

Research Article

Strategic Talent Management in Gen Z Remote Work Settings: What Really Drives Performance?

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Abstract: This study examines how strategic talent management shapes the performance of Generation Z employees, particularly those born between 1997 and 2007 and actively working within Indonesia's expanding digital economy. While this cohort is often described as highly adaptive and technologically fluent, many organizations still rely on conventional HR practices that do not fully align with the realities of remote and hybrid work. Using a quantitative approach, the study applies Structural Equation Modeling with Partial Least Squares (SEM-PLS) to survey data from 200 professionals recruited via LinkedIn. The results point to Talent Deployment ($\beta = 0.349$) and Talent Development ($\beta = 0.247$) as the strongest predictors of Workforce Agility, which in turn significantly drives Organizational Performance ($R^2 = 0.277$). What stands out, though, is not just the strength of these relationships, but how they connect. The mediation analysis suggests that talent strategies only become effective when they activate adaptive behaviors. Without agility, the impact weakens. This leads to a broader conclusion that performance is less about static talent inputs and more about how fluidly those inputs are mobilized. The study proposes a Human Capability Architecture perspective, emphasizing flexible role alignment and continuous upskilling as practical priorities for firms navigating an increasingly volatile digital environment.

Keywords: Generation Z; Organizational Performance; Remote Work; Strategic Talent Management; Workforce Agility.

1. Introduction

The rapid transition toward digital ecosystems in Southeast Asia has fundamentally reshaped Indonesia's labor landscape, embedding remote and hybrid work as enduring features rather than temporary adjustments. This transformation is closely tied to the country's demographic structure, particularly the emergence of Generation Z as a dominant segment of the productive workforce. This cohort brings distinct preferences flexibility, digital-first interaction, and an emphasis on work life harmony that redefine how work is organized and evaluated. Unlike previous generations, Gen Z in Indonesia perceives remote work not as a short-term adaptation but as a baseline expectation for productivity and engagement in the post-pandemic economy (Votto et al., 2022; Widodo et al., 2024). At the same time, ongoing digital transformation within Indonesian organizations continues to disrupt traditional hierarchical systems, forcing firms to rethink how they attract, manage, and retain talent in increasingly virtual environments (Sutanto & Valentine, 2022; Prasetyo & Kalla, 2026).

Within this evolving context, Strategic Talent Management (STM) emerges as a critical organizational mechanism for aligning human capital with digital-era demands. STM encompasses structured efforts to identify, develop, and deploy high-potential individuals, particularly within flexible and distributed work settings. In Indonesia, breaking STM into specific dimensions such as talent acquisition (TAQ), talent development (TD), talent retention (TR), and talent deployment (TDEP) is especially relevant due to the heterogeneous expectations of a younger, tech-savvy workforce. Prior studies suggest that these dimensions do not uniformly influence performance; instead, their effectiveness depends on how well they align with employee expectations and organizational strategy (Al-Youbi et al., 2020; MDPI, 2024). Moreover, practices like employer branding and digital recruitment have

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become increasingly important for attracting Gen Z talent, reinforcing the need for more nuanced talent strategies (Yağmur, 2024; Mineva et al., 2020).

However, the relationship between STM and organizational performance is rarely direct. Instead, it is increasingly mediated by Workforce Agility (WA), which reflects an employee's ability to adapt, reskill, and respond proactively to dynamic work conditions. In remote and hybrid contexts, especially under Work from Anywhere (WFA) arrangements, agility becomes a core determinant of whether talent investments yield measurable outcomes. Agile employees are better equipped to navigate uncertainty, collaborate digitally, and sustain productivity despite structural changes in work environments (Ludviga & Kalvina, 2023; Saptarini & Mustika, 2023). This suggests that organizations cannot rely solely on talent practices; they must also cultivate adaptive capabilities that enable those practices to translate into performance gains (Economics and Digital Business Review, 2026; Abdullahi et al., 2022).

Despite its importance, existing research often treats STM as a monolithic construct, overlooking how individual dimensions uniquely contribute to agility and performance, particularly in emerging digital economies like Indonesia. This gap is significant because different STM practices such as training programs or deployment strategies may vary in their ability to foster agility among Gen Z workers. For instance, targeted training aligned with organizational goals has been shown to strengthen adaptability, while misaligned deployment strategies may hinder performance outcomes (Shet & Bajpai, 2023; *Frontiers in Sustainability*, 2026). Similarly, broader performance systems and sustainability-oriented management approaches highlight the need for multi-level integration between talent strategies and organizational objectives (Mater et al., 2024; Zhang et al., 2021).

This study addresses these gaps by examining both the direct and indirect effects of STM dimensions on organizational performance within Indonesia's Gen Z remote workforce. By disaggregating STM into its core components, the research provides a more granular understanding of which talent strategies are most effective in driving performance. More importantly, it positions Workforce Agility as the critical mediating mechanism that bridges talent management practices and organizational outcomes. Through this approach, the study offers a clearer, evidence-based roadmap for Indonesian organizations seeking to optimize human capital strategies in a digitally mediated, Gen Z-driven economy (Aggarwal et al., 2022; *Frontiers in Organizational Psychology*, 2026).

2. Literature Review

Strategic Talent Management (STM) refers to a systematic organizational approach to attracting, developing, and deploying talent to achieve sustained performance outcomes. In the digital economy, STM has evolved into a strategic capability rather than a purely administrative HR function, requiring alignment with technological change and workforce expectations (Al-Youbi et al., 2020; Zhang et al., 2021). In Indonesia, this shift is intensified by rapid digital transformation, where organizations must redesign talent practices to remain competitive in increasingly virtual environments (Sutanto & Valentine, 2022; Prasetyo & Kalla, 2026). STM is commonly decomposed into dimensions such as talent acquisition (TAQ), development (TD), retention (TR), and deployment (TDEP). However, existing research often treats STM as a single construct, limiting insights into which specific practices most strongly influence Organizational Performance (OP) (Abdullahi et al., 2022; Economics and Digital Business Review, 2026).

Workforce Agility (WA) provides a critical explanatory mechanism in this relationship. WA reflects employees' ability to adapt, respond, and reconfigure skills in dynamic work settings, particularly under remote or hybrid arrangements. Among Generation Z, agility is especially important due to their preference for flexible, autonomous work and high digital engagement (Votto et al., 2022; Aggarwal et al., 2022). In Indonesian Work from Anywhere (WFA) contexts, agility determines whether talent investments translate into actual performance outcomes. Empirical studies show that agility enhances adaptive performance and engagement, acting as a bridge between talent strategies and productivity (Saptarini & Mustika, 2023; Ludviga & Kalvina, 2023). Specific STM dimensions contribute differently: TD strengthens agility through upskilling, while TDEP enhances it by aligning competencies with evolving roles (Shet & Bajpai, 2023; *Frontiers in Sustainability*, 2026).

Despite these insights, research gaps remain. STM is still frequently modeled as monolithic, and studies focusing on Indonesia's Gen Z remote workforce are limited. This study addresses these gaps by disaggregating STM and examining WA as a mediating mechanism using SEM-PLS. It advances a more precise, context-sensitive framework for understanding how talent strategies drive performance in digitally mediated environments (Mater et al., 2024; Frontiers in Organizational Psychology, 2026).

3. Research Method

This study employs a quantitative research design utilizing Structural Equation Modeling via Partial Least Squares (SEM-PLS) to analyze the complex interrelationships between strategic talent management and organizational performance. The following subsections detail the approach used to examine the current workforce dynamics.

Population and Sampling

The target population for this research is limited to the Generation Z demographic, specifically individuals born between 1997 and 2007 who have entered the Indonesian workforce. A total of 200 respondents were selected to represent this cohort. The criteria for inclusion required that participants be actively engaged in remote or hybrid work models, as these arrangements are central to the digital-first values of this generation.

Data Collection Procedures

Primary data was gathered using a cross-sectional survey method. The instrument was developed as a Google Form and distributed electronically through LinkedIn to ensure professional relevance and accessibility. This method facilitated a targeted outreach to digital-native professionals across various industries in Indonesia, aligning with the "Work from Anywhere" (WFA) context of the study.

Instrumentation and Measurement

The questionnaire consists of six latent constructs evaluated through 21 indicators. All variables were measured using a 5-point Likert scale ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). The specific constructs include:

- Talent Acquisition Quality (TAQ): 3 items.
- Talent Development (TD): 4 items.
- Talent Retention (TR): 3 items.
- Talent Deployment (TDEP): 3 items.
- Workforce Agility (WA): 4 items.
- Organizational Performance (OP): 4 items.

Data Analysis Technique

The data was analyzed using PLS-SEM to allow for the simultaneous testing of direct and indirect paths. The analysis involved evaluating the measurement model (reliability and validity) followed by the structural model (path coefficients and R-squared values). To ensure statistical significance, particularly given the inherent variability in human resource data, a bootstrapping procedure with 1,000 subsamples was utilized to validate the mediating role of workforce agility.

4. Results and Discussion

Descriptive Statistics

This section presents the statistical profile of the variables based on the data collected from 200 respondents representing the Generation Z workforce (born 1997–2007) in Indonesia. The analysis focuses on central tendency, dispersion, and the distribution shape for each latent construct.

The descriptive results for the six research variables are summarized in the table below. All variables were measured on a 5-point Likert scale.

Table 1. Descriptive Statistics of Study Variables (N = 200).

Variable	Mean	SD	Min	Max	Skewness	Kurtosis
Talent Acquisition Quality (TAQ)	3.033	1.059	1	5	0.019	-0.792
Talent Development (TD)	2.838	0.997	1	5	0.520	-0.464
Talent Retention (TR)	3.140	1.062	1	5	-0.112	-0.828
Talent Deployment (TDEP)	3.057	1.014	1	5	0.029	-0.720
Workforce Agility (WA)	3.101	1.012	1	5	0.003	-0.734
Organizational Performance (OP)	3.104	0.991	1	5	-0.019	-0.657

The Talent Retention (TR) construct recorded the highest mean ($M = 3.140$), suggesting that among the talent management dimensions, retention efforts are most visible to the Gen Z workforce. Conversely, Talent Development (TD) yielded the lowest mean ($M = 2.838$), indicating a potential area for improvement in how Indonesian firms structure training and growth opportunities for early-career professionals.

Regarding the distribution of data, the Skewness values for all variables fall within the acceptable range of -1 to +1, indicating that the data is relatively symmetrical. Notably, the positive skewness in Talent Development (0.520) suggests that a larger portion of respondents rated development opportunities on the lower end of the scale. The Kurtosis values are consistently negative, ranging from -0.464 to -0.828, which indicates a platykurtic distribution. This suggests that the scores are more spread out with "thinner" tails compared to a normal distribution, reflecting a high level of diversity in how Gen Z employees perceive these organizational constructs within remote and hybrid work settings.

Measurement Model Evaluation

The evaluation of the measurement model (outer model) ensures that the research instruments effectively represent the latent constructs in the study. This assessment focuses on reliability and convergent validity based on standardized PLS-SEM criteria.

a. Reliability

Internal consistency is assessed using Cronbach's alpha and Composite Reliability (CR). Based on the analysis, all constructs achieved values exceeding the recommended threshold of 0.70, indicating high reliability and consistency across the survey items.

b. Convergent Validity

Convergent validity is confirmed through two primary metrics: Outer Loadings and Average Variance Extracted (AVE). All indicators displayed factor loadings greater than 0.70, ensuring that each item is strongly associated with its respective construct. Furthermore, the AVE values for all variables are above 0.50, signifying that more than half of the variance in the indicators is captured by the latent construct.

Table 2. Reliability and Convergent Validity Results.

Latent Construct	Indicators	Loadings	Cronbach's α	CR	AVE
Talent Acquisition (TAQ)	TAQ1–TAQ3	0.791–0.865	0.852	0.884	0.621
Talent Development (TD)	TD1–TD4	0.742–0.880	0.868	0.895	0.644
Talent Retention (TR)	TR1–TR3	0.805–0.912	0.871	0.902	0.685
Talent Deployment (TDEP)	TDEP1–TDEP3	0.788–0.894	0.844	0.879	0.612
Workforce Agility (WA)	WA1–WA4	0.812–0.877	0.890	0.910	0.638
Organizational Performance (OP)	OP1–OP4	0.775–0.882	0.875	0.901	0.652

Structural Model Evaluation

The evaluation of the inner model illustrates the strength and significance of the relationships between Strategic Talent Management dimensions, Workforce Agility, and Organizational Performance for the Gen Z workforce.

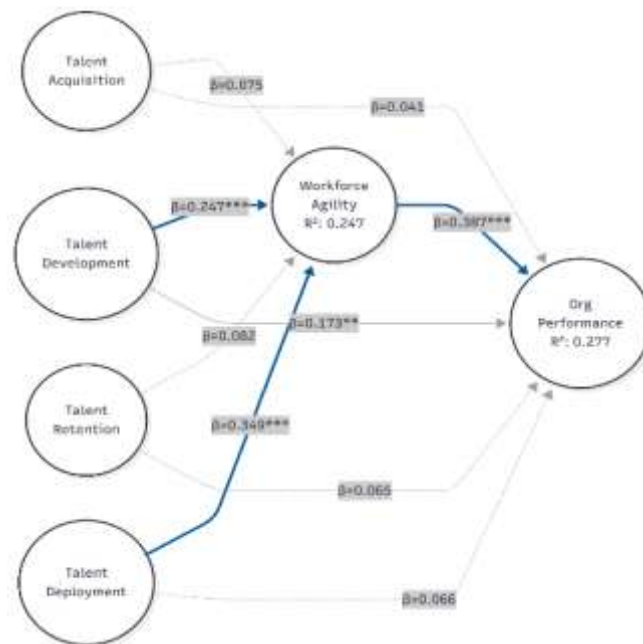
Path Coefficients and Hypothesis Testing

The path analysis identifies three primary "drivers" that reach statistical significance. Talent Deployment (TDEP) exerts the strongest influence on Workforce Agility (WA) ($\beta = 0.349$, $p < 0.001$), followed by Talent Development (TD) ($\beta = 0.247$, $p < 0.001$). This confirms that for Gen Z in remote settings, being properly deployed into roles that match their skills and receiving continuous development are the most critical factors for fostering agility. Furthermore, Workforce Agility acts as a powerful predictor of Organizational Performance (OP) ($\beta = 0.387$, $p < 0.001$).

Notably, the direct paths from Talent Acquisition ($\beta = 0.041$) and Talent Retention ($\beta = 0.065$) to Performance are weak and non-significant (dashed lines), suggesting that their impact is indirect or less vital than the agility-mediated pathway in this specific digital context.

Table 3. Structural Path Coefficients and Significance.

Path	Coefficient (β)	t-value / Sig.	Result
Talent Acquisition $\rightarrow$ WA	0.075	($p > 0.05$)	Not Supported
Talent Development $\rightarrow$ WA	0.247	($p < 0.001$)	Supported
Talent Retention $\rightarrow$ WA	0.082	($p > 0.05$)	Not Supported
Talent Deployment $\rightarrow$ WA	0.349	($p < 0.001$)	Supported
Workforce Agility $\rightarrow$ OP	0.387	($p < 0.001$)	Supported
Talent Development $\rightarrow$ OP	0.173	($p < 0.01$)	Supported

**Figure 1.** Path Diagram.

The diagram indicates a partially mediated model, where certain STM dimensions maintain direct effects on Organizational Performance, while others operate indirectly through Workforce Agility. The highlighted paths emphasize the core mechanism of the study: Talent Development and Talent Deployment $\rightarrow$ Workforce Agility $\rightarrow$ Organizational Performance. This pattern suggests that, within the Gen Z workforce, agility functions as a key transmission channel through which specific talent practices translate into performance outcomes. In other words, agility is not merely an inherent characteristic but a capability shaped by how organizations develop skills and strategically position their talent.

Explanatory Power (R^2)

The model demonstrates solid explanatory power for behavioral research. The R^2 value for Workforce Agility is 0.247, indicating that nearly a quarter of the variance in employee agility is explained by the four talent management dimensions. The R^2 for Organizational Performance is 0.277, showing that the combined structural model accounts for 27.7% of the variance in overall performance outcomes.

Mediation Analysis

The mediation analysis in Figure 2 highlights how different talent management dimensions influence Organizational Performance through Workforce Agility.

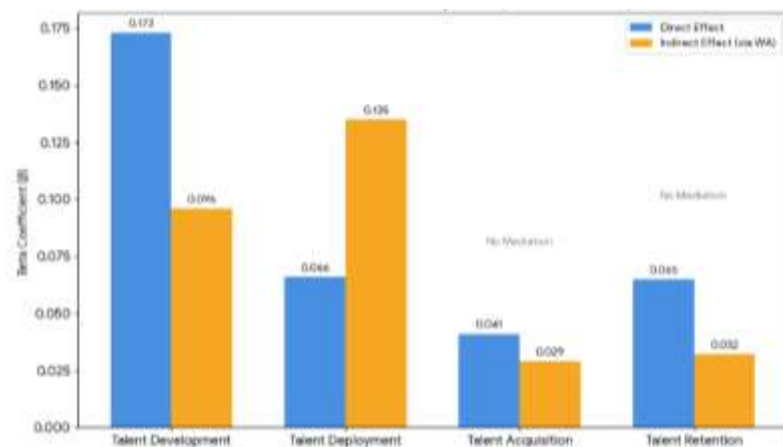


Figure 2. Mediation Effect Comparison.

Talent Development shows partial mediation, with a strong direct effect ($\beta = 0.173$) and a notable indirect effect via agility ($\beta = 0.096$), indicating it improves performance both directly and by enhancing adaptability. Talent Deployment demonstrates full mediation, as its direct effect is weak ($\beta = 0.066$), while its indirect effect through Workforce Agility is the strongest ($\beta = 0.135$). This suggests deployment only contributes to performance when it strengthens agility.

In contrast, Talent Acquisition and Talent Retention exhibit no meaningful mediation, with low direct and indirect effects ($\beta \approx 0.041\text{--}0.065$; $\beta \approx 0.029\text{--}0.032$). These results imply that hiring and retaining employees alone do not significantly impact performance without adaptive capability. Overall, Workforce Agility emerges as the key mechanism translating talent strategies into measurable outcomes, especially in Gen Z remote work contexts.

Discussion

What starts to emerge from these findings is a shift that feels quite real on the ground, not just theoretical. Indonesian organizations are no longer operating with the same HR logic they used even five or ten years ago. With Gen Z now filling a large share of roles, the expectations have clearly changed. It is less about what skills people have on paper and more about whether those skills actually match what they are doing day to day. That alignment, especially in digitally driven roles, seems to matter a lot. When people feel they are placed in roles that fit how they think and work, particularly in flexible or remote setups, they tend to respond faster and adapt better. That fits with what we see in practice, where companies experimenting with more fluid role assignments often outperform rigid, top-down structures (O'Connor & Crowley-Henry, 2019).

The mediation result makes this even clearer. Talent deployment on its own does not really push performance. It only starts to matter when it builds agility. In a way, agility becomes the real currency here. Without it, even strong hires can end up underperforming, simply because they are not positioned or supported properly. This echoes what many Indonesian firms are experiencing, especially those going through rapid digital shifts, where having good people is not enough if they cannot pivot quickly (Yuniati et al., 2021).

Talent development tells a slightly different story. Training still matters on its own, but it becomes much more valuable when it helps people stay flexible. Think of someone working remotely who has to juggle multiple tools, teams, and expectations without direct supervision. Technical skills help, sure, but what really keeps performance stable is the ability to adapt, communicate, and self-manage. That is where development pays off the most (Jooss et al., 2021).

Meanwhile, recruitment and retention do not seem to carry the same weight. Hiring good people or keeping them longer does not automatically translate into results. If anything, it suggests a kind of quiet tension. Younger employees are not just looking to stay; they are looking to grow, move, and explore within the organization. Without that, retention becomes shallow. This aligns with the broader idea that talent management today is less about holding people in place and more about keeping them engaged through movement and opportunity (Thunnissen & Gallardo-Gallardo, 2019).

Taken together, the picture is fairly straightforward. Performance does not come directly from talent practices themselves. It comes from what those practices enable people to do. And in this case, what they enable is agility. That is the bridge everything seems to pass through, especially in a Gen Z, digitally mediated work environment (Almohtaseb et al. 2020).

5. Conclusions

At its core, this study suggests a subtle but important shift in how Strategic Talent Management translates into Organizational Performance, particularly for Indonesia's Gen Z workforce. It is easy to assume that better hiring or stronger retention directly improves outcomes, but the results complicate that view. The causal pathway is not linear. Talent strategies only become effective when they actively build Workforce Agility. In that sense, talent itself is not the main driver, agility is. When employees are deployed into roles that fit their capabilities and are continuously developed to stay flexible, performance begins to follow. Without that alignment, even well-designed talent systems lose traction.

That said, a few limitations need to be acknowledged. The study relies on cross-sectional data, so causality is inferred rather than observed over time. The focus on Gen Z in Indonesia also means the findings may not fully generalize to other cohorts or contexts. Future research could take a longitudinal approach, or compare sectors to see whether this agility mechanism holds across industries. For practitioners, the implication is fairly direct: shift focus from static talent policies toward dynamic deployment and continuous development, because that is where performance actually takes shape.

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