency, and the talent improves the operational excellence and strategy execution considerably. Prinsloo (2012) and Zyl et al. (2017) confirmed that management approaches can help reinforce psychological contracts, reduce turnover, boost productivity, increase motivation, and retain loyalty. According to Bersin (2006) and Zyl et al. (2017), the transition to the talent management era was precipitated by more complex people-related issues that needed an integration between business and human resources. As a business attempts to accomplish its goals, it must possess ongoing and integrated processes for recruiting, training, managing, supporting, and compensating these individuals, emphasizing the critical nature of talent management (Zyl et al., 2017).

### **Employee Engagement**

Employee engagement is a process that involves all the employees of the organization, such as in problem-solving and decision-making. Furthermore, by incorporating employees who have a direct impact on their work, employee engagement can promote a sense of belonging and responsibility for decisions (Tjiptono & Diana, 2003; Sopiah et al., 2020). Employee engagement necessitates strategic competencies based on the company's strategy. Competencies and abilities must be developed through program development and training that are scale-appropriate for the business (Bhatt & Sharma, 2019; Azmy, 2021). The condition implies that the larger the level of job engagement, the greater the level of workability of employees.

### **Employee Satisfaction**

Employee satisfaction can be characterized using a satisfaction scale and reflected in employees' favorable views regarding their jobs. Other crucial aspects of employee happiness include the extent to which employee expectations are satisfied and the extent to which they receive financial and spiritual advantages (Altındağ et al., 2018). Employees' contentment and pleasure also define job and employee happiness with their occupations and work environments (Altındağ et al., 2018).

Employee satisfaction is measured in contentment and linked to organizational productivity, making it a significant factor in employee retention (Rahman & Singh, 2019). Employee satisfaction is an emotional or affective response to many aspects of one's job, and it is also vitally crucial to modern businesses to boost productivity and customer satisfaction (Lee et al., 2006).

## **Competitive Advantage**

Competitive advantage is one of the aims pursued by most corporations to sustain a business (Novita & Husna, 2020). Economic, cultural, and social capital are the three basic types of capital used to obtain a competitive advantage. Economic capital can be converted to money instantaneously. A company's cultural capital consists of both formal and informal norms. Cultural capital is typically an investment made at the company level that is difficult to transfer. Individual-level social capital is an investment of social ties with 'credentials', which provide the individual with perceived credit. The quantity of social capital that may be developed is limited by the size of the network of connections that can be mobilized efficiently (Downing, 2018). The relationship network results from investment strategies to build and transform existing contingent partnerships into relationships with long-term obligations (Downing, 2018).

Developing social capital is a never-ending sequence of transactions designed to build trust. Individual investment is a considerable time and effort investment that necessitates specific expertise in building and maintaining connections. Social capital boosts a company's competitive advantage by instilling confidence in others for prospective collaboration. Using social capital to create a competitive advantage will necessitate a corporation to be structured more like a political alliance than a hierarchy. Downing's (2018) theory of a company as a political coalition describes the process of selecting coalition members to maximize rents according to their demands while maintaining a manageable number of coalitions at any given time. This is comparable to the fragmented activity of numerous companies in forming alliances in order to gain an advantage.

Companies' competitive strategies are dictated by the industry structure and the money available to achieve an edge. The coercion strategy utilized by DeBeers in the diamond industry exemplifies how oligopolistic companies create suitable value through collaboration (Downing, 2018). Structured industry companies employ the conventional strategy to create appropriate value by acquiring distinctive assets and distribution channels. Companies in fragmented industries create value for individuals by capitalizing on generic industry knowledge and appropriating that value through political alliances that enhance their reputation or brand (Downing, 2018).

The critical role of human resources and management is primarily supported by proponents of internal sources of competitive advantage, such as resource-based, competency-based, and knowledge-based perspectives. This research will focus on competitive advantage based on the dimensions of Kazlauskaitė and Bučiūnienė (2008). A study by Kazlauskaitė and Bučiūnienė (2008) implied that a competitive advantage has four dimensions, which are rare resources, non-imitable resources, non-substitutable resources, and resources with added value. However, this research adopts instruments based on Barney (1991) and Gautam and Bandhari Ghimire (2017) for the questionnaire.

## **Talent Management and Employee Satisfaction**

Altındağ, Çirak, and Acar (2018) found that talent management has a positive impact on employee satisfaction; employee satisfaction is increased simultaneously with their

performance when the managers remove all unnecessary job-related obstacles and provide structural feedback to employees who work for them while also maintaining the existing values of their organizations. Ardyanfiti et al. (2018) stated that employees are more satisfied when they have more opportunities to develop themselves.

Hypothesis 1: Talent management has a positive impact on employee satisfaction.

### **Talent Management and Employee Performance**

Talent management is regarded as a critical success factor for organizations seeking to gain a long-term competitive advantage. A study found that talent management also positively impacts employee performance (Sopiah et al., 2020). There is a strong correlation between talent management and employee performance (Mensah, 2015; Nzewi et al., 2016; Nagi et al., 2020). Mensah et al. (2016) discovered that talent management if practiced appropriately in an organization will positively impact employee performance, especially when related to tasks, contexts, and elements of adaptive behavior.

Hypothesis 2: Talent management has a positive impact on employee performance.

### **Employee Engagement and Employee Satisfaction**

Kumar and Kapoor (2021) found that employee engagement has a positive impact on employee satisfaction; employee engagement is all the aspects of employee engagement in the workplace that lead to better workplace productivity, profitability, and overall employee well-being, whereas employee satisfaction is the happiness and satisfaction that employees have concerning the completion of certain job responsibilities. Studies have demonstrated that employee engagement significantly predicts employee satisfaction (Bailey et al., 2017; Alagarsamy et al., 2020). However, Alagarsamy et al. (2020) also found that employee engagement is crucial (and probably critical) to improve employee satisfaction.

Hypothesis 3: Employee engagement has a positive impact on employee satisfaction.

### **Employee Engagement and Employee Performance**

Anitha (2014) noticed a strong and significant relationship between employee engagement and employee performance; employees will enjoy considerable attention in terms of the workplace environment, healthy collegiality, workplace well-being, and the methods adopted by the organization to increase employee engagement. Various study findings showed a positive and significant effect of employee engagement on employee performance (Sendawula et al., 2018; Kertiriasih et al., 2018; Fidyah & Setiawati, 2020). If organizations can focus on employee engagement besides retaining a committed workforce through performance, they might be able to keep and develop engaged, competent employees (Nazir et al., 2017).

Hypothesis 4: Employee engagement has a positive impact on employee performance.

### **Employee Satisfaction and Competitive Advantage**

Uysal (2013) found that employee satisfaction positively impacts competitive advantage; companies need to identify their strengths, weaknesses, opportunities, and threats.

Companies must design appropriate strategies to achieve the mission and vision of the organization. Some studies revealed that satisfied employees are a source of a competitive edge (Reidhead, 2020). Elrehail et al. (2020) revealed that if an organization focuses on employee satisfaction as a part of human resource management practices, it will significantly affect the organization's competitive advantage.

Hypothesis 5: Employee satisfaction has a positive impact on competitive advantage.

### **Employee Performance and Competitive Advantage**

Sengupta et al. (2013) and Laras et al. (2019) found that a competitive advantage may be affected by the extent to which employees are able to perform on the job, and through this, it indicates that employees could be optimal in their work quality as well as effective and efficient when they aim to complete a task. Also, in considering the time to finish a task and being very productive, high performance will be created if employees have knowledge management and talent management, since employee performance can improve the company's competitive advantage. Various studies have revealed a positive relationship between an employee performance evaluation and competitive advantage (Elrehail et al., 2019). Hamadamin et al. (2019) found that an organization can have a competitive advantage if the organization practices human resource management strategically and within the strategy concerning employee performance (Wright et al., 2011).

Hypothesis 6: Employee performance has a positive impact on competitive advantage.

Therefore, the research model is as follows:

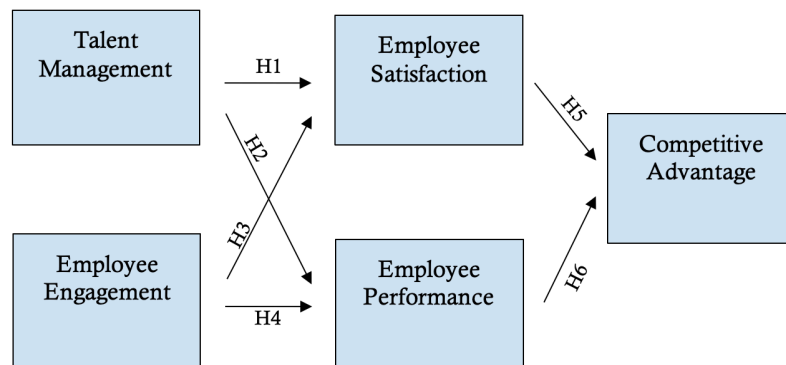


Figure 1. Research Model

### **METHOD**

This research followed a quantitative approach. The data used in this research was primary data. This research collected data through distributing surveys using a Likert scale. The sampling method in this research was conducted through non-random sampling and purposive sampling. The questionnaires were distributed to employees who worked at Perumda Paljaya . The researcher conducted online surveys. The researcher expected that the sample size would be suitable to answer the research questions; therefore, the researcher followed Roscoe (1975), where it was stated that a sufficient sample size is between 30 and

500 respondents. However, the population in the selected Jakarta regional owned enterprise, PD Pengelolaan Air Limbah (PERUMDA PALJAYA ), is 123 employees. By using the logic of the sampling technique based on Krejcie and Morgan (1970), the researcher expected to have a sample of at least 92 respondents. Each measurement was obtained as follows: 1) talent management was measured using an Integrated Talent Management Scale (Jayaraman et al., 2018); 2) employee engagement was measured using an Utrecht Work Engagement Scale-9 (Kristiana et al., 2018); 3) employee satisfaction was measured using an Employee Satisfaction Scale (Lee et al., 2006); 4) employee performance was measured using an Employee Performance Scale (Pardhan & Jena, 2017); and 5) competitive advantage was measured using a Competitive Advantage Scale (Gautam & Bandhari Ghimire, 2017).

Table 1. *Operationalization*

Variables	Operational	Indicators	Measurement
Talent Management	The management of talent is the process of integrating disparate projects or constructs into a coherent framework of action (Ashton & Morton, 2005).	Identifying critical positions Competence training Development Reward management (Jayaraman, Talib, & Khan, 2018)	
Employee Engagement	Employee engagement is a process that involves all the employees of an organization, such as problem-solving and decision-making. Furthermore, by incorporating employees who have direct interactions with their work, employee engagement can promote a sense of belonging and responsibility for decisions (Tjiptono & Diana, 2003; Sopia et al., 2020).	Energy at work Job enthusiasm  (Kristiana, Fajrianti, & Purwono, 2018)	Likert scale of 1-5 1 = Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree
Employee Satisfaction	Employee satisfaction is an emotional or affective response to many aspects of one's job, and it is also vitally crucial to modern businesses in order to boost productivity and customer satisfaction (Lee, Ho, & Liang, 2006).	The work itself Quality of supervision Relationships with coworkers Promotional opportunities Pay  (Lee, Ho, & Liang, 2006)	
Employee Performance	Employee performance is defined as what an employee does or does not do. It affects the contributions they provide to the organization, which includes the quantity of output, quality of output, attendance at work, and cooperative attitude (Gordon, 2000; Pawirosumarto, Sarjana, & Gunawan, 2017).	Task performance Adaptive performance Contextual performance  (Pardhan & Jena, 2017)	
Competitive Advantage	Having a competitive advantage is one of the aims pursued by most corporations to sustain themselves in business (Novita & Husna, 2020).	Rare resources Non-imitable resources Non-substitutable resources Resources with added value (Gautam & Bandhari Ghimire, 2017)	



This research followed the mode of variance-based structural equation modeling with partial least squares (SEM-PLS). The researcher reflected on the theoretical and empirical conditions within behavioral issues. Wold (1980) considered this mode as soft modeling. In this kind of modeling, there are no sample size assumptions. However, Lohmoller (1989) suggested a two-stage approach to conducting a basic PLS algorithm, as follows: in the first stage, the researcher needs to score latent constructs iteratively; in the second stage, the researcher calculates the final estimates of coefficients (outer weights, loadings, and path coefficients) using the ordinary least squares method for each partial regression in the model (Hair, Ringle, & Sarstedt, 2011). This research used SMART PLS as a tool.

## **FINDING AND DISCUSSION**

### **Respondents' Profiles**

This section describes the results of the research and analysis of the data that has been collected. The researcher distributed questionnaires through digital forms that the researcher did from October 14, 2021, to November 30, 2021. The researcher targeted 92 respondents, but after November 30, 2021, the survey had 108 respondents involved, reaching the total population. Furthermore, the researcher analyzed the data collected by the main problems described at the beginning of the chapter. The results of the data processing were from information that indicated whether the formulated hypotheses could be accepted or not.

Table 2. *Respondents' Profiles*

<b>Description</b>	<b>Criteria</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	69	63.9%
	Female	39	36.1%
Age	20 – 25	11	10.2%
	26 – 30	26	24.1%
	31 – 35	17	15.7%
	36 – 40	7	6.5%
	41 – 45	13	12%
	46 – 50	13	12%
	51 – 55	16	14.8%
	> 55	5	4.6%
Position	Staff	78	72.2%
	Assistant Manager	25	23.1%
	Manager	5	4.6%
Length of Work	< 5 years	47	43.5%
	6 – 10 years	19	17.6%
	11 – 15 years	9	8.3%
	16 – 20 years	2	1.9%
	> 20 years	31	28.7%

In general, the respondents who participated in this research were: 1) male (63.9%) and female (36.1%); 2) mostly worked less than five years (43.5%); 3) positioned as staff (72.2%), assistant managers (23.1%), and managers (4.6%); and 4) age 20 – 25 (10.2%), age 26 – 30 (24.1%), age 31 – 35 (15.7%), age 36 – 40 (6.5%), age 41 – 45 (12%), age 46 – 50 (12%), age 51 – 55 (14.8%), > 55 (4.6%). However, the percentage is based on the number of male employees who are more than female employees in regional owned enterprises (Table 2).

**Results of the Measurement Model**

**Reliability and Construct Validity**

The Cronbach’s Alpha and Composite Reliability found in this research are greater than 0.7, which means that the internal consistency in scale items is reliable. The latent variable has an AVE value above the minimum criteria (0.5); it can be said that the value meets the criteria for convergent validity. Then, the results of the Average Variance Extracted (AVE) of the variables Competitive Advantage (CR: 0.846, AVE: 0.716), Employee Engagement (CR: 0.832, AVE: 0.740), Employee Performance (CR: 0.959, AVE: 0.885), Employee Satisfaction (CR: 0.975, AVE: 0.695), and Talent Management (CR: 0.952, AVE: 0.634) show a value of more than 0.5. Numbers of more than 0.5 on the AVE mean that the data from these variables is valid. The outer loadings are attached in Appendix 1. Based on the results of processing the collected data and after the researcher eliminated several items, the value of outer loadings was above the acceptable limit of 0.5 (Hair et al., 2013).

Table 3. *Reliability & Construct Validity*

	<b>Cronbach’s Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
Competitive Advantage	0.934	0.946	0.716
Employee Engagement	0.832	0.895	0.740
Employee Performance	0.935	0.959	0.885
Employee Satisfaction	0.975	0.977	0.695
Talent Management	0.952	0.957	0.634

**Discriminant Validity and Composite Reliability**

The square root of the average variance extracted (AVE) in this research is greater than the AVE value, which means that these values fulfill the criteria of discriminant validity. First, for Competitive Advantage, the square root of the AVE is 0.846 > 0.716. Second, for Employee Engagement, the square root of the AVE is 0.860 > 0.740. Third, for Employee Performance, the square root of the AVE is 0.941 > 0.885. Fourth, for Employee Satisfaction, the square root of the AVE is 0.833 > 0.695. Last, for Talent Management, the

square root of the AVE is  $0.796 > 0.634$ . From these results, it can be inferred that these variables meet the criteria for discriminant validity (Table 4.).

Table 4. *Discriminant Validity*

	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>Average Variance Extracted (AVE)</b>
Competitive Advantage	0.934	0.946	0.716
Employee Engagement	0.832	0.895	0.740
Employee Performance	0.935	0.959	0.885
Employee Satisfaction	0.975	0.977	0.695
Talent Management	0.952	0.957	0.634

Table 5. *R-Square*

	<b>R-Square</b>	<b>R-Square Adjusted</b>
<b>Competitive Advantage</b>	0.832	0.825

Table 6. *Bootstrapping*

	<b>Original Sample</b>	<b>t-Statistics</b>	<b>P-Values</b>	<b>N</b>	<b>Decision</b>
H1: TM → ES	0.809	14.254	0.000	108	Supported
H2: TM → EP	0.800	12.531	0.000	108	Supported
H3: EE → ES	0.078	1.015	0.310	108	Not Supported
H4: EE → EP	0.051	0.663	0.508	108	Not Supported
H5: ES → CA	0.204	1.533	0.125	108	Not Supported
H6: EP → CA	0.687	4.856	0.000	108	Supported

## Results of the Structural Model

### Determinant Coefficient ( $R^2$ )

Based on the r-square value (Table 4), it shows that Talent Management, Employee Engagement, Employee Satisfaction, and Employee Performance are able to explain the variability of the Competitive Advantage by 0.832 or 83.2% and the remaining 0.168 or 16.8% is explained by other factors outside those studied in this research.

### **Bootstrapping Results**

After the researcher concluded that the data was suitable, the researcher proceeded to the next step which was bootstrapping, as it resulted with path coefficients. From the results of the path coefficients, it revealed that H1, H2, and H6 are supported (P-values: 0.00), while H3, H4, and H5 are not supported (P-values > 0.000).

### **Effects of Talent Management on Employee Satisfaction**

Employees will be more satisfied with the performance evaluation system if the entity's vision, mission, and job descriptions are clear (Altinda et al., 2018). Positive organizational citizenship can be built by identifying management talent and placing individuals in jobs that match their competencies. Employees' good views about their firm will improve and they will become more loyal if the corporation emphasizes talent management and employs a dependable performance system (Altinda et al., 2018). Furthermore, employee happiness will rise in tandem with performance when managers eliminate all unnecessary job-related obstacles and offer structured feedback to workers who work for them while upholding the organization's core values (Altinda et al., 2018).

This study revealed that talent management positively influences employee satisfaction, consistent with prior research by Altinda, Irak, and Acar (2018), who indicated that talent management has a favorable impact on employee satisfaction. Employees are more satisfied when they have more opportunities to grow, and employee satisfaction is increased concurrently with their performance when managers remove all unnecessary job-related obstacles and provide structural feedback to employees who work for them while also maintaining their organizations' existing values, according to Ardyanfiti et al. (2018).

This conclusion matches what is happening in the office, where talent management is still relatively new to regional owned enterprises, and according to internal papers, regional owned enterprises have just recently developed talent management, which is intended to assist management in constructing a better system. Furthermore, regional owned enterprises need a precise assessment of employee happiness for their workers. However, the findings of this research are intriguing since the data reveals that talent management may boost employee satisfaction.

From the data obtained by 108 respondents, the results show that the largest number of respondents are males with 63.9%. Also, the number of respondents was dominated by staff positions, with a percentage of 72.2% of the total number of respondents. The largest number of respondents came from workers who had only worked in the regional owned enterprise for less than five years, which was 43.5%; according to the researcher's observations, they want to work with a clear career path. Hence, talent management is important for them. This is in line with the statement for the variable of Talent Management with the largest mean of 4.130, which reads "Companies are trying to build talent management", and Employee Satisfaction with the largest mean of 4.361, which reads "The company has an ideal working hours policy" and "The company encourages employees to interact with each other".

### **Effects of Talent Management on Employee Performance**

However, the research revealed that talent management favored employee performance (Sopiah et al., 2020). Talent management techniques are vital to the success of a business, and they play a key part in building a talent management strategy that supports and enhances employee performance. This technique increases the employee's job-related skills and knowledge, adds to the employee's long-term competence, and is vital to the person's overall success. According to the survey, employee performance increases when a firm spends time and money on training and talent management. Employee performance and talent management are inextricably linked (Nagi & Ali, 2020). This research found that talent management has a positive impact on employee performance. Previous maharsearch (Nzewi et al., 2016; Nagi et al., 2020; Sopiah et al., 2020) revealed that talent management is a vital success factor for companies seeking a long-term competitive edge. Also, the Talent Management statement with the largest mean of 4.130 reads, "Companies are trying to build talent management", and the Employee Performance statement with the largest mean of 4.407 reads, "The company encourages employees to communicate effectively".

From the data obtained by 108 respondents, the results show that the largest number of respondents are men with 63.9%. Also, the number of respondents was dominated by staff positions, with a percentage of 72.2% of the total number of respondents, and the largest number of respondents came from workers who had only worked in the regional owned enterprise for less than five years, which was 43.5% where according to the researcher's observations, the regional owned enterprise had only recruited for the last two years, and 31 people or 28.7% have worked more than 20 years.

### **Effects of Employee Engagement on Employee Satisfaction**

Employee engagement encompasses all elements of employee participation that lead to greater workplace productivity, profitability, and the employee's general well-being. In contrast, employee satisfaction includes workers' pleasure and contentment with their job performance. Happy and motivated employees are regarded to be more engaged, which leads to better performance and productivity. Businesses must regularly maintain good interactions with their workers to keep them engaged and encourage them to improve their performance. Employers should ensure that workers are rewarded and acknowledged for their workplace contributions to boost employee happiness, and this will promote trust and confidence in the organization's ideals, making their employment more meaningful (Kumar & Kapoor, 2021).

According to this study, employee engagement has little effect on employee satisfaction, even though Kumar and Kapoor (2021) claim that employee involvement has a beneficial influence on employee satisfaction. Employee engagement refers to all the aspects of employee involvement at the workplace that improve workplace productivity, profitability, and the employee's overall well-being. In contrast, employee satisfaction refers to the happiness and satisfaction employees feel when job responsibilities are completed.

Based on a source in 2019, the company tried to engage in employee awards, such as for the company's 28<sup>th</sup> anniversary. The regional owned enterprise gives special awards to its

best employees every year, namely Umrah trips and spiritual pilgrimage trips. This award is expected to motivate all employees to improve their morale and transmit the best ideas to the company. A 25-year award was also given to several other employees who have faithfully served at the regional owned enterprise since 1994 as an additional incentive of one month's salary (Setyaningsih, 2019). Therefore, this hypothesis needs to be proven; the effort of giving awards is not considered a factor that can encourage employee satisfaction.

From the data obtained by 108 respondents, the results show that the largest number of respondents are men with 63.9%. Also, the number of respondents was dominated by staff positions with 72.2% of the total number of respondents; the largest number of respondents came from workers who had only worked for the regional owned enterprise for less than five years, which was 43.5% when according to the researcher's observations, the regional owned enterprise had only recruited for the last two years, and 31 people or 28.7% have worked more than 20 years.

However, the Employee Engagement statement with the largest mean is 4.574, which reads, "The ideal company contains enthusiastic employees", and the Employee Satisfaction statement with the largest mean of 4.361, which reads, "The company has an ideal working hours policy" and "The company encourages employees to interact with each other". Therefore, when the company has enthusiastic employees, it relates to pro-employee policies.

To confirm this research, the researcher interviewed one of the respondents who represented the respondents. Engagement in the form of an award is considered a kind of facility from the company for employees; employees will not think it is an engagement but rather as a facility in sharing the profits that the company gets that year or is considered an ordinary and reasonable ceremonial form that every company carries out. This could be because the majority of employees have never worked in other companies before, so they do not know things like engagement that companies usually do. As a result, employee engagement is deemed unable to increase employee satisfaction.

### **Effects of Employee Engagement on Employee Performance**

Employee engagement is also critical, as it has significantly influenced employee performance (Anitha, 2014). The consequences greatly influence organizations in terms of enhanced productivity and consequently have a large economic impact on corporations. Aside from that, the factors influencing employee engagement suggest a pleasant working environment; this illustrates the organization's potential social influence. Employees are prioritized regarding the work environment, healthy collegiality, workplace wellness, and the organization's attempts to encourage employee engagement (Anitha, 2014).

Employee engagement has little effect on employee performance, according to this study. Employee engagement and performance have a highly substantial association, according to Anitha (2014). Employees will benefit from increased attention to the office environment, healthy collegiality, workplace wellness, and the organization's approaches to increasing employee engagement.

According to one source, the corporation sought to participate in employee recognition in 2019. A regional owned enterprise, for example, gives special prizes to its best workers every year for the company's 28th anniversary, notably Umrah trips and spiritual pilgrimage excursions. This award is intended to promote employee morale and encourage them to share their greatest ideas with the firm. Several other workers with the regional owned enterprise since 1994 earned the 25-year honor through one-month pay bonuses (Setyaningsih, 2019). Employee awards are one example of when the event is simply ceremonial and has no consequence.

From the data obtained by 108 respondents, the results show that the largest number of respondents are males with 63.9%. Also, the number of respondents was dominated by staff positions with 72.2% of the total number of respondents. The largest number of respondents came from workers who had only worked at the regional owned enterprise for less than five years, which was 43.5%, where according to the researcher's observations, the regional owned enterprise had only recruited for the last two years, and 31 people or 28.7% have worked more than 20 years. The Employee Engagement statement with the largest mean is 4.574, which reads, "The ideal company contains enthusiastic employees", and the Employee Performance statement with the largest mean of 4.407 reads, "The company encourages employees to communicate effectively".

To confirm this research, the researcher interviewed one of the respondents who represented the respondents. Employees will not consider engagement in the form of an award to be an engagement. However, it is rather a facility for sharing the company's profits that year, or it is considered an ordinary and reasonable ceremonial form that every organization carries out, and this could be because the majority of employees have never worked in other organizations before, and hence are unaware of things like engagement that companies often undertake. As a result, employee engagement is deemed unable to improve employee performance.

### **Effects of Employee Satisfaction on Competitive Advantage**

Employee satisfaction and loyalty may be tremendously helpful to any business (Walk, 2012; Elrehail et al., 2019). Employee satisfaction may range from one organization to the next, according to Cao and Chen (2016) and Elrehail et al. (2019). Furthermore, the higher the degree of employee pleasure, the greater the organization's economic advantages (Chi & Gursoy, 2009; Elrehail et al., 2019). According to some research, human resource management methods promote employee happiness and engagement. When these elements are included in organizational policy, they may help an organization gain a competitive advantage and sustain a high level of organizational performance (Abubakar et al., 2017; Albrecht et al., 2015; Parvin & Karbin, 2011). Several other studies have shown that contented workers result in competitive advantages (Ellinger et al., 2003; Matzler & Renzl, 2007; Elrehail et al., 2019).

According to this study, employee satisfaction has little effect on competitive advantage. According to Uysal (2013), employee satisfaction has a positive influence on

competitive advantage. The organization must examine its strengths, weaknesses, opportunities, and threats before developing strategies to achieve its purpose and vision.

From the data obtained by 108 respondents, the results show that the largest number of respondents were men at 63.9%. Also, the number of respondents was dominated by staff positions with 72.2% of the total number of respondents. The largest number of respondents came from workers who had only worked at the regional owned enterprise for less than five years, which was 43.5%, where according to the researcher's observations, the regional owned enterprise had only recruited for the last two years, and 31 people or 28.7% have worked for more than 20 years. The Employee Satisfaction statement with the largest mean of 4.361 read "The company has an ideal working hours policy" and "The company encourages employees to interact with each other". Then the Competitive Advantage statement with the largest mean of 4.380 read "The company encourages employees to prioritize customer satisfaction".

To confirm this research, the researcher interviewed one of the respondents who represented the respondents. Employee Satisfaction is a self-assessment of what is felt in the company. Usually, rewards can increase satisfaction. However, in regional owned enterprises, rewards are considered as a form of the results of their hard work for the employees, not a form of employee appreciation that can trigger increased company performance and increase its competitive advantage. The benefits provided by the company to employees are also considered as something that is usually given by every company rather than as a reward.

### **Effects of Employee Performance on Competitive Advantage**

According to the influence of Employee Performance on Competitive Advantage, some workers have been perfect in terms of job quality, effectiveness, and efficiency in completing their work, high timeliness in doing their work, and extreme productivity. The facts suggest that acquiring a competitive edge may be advantageous. Aside from employee performance, various other aspects contribute to a competitive advantage, including leadership, motivation, years of service, loyalty, organization, team building, and technology. Employee performance can boost a company's competitive edge dramatically. Concentrating on employee performance might boost the competitive advantage. Knowledge and talent management employees realize that strong employee performance may increase a company's competitive advantage (Laras et al., 2019).

According to the findings of this study, employee performance has a favorable influence on competitive advantage. Regarding the effects of employee performance on competitive advantage, Laras et al. (2019) revealed that some employees are optimal in fulfilling their work quality, effectiveness and efficiency in completing their work, high timeliness, and high productivity. If employees have knowledge and talent management, they will discover that employee performance can improve the company's competitive advantage.

For the Employee Performance statement, the highest mean of 4.407 states "The firm encourages workers to communicate effectively", and the Competitive Advantage



statement has the highest mean of 4.380 that states “The company encourages employees to emphasize customer satisfaction”.

From the data obtained by 108 respondents, the results show that the largest number of respondents are men with 63.9%. Also, the number of respondents was dominated by staff positions with 72.2% of the total number of respondents, and the largest number of respondents came from workers who had only worked in the regional owned enterprise for less than five years at 43.5%, where according to the researcher’s observations, the regional owned enterprise had only recruited for the last two years (internal document).

In this study, talent management was shown to affect employee satisfaction (Altindağ et al., 2018; Ardyanfiti et al., 2018) and employee performance (Nzewi et al., 2016; Sopiah et al., 2020; Nagi et al., 2020), where employee performance affected competitive advantage (Elrehail et al., 2019; Laras et al., 2019). The talent management program that is being built by the company today can increase the company’s competitiveness among other regional public companies. Although the company can monopolize the market, the company’s competitive advantage is still needed by every company (Elrehail et al., 2019; Laras et al., 2019).

However, in this study, employee engagement was not shown to affect employee satisfaction and employee performance, so it did not affect competitive advantage. Although the company tries to carry out various activities to build employee engagement within the organization, from interviewing researchers to one of the participants who represent the largest population, the employee engagement carried out by the company does not succeed in conveying its goals, where employee engagement is expected to improve employee satisfaction and employee performance. However, the company’s employee engagement is only assessed as an activity that the company should carry out. After all the discussions, in the finalization stage of this research, there were some changes in this company from being a regional enterprise or regional owned enterprise to a regional public enterprise (Perumda Paljaya ) on December 24, 2021. However, this research is still relevant because it looks at the phenomena in the office when respondents see the research items. The government’s goal in making the regional owned enterprise a Perumda is the hope that it can improve the work performance of the DKI Jakarta government assignments, such as providing services according to the scope of its business, supporting more optimal government policies and programs, providing facilities and infrastructure for wastewater management, and contributing to the local revenue (Arjanto, 2021).

## **CONCLUSION**

Several studies have shown that talent management, employee engagement, job satisfaction, and performance contribute to a company’s competitive edge. While many academicians have investigated these aspects, a lack of studies has been undertaken in the regional owned enterprise sector. Our study examined how talent management, employee engagement, employee satisfaction, and employee performance contribute to a company’s competitive edge.

### **Limitations And Recommendations**

A weakness of this research is that only one research object was employed, so the findings of this study must be expanded by utilizing more research objects. Although the findings of this study are still regarded as restricted, the potential to test the research model on different items is vast, particularly when the R-square values are high.

Based on the conclusions obtained, it is recommended that future researchers add other independent variables. An example is employee commitment, which may affect the company's competitive advantage. This is because there are still variables that need to be found by the author that are related to a competitive advantage. This study used a limited sample size. Thus, it is hoped that future researchers can use more samples in one regional owned enterprise and several other regional owned enterprises, so that different conditions and a larger number of samples can provide more diversity in the data and results.

Furthermore, based on the findings, we found that talent management will positively impact employee satisfaction and performance. Therefore, we suggest that Perumda Paljaya should manage their talent since it will have positive effects on their talents' satisfaction and performance. If Perumda Paljaya can consider and manage their talents, it will lead to a competitive advantage as all organizations seek to achieve this in the long-run.

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**Appendix**

**Table 1. Outer Loadings**

	<b>Competitive Advantage</b>	<b>Employee Engagement</b>	<b>Employee Performance</b>	<b>Employee Satisfaction</b>	<b>Talent Management</b>
CA1	0.882				
CA2	0.843				
CA3	0.799				
CA4	0.854				
CA5	0.809				
CA6	0.883				
CA7	0.850				
EE1		0.903			
EES2		0.823			
EES3		0.852			
EP7			0.925		
EPS11			0.952		
EPS12			0.946		
ESS1				0.723	
ESS4				0.725	
ESS5				0.727	
ESS6				0.835	
ESS7				0.749	
ESS8				0.911	
ESS9				0.902	
ESS10				0.898	
ESS11				0.896	
ESS12				0.899	
ESS13				0.760	
ESS14				0.855	
ESS15				0.841	
ESS16				0.839	
ESS17				0.856	
ESS18				0.868	
ESS19				0.867	

ESS20	0.745
ESS21	0.887
<hr/>	
TM1	0.751
TM2	0.803
TM3	0.713
TM4	0.684
TM5	0.819
TM6	0.793
TM7	0.807
TM8	0.842
TM9	0.774
TM10	0.860
TM11	0.820
TM12	0.855
TM13	0.806
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