

FROM TALENT MANAGEMENT TO RETENTION INTENTION: THE MEDIATING ROLE OF EMPLOYEE ENGAGEMENT IN STATE-OWNED BANKS

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Abstract

This study examines how talent management influences employees' retention intention through employee engagement in state-owned banks. While talent management is often assumed to directly retain employees, this assumption remains theoretically incomplete because formal human resource practices may influence retention intention only when employees experience them as meaningful, developmental, and supportive. Drawing on Social Exchange Theory, this study positions employee engagement as the psychological mechanism that translates talent management into retention intention. A quantitative explanatory design was employed using survey data from 136 employees of state-owned banks in Southeast Sulawesi, Indonesia. Talent management was measured through talent attraction, talent selection, talent development, career management, and retention strategy, while employee engagement and retention intention were measured as work-related psychological and behavioral responses. The data were analyzed using partial least squares structural equation modeling. The results show that talent management has a strong positive effect on employee engagement, and employee engagement significantly increases retention intention. However, talent management does not directly influence retention intention. The mediation analysis confirms that employee engagement fully mediates the relationship between talent management and retention intention. This finding contributes to talent management literature by demonstrating that formal talent practices do not automatically produce employees' intention to remain; instead, their effect depends on the psychological engagement generated by those practices. Practically, state-owned banks should design talent management as an engagement-building system through career conversations, transparent development pathways, supervisor support, recognition, and regular engagement monitoring

Keywords: Talent Management, Employee Engagement, Retention Intention, Social Exchange Theory, State-Owned Banks

Introduction

Employee retention intention has become a strategic concern in banking organizations because service quality, customer trust, operational continuity, and digital transformation depend on employees who possess both technical competence and organizational knowledge. In the banking sector, employees are not only required to perform routine service tasks but also to adapt to increasingly digitalized work systems, stricter compliance requirements, changing customer expectations, and performance-based targets. Digital transformation has reshaped talent requirements in financial service organizations by increasing the need for adaptive employees, digital capability, and continuous learning (Guerra et al., 2023). For state-owned banks, this challenge is more complex because employees work within formalized career structures, regulated human resource procedures, public service expectations, and relatively strong job security norms. These characteristics make retention intention a theoretically and practically important issue in human resource management.

Talent management has been widely promoted as a strategic human resource approach for attracting, selecting, developing, managing, and retaining employees with valuable competencies. Through talent attraction, competency-based selection, talent development, career management, and retention strategies, organizations attempt to build a sustainable workforce and reduce employee turnover risk. Prior studies have shown that talent management practices can support sustainable organizational performance and employee-related outcomes when they are aligned with employee development and organizational strategy (Al Aina & Atan (Guerra et al., 2023), 2020; Kaliannan et al., 2023). In the banking sector, talent management, career development, and organizational culture have also been associated with stronger employee retention (Alzghoul & Khaddam, 2024). However, the assumption that talent management directly leads to retention intention remains conceptually incomplete. Formal talent management systems may exist in an organization, but employees may not necessarily develop a stronger intention to remain unless those systems are experienced as meaningful, fair, developmental, and supportive.

This issue is especially relevant in state-owned banking organizations. In such organizations, talent management is often implemented through standardized procedures, structured promotion systems, internal training programs, and formal performance evaluation mechanisms. While these systems may provide stability and career order, they may also be perceived as administrative or bureaucratic if they do not create meaningful employee experiences. Recent talent management literature suggests that the effect of talent

practices on employee outcomes depends not only on the existence of HR systems but also on how employees interpret and respond to those practices (Sinisterra et al., 2024). Therefore, the key question is not only whether talent management practices exist, but whether they generate psychological attachment among employees. This distinction is important because employees' intention to stay may depend less on the formal presence of talent programs and more on how employees emotionally and cognitively respond to those programs.

Employee engagement offers a useful theoretical mechanism for explaining this process. Engagement refers to a positive work-related psychological state reflected in vigor, dedication, absorption, enthusiasm, and emotional involvement (Bakker, 2023; Schaufeli et al., 2006). From the perspective of Social Exchange Theory, employees who perceive organizational practices as supportive and developmental are likely to reciprocate with stronger psychological attachment and more positive work-related attitudes (Cropanzano & Mitchell, 2005). In this logic, talent management may strengthen employee engagement by signaling that the organization values employee capability, career growth, and long-term contribution. Engaged employees, in turn, may show stronger retention intention because they experience work as meaningful and feel more connected to the organization. Previous studies have also shown that employee engagement plays an important role in reducing turnover intention and strengthening employees' willingness to remain in the organization (Aggarwal et al., 2022; Alzoraiki et al., 2024; Desiana et al., 2024).

Previous studies have shown that talent management is associated with employee engagement and retention-related outcomes. However, three gaps remain. First, many studies still treat retention as a direct outcome of talent management, without sufficiently explaining the psychological mechanism through which talent management shapes employees' intention to remain (Almashyakhi, 2024; Menezes et al., 2025). Second, studies on talent management and retention intention have often been conducted in general business, private-sector, or large metropolitan contexts, while empirical evidence from state-owned banks in regional emerging-economy settings remains limited. Third, the distinctive characteristics of state-owned banks, including formal career systems, bureaucratic procedures, job security expectations, public service obligations, and digital transformation pressures, have not been sufficiently used to explain how talent management operates as an engagement-building system.

To address these gaps, this study examines the effect of talent management on retention intention through employee engagement among employees of state-owned banks in Southeast Sulawesi, Indonesia. The study does not treat the regional setting merely as a local case, but as a relevant context for examining a broader human resource management mechanism: whether formal talent management practices influence retention intention directly or whether their effect depends on the psychological engagement generated by those practices.

Accordingly, this study is guided by three research questions. First, does talent management increase employee engagement? Second, does employee engagement increase retention intention? Third, does employee engagement mediate the relationship between talent management and retention intention? By answering these questions, the study contributes to human resource management literature in three ways. First, it problematizes the direct-effect assumption in talent management research by showing that retention intention is better understood through an engagement-based mechanism. Second, it extends Social Exchange Theory by positioning employee engagement as the psychological response that translates perceived organizational investment into intention to remain. Third, it offers contextual insight into state-owned banking organizations, where formal talent systems may not be sufficient unless they create meaningful engagement among employees.

Literature Review

Talent Management and Employee Engagement

Talent management refers to an integrated set of human resource practices designed to attract, select, develop, manage, and retain employees whose competencies are strategically important for organizational performance. In this study, talent management is reflected through talent attraction, talent selection, talent development, career management, and retention strategy. These dimensions represent a strategic HR architecture through which organizations align employee capability with long-term organizational needs (Al Aina & Atan, 2020; Kaliannan et al., 2023).

Talent management is especially important in banking organizations because employees are required to deliver reliable services, comply with formal procedures, adapt to digital banking systems, and maintain customer trust. Talent development and career management can create a perception that the organization invests in employees' growth and future career opportunities. Under Social Exchange Theory, such perceived organizational investment may encourage employees to reciprocate through stronger psychological attachment and engagement (Cropanzano & Mitchell, 2005). Recent research also suggests that talent management can enhance employee engagement when employees perceive HR practices as meaningful, developmental, and supportive (Sinisterra et al., 2024).

Employee engagement refers to a positive work-related psychological state characterized by vigor, dedication, absorption, enthusiasm, and emotional involvement (Bakker, 2023; Schaufeli et al., 2006). When employees perceive that their organization provides fair talent selection, relevant development programs,

clear career pathways, and meaningful retention support, they are more likely to feel valued and psychologically connected to their work. Therefore, talent management is expected to strengthen employee engagement.

H1: Talent management has a positive and significant effect on employee engagement.

Employee Engagement and Retention Intention

Retention intention refers to employees' willingness and intention to remain with an organization over time. It is reflected through intention to stay, organizational loyalty, perceived career continuity, low turnover intention, and commitment to remain. This concept should be distinguished from actual employee retention because the present study measures employees' intention rather than verified behavioral retention.

Employee engagement is expected to increase retention intention because engaged employees experience their work as meaningful and feel emotionally connected to organizational goals. Engaged employees tend to invest more energy, attention, and emotional commitment in their work, which may reduce their desire to leave and strengthen their willingness to continue their career in the organization. Prior studies have shown that employee engagement is negatively associated with turnover intention and positively associated with retention-related outcomes (Aggarwal et al., 2022; Alzoraiki et al., 2024; Desiana et al., 2024).

In state-owned banks, engagement may be particularly important because employees work under performance pressure, service demands, formal procedures, and digital transformation requirements. Employees who feel energetic, dedicated, and emotionally involved are more likely to interpret these demands as meaningful professional responsibilities rather than as reasons to leave. Therefore, employee engagement is expected to increase retention intention.

H2: Employee engagement has a positive and significant effect on retention intention.

Talent Management and Retention Intention

Talent management may influence retention intention because employees are more likely to remain in organizations that provide career opportunities, competency development, recognition, and long-term employment support. Talent attraction and selection may strengthen person-organization fit, while talent development and career management may increase employees' belief that the organization offers future career continuity. Previous studies have shown that talent management practices are associated with stronger employee retention and reduced turnover-related outcomes (Almashyakhi, 2024; Alzghoul & Khaddam, 2024; Menezes et al., 2025).

However, this direct relationship should not be assumed automatically. Formal talent management systems may be perceived as administrative if employees do not experience them as meaningful or supportive. In state-owned banks, standardized HR procedures, bureaucratic promotion systems, and formal training programs may provide career order but may not directly create intention to remain unless employees perceive these practices as personally valuable. Therefore, testing the direct effect of talent management on retention intention is necessary to determine whether formal talent practices independently influence employees' intention to stay.

H3: Talent management has a positive and significant effect on retention intention.

The Mediating Role of Employee Engagement

Employee engagement is proposed as the psychological mechanism linking talent management to retention intention. Talent management practices may first shape employees' perceptions that the organization values their capability, supports their development, and provides career opportunities. These perceptions can increase vigor, dedication, absorption, enthusiasm, and emotional involvement. Engaged employees may then develop stronger intention to remain because they experience work as meaningful and feel emotionally connected to the organization.

This mediating logic is consistent with Social Exchange Theory, which explains that employees respond to favorable organizational treatment through positive attitudes and behaviors (Cropanzano & Mitchell, 2005). Talent management represents organizational investment, engagement represents employees' psychological response, and retention intention represents employees' willingness to maintain the employment relationship. Recent studies also suggest that engagement can mediate the relationship between HR practices and retention-related outcomes (Alzoraiki et al., 2024; Ismail, 2021; Sinisterra et al., 2024).

Thus, talent management is expected to influence retention intention indirectly through employee engagement. This mediation model clarifies that talent management does not necessarily produce retention intention merely because formal programs exist; rather, its effect depends on whether those programs create psychological engagement.

H4: Employee engagement mediates the relationship between talent management and retention intention.

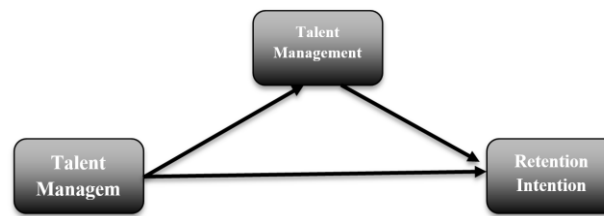


Figure 1. Research Model

Methods

Research Design

This study employed a quantitative explanatory research design to examine the relationships among talent management, employee engagement, and retention intention. This design was appropriate because the study aimed to test theoretically developed hypotheses and explain both direct and indirect relationships among latent constructs. Partial least squares structural equation modeling was used because the model involved mediation testing, latent variables, and a relatively moderate sample size. PLS-SEM is also suitable for prediction-oriented research and theory development in management studies (Hair et al., 2022; Kante et al., 2023).

Research Context, Population, and Sampling

The study was conducted among employees of state-owned banks operating in Southeast Sulawesi, Indonesia. This context was selected because state-owned banks operate under formal career structures, regulated human resource procedures, public service responsibilities, and increasing digital banking pressures. These characteristics make the context relevant for examining whether formal talent management systems directly shape retention intention or whether their effect depends on employee engagement.

The population consisted of employees working in state-owned banks in Southeast Sulawesi. The unit of analysis was the individual employee. Respondents were eligible to participate if they were active employees, had sufficient work experience to evaluate talent management practices, and were involved in operational, administrative, supervisory, or managerial banking activities. A purposive sampling technique was used because the study required respondents who had direct experience with talent management practices, engagement conditions, and retention-related perceptions. A total of 136 valid responses were obtained and used for the final analysis.

Data Collection and Ethical Procedure

Data were collected using a structured questionnaire. Before completing the questionnaire, respondents were informed about the purpose of the study, the voluntary nature of participation, anonymity, and confidentiality. Respondents were also informed that there were no right or wrong answers and that their responses would be used only for academic purposes. After data collection, the questionnaires were screened to ensure completeness and suitability for analysis. Incomplete responses were excluded from the dataset.

This study followed basic ethical principles for survey-based research. Participation was voluntary, and respondents were allowed to decline participation without any consequences. No personal identifiers were collected in the questionnaire. All responses were treated confidentially and reported only in aggregate form. These procedures were applied to protect respondents' privacy and reduce social desirability pressure.

Measurement Instrument

All constructs were measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. The questionnaire items were adapted from established literature on talent management, employee engagement, and retention intention, then adjusted to the context of state-owned banking employees. Table 1 presents the measurement items used in the study.

Talent management was measured through five indicators: talent attraction, talent selection, talent development, career management, and retention strategy. Employee engagement was measured through vigor, dedication, absorption, work enthusiasm, and emotional involvement. Retention intention was measured through intention to stay, organizational loyalty, career continuity, low turnover intention, and commitment to remain. These indicators represent employees' willingness to continue working in the organization rather than actual retention behavior.

Table 1. Measurement Items

Construct	Code	Item
Talent Management	TM1	The bank attracts employees with competencies needed for future banking work.
	TM2	The bank uses fair and competency-based procedures to select and identify talented employees.
	TM3	The bank provides development programs that improve employees' professional capability.
	TM4	The bank offers clear career management and promotion opportunities.

Employee Engagement	TM5	The bank implements retention strategies to keep competent employees.
	EE1	I feel energetic when carrying out my work.
	EE2	I feel dedicated to my work and organizational responsibilities.
	EE3	I am absorbed and focused when performing my work.
	EE4	I feel enthusiastic about my work in the bank.
Retention Intention	EE5	I feel emotionally involved in my work and organization.
	RI1	I intend to continue working in this bank.
	RI2	I feel loyal to this organization.
	RI3	I see my career continuity in this organization.
	RI4	I have low intention to leave this organization.
	RI5	I am committed to remaining with this organization.

Measurement Model Justification and Common Method Bias

Talent management was modeled as a reflective construct because the indicators were treated as manifestations of employees' overall perception of talent management practices. In this study, employees who perceived talent management positively were expected to report consistently positive perceptions across attraction, selection, development, career management, and retention strategy. Therefore, the indicators were expected to correlate with one another and reflect a shared underlying construct. However, because talent management can also be conceptualized as a multidimensional HR system, future research may model talent management as a higher-order or formative construct when more detailed sub-dimensional data are available.

Because the study used cross-sectional self-reported survey data, several procedural remedies were applied to reduce common method bias. Respondents were assured of anonymity and confidentiality, the questionnaire emphasized that there were no correct or incorrect answers, construct sections were separated, and item wording was kept clear. Statistically, collinearity diagnostics showed that the structural VIF values did not exceed the recommended threshold, suggesting that common method bias and predictor collinearity were unlikely to seriously threaten the results (Hair et al., 2022).

Data Analysis

The data were analyzed using PLS-SEM. The analysis was conducted in two stages: measurement model assessment and structural model assessment. The measurement model was evaluated using outer loadings, Cronbach's alpha, rho_A, composite reliability, average variance extracted, the Heterotrait-Monotrait ratio, and the Fornell-Larcker criterion. The structural model was evaluated using collinearity statistics, R², Q² predict, f² effect size, path coefficients, t-values, p-values, and confidence intervals. Hypothesis testing was conducted using a bootstrapping procedure. A relationship was considered significant when the t-value exceeded 1.96 and the p-value was below 0.05. Mediation was assessed by examining the indirect effect of talent management on retention intention through employee engagement.

Results and Discussion

Respondent Characteristics

A total of 136 valid questionnaires were included in the final analysis. The respondents represented employees working in operational, administrative, supervisory, and managerial positions within state-owned banks in Southeast Sulawesi. Most respondents were male (57.4%), while female employees accounted for 42.6% of the sample. Employees aged between 25 and 35 years represented the largest age group (44.9%), indicating that the banking workforce was dominated by productive-age employees who were actively involved in organizational operations and career development. The largest educational group held bachelor's degrees (65.4%), and most respondents had five to ten years of service (39.7%). Overall, these characteristics indicate that the respondents were well positioned to provide informed evaluations regarding talent management, employee engagement, and retention intention.

Table 2. Respondent Characteristics (N = 136)

Characteristic	Category	Frequency	Percentage
Gender	Male	78	57.4
Gender	Female	58	42.6
Age	< 25 years	12	8.8
Age	25-35 years	61	44.9
Age	36-45 years	43	31.6
Age	> 45 years	20	14.7
Education	Diploma	18	13.2
Education	Bachelor's Degree	89	65.4
Education	Master's Degree	29	21.3
Years of Service	< 5 years	26	19.1
Years of Service	5-10 years	54	39.7
Years of Service	11-15 years	33	24.3
Years of Service	> 15 years	23	16.9

Characteristic	Category	Frequency	Percentage
Position	Teller/Customer Service	38	27.9
Position	Staff/Administration	46	33.8
Position	Supervisor	31	22.8
Position	Manager	21	15.4

Measurement Model Assessment

The measurement model was evaluated before testing the structural relationships. All constructs met the requirements for internal consistency reliability and convergent validity. Loading values ranged from 0.670 to 0.834. Although two indicators produced loading values slightly below 0.70, they were retained because the constructs satisfied reliability and convergent validity criteria, consistent with current PLS-SEM recommendations (Hair et al., 2022). Composite reliability values ranged from 0.872 to 0.899, Cronbach's alpha values ranged from 0.816 to 0.860, and AVE values exceeded 0.50. These findings confirm that talent management, employee engagement, and retention intention possessed satisfactory convergent validity and reliability.

Discriminant validity was assessed using both the Heterotrait-Monotrait ratio and the Fornell-Larcker criterion. All HTMT values remained below the conservative threshold of 0.90, while the square root of each construct's AVE exceeded its correlations with other constructs. Collectively, these results indicate that the constructs were empirically distinct and measured different conceptual phenomena.

Table 3. Convergent Validity and Reliability

Construct	Loading Range	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Employee Engagement	0.670-0.834	0.816	0.825	0.872	0.578
Employee Retention	0.683-0.816	0.839	0.852	0.885	0.608
Talent Management	0.759-0.828	0.860	0.861	0.899	0.641

Table 4. Discriminant Validity Assessment

Criterion	EE	ER	TM
HTMT: EE with ER	-	0.874	-
HTMT: EE with TM	0.883	-	-
HTMT: ER with TM	-	0.705	-
FL: Employee Engagement	0.760		
FL: Employee Retention	0.727	0.780	
FL: Talent Management	0.764	0.616	0.801

Structural Model

The structural model was evaluated using the coefficient of determination (R²), predictive relevance (Q²), effect size (f²), and bootstrapping analysis. The model explained 58.3% of the variance in employee engagement and 53.8% of the variance in retention intention, indicating moderate-to-substantial explanatory power. The predictive relevance assessment demonstrated positive Q² values for both endogenous constructs, confirming that the proposed model possessed satisfactory predictive capability.

The bootstrapping procedure supported three of the four proposed hypotheses. Talent management significantly increased employee engagement, supporting H1. Employee engagement significantly increased retention intention, supporting H2. Talent management had a positive but non-significant direct effect on retention intention, so H3 was not supported. The indirect effect of talent management on retention intention through employee engagement was significant, supporting H4. Because the indirect effect was significant while the direct effect remained non-significant, the findings indicate a full mediation mechanism. Nevertheless, this mediation should be interpreted cautiously because the study employed cross-sectional survey data and measured retention intention rather than actual employee retention behavior.

Table 5. Structural Model Evaluation

Endogenous Construct	R ²	Q ² Predict	RMSE	MAE
Employee Engagement	0.583	0.573	0.663	0.538
Employee Retention	0.538	0.366	0.807	0.640

Table 6. Hypothesis Testing

Hypothesis	Relationship	β	t-value	p-value	f ²	Decision
H1	Talent Management -> Employee Engagement	0.764	21.058	0.000	1.398	Supported
H2	Employee Engagement -> Employee Retention	0.615	7.336	0.000	0.342	Supported
H3	Talent Management -> Employee Retention	0.147	1.506	0.132	0.019	Not supported
H4	Talent Management -> Employee Engagement -> Employee Retention	0.470	6.251	0.000	-	Supported

Discussion

This study examined whether talent management influences retention intention directly or indirectly through employee engagement among employees of state-owned banks. The findings show that talent management significantly increased employee engagement, employee engagement significantly increased retention intention, and talent management did not directly influence retention intention. The significant indirect effect confirms that employee engagement functions as the psychological mechanism linking talent management to retention intention.

The strong effect of talent management on employee engagement indicates that employees respond positively when they perceive talent practices as fair, developmental, and career-supportive. Talent attraction, competency-based selection, development programs, career management, and retention strategies are not merely administrative HR activities. They operate as organizational signals that employees are valued and considered important for the bank's future. This finding is consistent with Social Exchange Theory, which explains that employees reciprocate favorable organizational treatment with positive psychological and behavioral responses (Cropanzano & Mitchell, 2005). In this study, the reciprocal response appeared in the form of stronger vigor, dedication, absorption, enthusiasm, and emotional involvement.

The state-owned banking context helps explain why talent management strongly shapes engagement. Employees in state-owned banks work within formal career systems, regulated procedures, public service obligations, and increasing digital banking demands. In such a setting, talent management can reduce uncertainty about career direction and capability development. When employees perceive that the bank provides clear development pathways and fair career management, they are more likely to interpret formal HR systems as meaningful support rather than bureaucratic routines. This explains why talent management becomes highly relevant for employee engagement in state-owned banks.

The positive effect of employee engagement on retention intention confirms that employees who are psychologically attached to their work are more likely to remain with the organization. Engagement creates a motivational bond between employees and the bank. Employees who feel energetic, dedicated, enthusiastic, and emotionally involved are more likely to perceive their work as meaningful and their future in the organization as valuable. This finding supports previous research showing that employee engagement reduces turnover intention and strengthens employees' willingness to stay (Aggarwal et al., 2022; Alzoraiki et al., 2024; Desiana et al., 2024).

The non-significant direct effect of talent management on retention intention is one of the most important findings of this study. This result suggests that formal talent management practices do not automatically create employees' intention to remain. In state-owned banks, several explanations are possible. First, talent management practices may be highly standardized across units, making employees perceive them as formal organizational procedures rather than personalized support. Second, employees in state-owned banks may already expect a degree of job security, so formal talent programs alone may not be sufficient to increase retention intention beyond existing employment stability. Third, employees may respond differently to talent management depending on whether they personally experience development opportunities, supervisor support, and career clarity. Therefore, talent management becomes retention-relevant only when it creates meaningful engagement.

This finding challenges the direct-effect assumption in talent management research. Prior studies have often suggested that talent management directly improves retention-related outcomes (Almashyakh, 2024; Alzghoul & Khaddam, 2024; Menezes et al., 2025). The present study does not reject that talent management matters. Instead, it clarifies how talent management matters. The results show that talent management contributes to retention intention through an engagement-based pathway. Thus, the effectiveness of talent management depends not only on the existence of HR programs but also on employees' psychological interpretation of those programs.

The mediation result provides the central theoretical contribution of this study. Employee engagement fully mediates the relationship between talent management and retention intention. This means that talent management influences employees' willingness to remain only when it first strengthens psychological engagement. In Social Exchange Theory terms, talent management represents perceived organizational investment, employee engagement represents the reciprocal psychological response, and retention intention represents the employee's willingness to continue the employment relationship. This sequence explains why administrative talent programs may fail to retain employees when they do not generate emotional attachment, work enthusiasm, and perceived career meaning.

The findings also offer a more careful interpretation of retention. Because this study measured employees' intention to stay rather than actual turnover behavior, the results should be interpreted as evidence of retention intention, not verified employee retention. This distinction is important because intention may precede behavior, but it does not fully represent actual long-term employment outcomes. Therefore, the study supports the conclusion that talent management strengthens retention intention through employee engagement, not that talent management directly guarantees actual retention.

Theoretical Contributions

This study makes several theoretical contributions. First, it clarifies the mechanism through which talent management influences retention intention. Rather than treating talent management as a direct predictor of retention, this study demonstrates that its effect depends on employee engagement. This contribution is important because it shifts the theoretical explanation from an administrative HR perspective to a psychological mechanism perspective.

Second, the study strengthens the application of Social Exchange Theory in talent management research. Talent management can be understood as a form of organizational investment. Employees respond to this investment not automatically with retention intention, but first through engagement. This finding refines the exchange logic by showing that psychological engagement is the key intermediate response between perceived organizational investment and intention to remain.

Third, the study contributes to contextualized HRM research. State-owned banks provide a distinctive context characterized by formal career systems, bureaucratic procedures, job security expectations, public accountability, and digital transformation pressure. The findings suggest that in such contexts, formal HR systems need to be experienced as meaningful and engaging before they can shape retention intention. This insight is relevant not only to state-owned banks in Indonesia but also to other service-intensive organizations with formalized HR structures.

Practical Implications

The findings suggest that state-owned banks should redesign talent management as an engagement-building system rather than as a purely administrative HR function. Talent attraction and selection should not only focus on filling positions but also on ensuring person-job fit and person-organization fit. When employees perceive that selection and placement are fair and competency-based, they are more likely to feel valued and engaged.

Talent development should be linked to actual banking competencies, digital transformation needs, and future career pathways. Training programs should not be treated as routine administrative requirements. Instead, they should be connected to employees' career goals, service capability, digital banking readiness, and promotion opportunities. This can help employees perceive development programs as meaningful investments in their future.

Career management should also be made more transparent. Supervisors and HR managers should conduct regular career conversations with employees to clarify promotion criteria, development needs, and internal mobility opportunities. In state-owned banks, where promotion systems may be perceived as formal or bureaucratic, transparent career communication can reduce uncertainty and strengthen engagement.

Retention strategies should go beyond financial incentives and employment stability. Banks should strengthen mentoring, coaching, recognition, supervisor support, meaningful work design, and employee involvement in improvement initiatives. These practices can help employees feel emotionally connected to the organization and increase their intention to remain.

Finally, employee engagement should be used as a key indicator of talent management effectiveness. Banks should regularly monitor vigor, dedication, absorption, enthusiasm, and emotional involvement through engagement surveys. More importantly, survey results should be followed by managerial action, such as targeted coaching, development planning, workload adjustment, and recognition programs. Talent management should be evaluated not only by how many employees attend training or enter talent pools, but by whether those practices increase engagement and retention intention.

Limitations and Future Research

This study has several limitations. First, the study measured retention intention, not actual employee retention behavior. Although intention to stay is an important predictor of future retention, it does not fully represent actual long-term employment outcomes. Future studies should use longitudinal data or organizational turnover records to examine whether employee engagement and talent management eventually reduce actual turnover.

Second, the study used a cross-sectional survey design. Therefore, the causal interpretation of the relationships should be made cautiously. Future research could apply longitudinal or time-lagged designs to examine how talent management practices influence engagement and retention intention over time.

Third, the sample was limited to employees of state-owned banks in Southeast Sulawesi. Although this context provides meaningful insight into formalized HR systems in regional banking organizations, future studies should compare state-owned banks, private banks, Islamic banks, and fintech-based financial institutions to test the generalizability of the model.

Fourth, this study focused only on employee engagement as the mediating mechanism. Future research may extend the model by including job satisfaction, perceived organizational support, organizational commitment, psychological empowerment, supervisor support, or digital HR readiness. Future studies may also examine whether leadership style, organizational culture, or career system transparency moderates the effect of talent management on employee engagement.

Conclusion

This study examined the relationship between talent management, employee engagement, and retention intention among employees of state-owned banks in Southeast Sulawesi, Indonesia. The findings show that talent management significantly increases employee engagement, and employee engagement significantly strengthens retention intention. However, talent management does not directly influence retention intention. The mediation analysis confirms that employee engagement fully mediates the relationship between talent management and retention intention.

The main conclusion is that formal talent management practices do not automatically create employees' intention to remain. Talent attraction, talent selection, talent development, career management, and retention strategies become retention-relevant only when they generate psychological engagement. Employees are more likely to intend to stay when they feel energetic, dedicated, enthusiastic, emotionally involved, and connected to their work and organization.

This study contributes to talent management literature by shifting the explanation of retention intention from a direct administrative effect to an engagement-based psychological mechanism. For state-owned banks, the findings imply that talent management should be implemented not merely as a formal HR procedure, but as an employee-centered system that builds meaningful work experiences, career clarity, supervisor support, recognition, and emotional attachment. Thus, the most effective way for state-owned banks to strengthen retention intention is not only to manage talent, but to make talent management genuinely engaging for employees.

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