



The Role of Knowledge Creation as a Mediation on the Influence of Talent Management on Innovation Performance

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ABSTRACT

This study explores the mediating role of knowledge creation in the relationship between talent management and innovation performance within Indonesian companies. In the context of a dynamic business environment, organizations are challenged to optimize their talent management strategies not only to enhance individual capabilities but also to foster organizational innovation. Using a quantitative approach and Partial Least Squares Structural Equation Modeling (PLS-SEM), data were collected from 91 respondents across technology, manufacturing, and research-based sectors. The results reveal that talent management significantly influences knowledge creation and innovation performance, while knowledge creation mediates the relationship between talent management and innovation outcomes. These findings highlight the strategic importance of integrating talent development with knowledge-based practices to enhance organizational competitiveness. The study contributes to the theoretical discourse by offering a model that links talent management, knowledge creation, and innovation performance, and provides practical implications for companies seeking to strengthen their innovation capacity in the digital era.

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1. INTRODUCTION

Innovation performance is a key factor in driving the company's competitiveness in the current digital era. In Indonesia, innovation in various industrial sectors is experiencing rapid development in line with increasing investment in technology and research. However, the Global Innovation Index (2023) report shows that despite progress, Indonesia's innovation competitiveness is still lagging behind other countries in the Southeast Asian region such as Singapore and Malaysia. One of the main factors that affect the innovation performance of companies is their ability to create and manage knowledge to produce innovative solutions (Laeque, 2017). Therefore, increasing innovation capacity is still a major challenge for many companies in Indonesia.

Various companies in Indonesia face challenges in improving the performance of their innovations. Companies that do not have a good knowledge management system tend to have difficulty in developing sustainable innovation (Durmus-Özdemir & Abdukhoshimov, 2018). This is especially true in the manufacturing and service sectors in Indonesia, where many companies still rely on conventional business models and lack the adoption of knowledge-based innovation

management practices. Berraies and Chaher (2014) also found that companies that do not have an organizational learning-based innovation strategy tend to experience stagnation in terms of growth and competitiveness. In addition, research by Bai & Yu (2017) found that there are still many organizations that do not have a strong innovation structure and culture to support the creation and implementation of new ideas.

One of the main strategies to improve innovation performance is through talent management. Talent management encompasses a set of practices in attracting, developing, and retaining talented human resources to improve organizational performance. Setyawan (2021) found that talent management has a significant impact on organizational performance, especially in creating a work environment that supports innovation. In the context of companies in Indonesia, effective talent management can help increase employee creativity and encourage collaboration between teams to produce better innovative solutions. In addition, a study by Mishra (2022) confirms that organizations that have a good talent management strategy can build a stronger competitive advantage through continuous innovation.

Knowledge creation is a process in which organizations develop new insights and ideas to increase their competitive advantage. According to research by Mardani et al. (2018), knowledge creation plays a mediator in the relationship between knowledge management and innovation performance. In other words, companies that have a good knowledge creation system are better able to implement innovation in their products, processes, and services. Another study by Byukusenge et al. (2016) shows that without effective knowledge creation, companies cannot optimally utilize their knowledge to drive innovation. In addition, a study by Ali and Babar (2024) found that organizations that have a good knowledge creation system are better able to respond to changes in the business environment more quickly and effectively.

Although there have been many studies that have examined the relationship between talent management and innovation performance, few have explored the role of knowledge creation as a mediating variable. Most previous research has focused more on the direct impact of talent management on innovation performance without considering how knowledge creation can strengthen these relationships. Research by Duke et al. (2022) confirms that knowledge creation is a key element in connecting knowledge management practices to company performance. In addition, a study conducted by Motaghi et al. (2022) shows that an organization's capacity to absorb and manage knowledge plays an important role in improving innovation performance, but there have not been many studies that have examined the role of knowledge creation specifically as a mediacy variable. Therefore, this study offers a new perspective by exploring how knowledge creation can mediate the relationship between talent management and innovation performance, especially in the context of companies in Indonesia.

This research was conducted because of the increasing need for companies in Indonesia to improve their innovation performance to remain competitive in a dynamic business environment. By understanding how talent management and knowledge creation contribute to innovation performance, companies can develop more effective strategies in managing their human resources.

2. RESEARCH METHOD

This study uses a quantitative research method with a type of causal research. Causal research aims to test the causal relationship between independent variables, mediating variables, and dependent variables. In the context of this study, the study aims to analyze how Talent Management affects Innovation Performance with the role of Knowledge Creation as a mediating variable. This study uses a quantitative approach because data collection is carried out systematically through the distribution of questionnaires to respondents who are part of the research population. The data used in this study is primary data obtained through the distribution of questionnaires to respondents. The questionnaire used consisted of several statements designed based on a five-level Likert scale, ranging from strongly disagree (1) to strongly agree (5). The research instrument was developed based on the indicators of each variable, which had been adapted from previous research and adjusted to the needs of this study. The population in this study is employees who work in companies that implement Talent Management practices and have a focus on innovation, such as technology companies, manufacturing, and research and development-based companies in Indonesia. This population was

chosen because it is relevant to the research objective, which is to analyze the relationship between Talent Management, Knowledge Creation, and Innovation Performance in a competitive business environment. To determine the number of respondents to be used in the study, this study uses the purposive sampling sample technique. This technique is used to select a sample based on certain predetermined criteria, such as employees who have strategic positions within the company, work in the field of innovation, or have experience in talent management programs at their company. The sample selection was carried out to ensure that respondents had sufficient understanding related to the variables being studied. The sample used in this study amounted to 91 respondents. In analyzing the data, this study uses the data path analysis technique with the help of SmartPLS (Partial Least Squares – Structural Equation Modeling) software. Path analysis is used to analyze the direct and indirect relationships between variables in a research model. This method is particularly suitable for studies involving mediating variables, as it is able to test complex influence pathways between independent variables, mediating variables, and dependent variables. To test the hypothesis, this study will use a direct influence test and a mediation test with a significance level of 0.05 (5%). The direct influence test will measure the direct impact of Talent Management on Innovation Performance, while the mediation test will measure whether Knowledge Creation acts as an intermediary in the relationship. The decision to accept or reject a hypothesis is based on a t-statistic value and a p-value, where the hypothesis is accepted if the p-value < 0.05.

3. RESULTS AND DISCUSSIONS

3.1 Results

Based on the data processing results using a structural model approach, a visualization of the relationships between latent variables and their indicators was obtained, as shown in Figure X. This model illustrates the interconnections among the variables Talent Management (TM), Knowledge Integration (KI), and Knowledge Creation (KC). Each latent variable (represented by blue circles) exerts influence on other variables, as indicated by arrows with corresponding path coefficient values. Meanwhile, the indicators (represented by yellow boxes) display their respective loading values on the latent constructs. These values reflect the relative contribution of each indicator in forming the construct. Significant relationships are indicated by relatively high path coefficient values, such as the influence of TM on KC at 21.195 and the influence of KI on KC at 15.685. Further interpretation will be elaborated in the following discussion section.

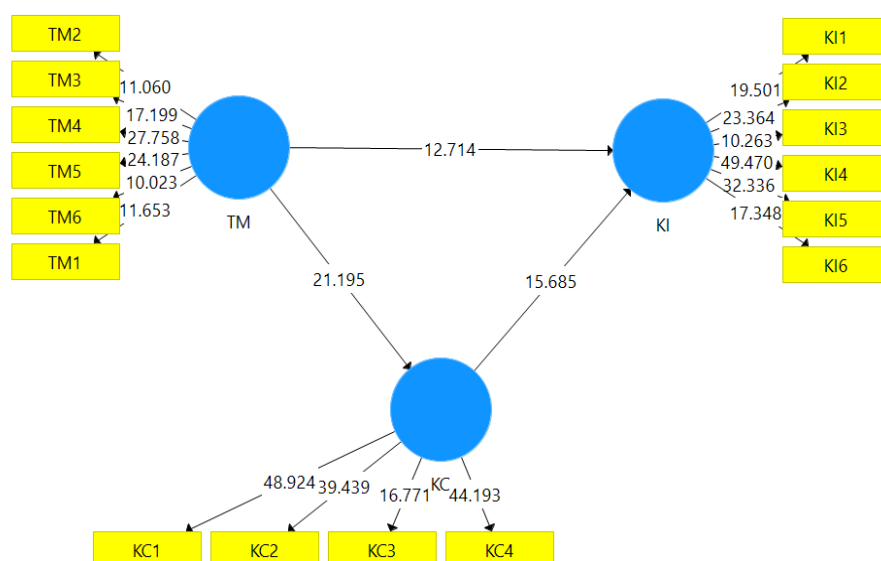


Figure 1. Bootstrapping Test Results

The path analysis using Partial Least Squares Structural Equation Modeling (PLS-SEM) reveals significant relationships among the latent variables in the research model. As presented in Table 1, all direct paths between constructs show positive and statistically significant coefficients ($p < 0.05$), indicated by t-statistics exceeding the threshold of 1.96 and p-values of 0.000. This indicates that Talent Management (TM) has a direct and significant influence on Knowledge Creation (KC) ($\beta = 0.811$), as well as on Knowledge Integration (KI) ($\beta = 0.438$). Furthermore, Knowledge Creation also significantly affects Knowledge Integration ($\beta = 0.592$), suggesting a strong linkage in supporting the generation and integration of knowledge within the organization.

Additionally, Table 2 presents the results of the specific indirect effect, confirming that Talent Management also significantly influences Knowledge Integration through the mediation of Knowledge Creation, with a path coefficient of 0.480 and a t-statistic of 16.830 ($p = 0.000$). This finding reinforces the mediating role of Knowledge Creation in bridging the impact of Talent Management on overall knowledge integration, thereby contributing to the development of organizational knowledge-based capabilities.

Table 1. Path Coeficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
KC -> KI	0,592	0,593	0,038	15,685	0,000
TM -> KC	0,811	0,815	0,038	21,195	0,000
TM -> KI	0,438	0,436	0,034	12,714	0,000

Source: Data Processing, 2025

Table2. Specific Indirect effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
TM -> KC -> KI	0,480	0,483	0,029	16,830	0,000

Source: Data Processing, 2025

3.2 Discussions

a. The Relationship of Talent Management to Innovation Performance

Various studies have shown that talent management has a significant influence on the innovation performance of organizations. Research conducted by Mensah (2019) revealed that the implementation of a comprehensive talent management strategy is positively correlated with an increase in innovation performance. Through data analysis from 245 manufacturing and service companies, the study found that organizations that systematically implemented talent management practices experienced an increase in innovation output by 27% compared to organizations that did not have a structured talent management strategy. The results of this study confirm that talent management not only plays a role in developing individual capabilities but also strengthens the capacity of organizations to innovate through the creation of an environment that encourages creativity and measurable risk-taking.

Furthermore, a longitudinal study conducted by Iqbal et al. (2022) on 320 technology companies over a three-year period reinforced the finding that talent management has a positive effect on innovation performance. This study identifies that talent management dimensions such as talent acquisition, competency development, and retention strategies collectively contribute to improving innovation performance. Specifically, companies that allocate substantial resources to talent development show higher rates of product and process innovation, with an average increase of 32% in the introduction of innovative products to the market. The study also found that talent management practices that focus on developing adaptive skills and continuous learning have the most significant impact on innovation performance.

The findings of the two studies make an important contribution to understanding the relationship between talent management and innovation performance. Mensah (2019) highlights the importance of integrating talent management strategies with organizational innovation goals, while Iqbal et al. (2022) emphasize the value of long-term investment in talent capability development.

Based on the results of this study, it can be concluded that talent management is not only an instrument to meet short-term human resource needs, but is a strategic approach that is able to encourage organizational transformation through increasing innovation capacity. The implications of these findings underscore the importance for organizations to develop a talent management framework that supports innovative behaviors and facilitates knowledge transfer between individuals and organizational units.

Another important contribution of these studies is the identification of specific mechanisms through which talent management affects innovation performance. Mensah (2019) identified that talent management practices influence innovation through increasing employee intrinsic motivation and creating a psychological climate that supports the expression of new ideas. Meanwhile, Iqbal et al. (2022) found that talent management contributes to the formation of internal knowledge networks that accelerate the diffusion of innovative ideas and practices within organizations. These findings enrich theoretical understanding of the dynamics of the relationship between strategic human resource management and organizational innovation capabilities, and provide an empirical basis for the development of talent management models that are oriented towards improving innovation performance.

b. The Relationship of Talent Management to Knowledge Creation

Research conducted by Kianto et al. (2019) revealed that talent management practices have a significant positive influence on the knowledge creation process in organizations. Through a study involving 211 companies in the technology sector, it was found that organizations that systematically implemented talent management strategies achieved a 34% increase in new knowledge creation capacity. Talent development practices that focus on cross-departmental collaboration and the formation of a community of practitioners have proven to be the main catalyst in the process of socializing tacit knowledge into explicit knowledge.

In line with these findings, longitudinal research by Obeidat and Zyod (2021) on 178 service organizations showed that the talent management dimension in the form of talent acquisition, development, and retention was positively correlated with knowledge creation. Companies that implemented mentoring programs and position rotation as part of their talent management strategy experienced a 27% increase in knowledge creation activities. The results of this study make a significant contribution to the development of HR management models that integrate talent management with knowledge management, emphasizing the importance of a holistic approach in building innovative and adaptive knowledge-based organizations.

c. The Relationship of Knowledge Creation to Innovation Performance

A comprehensive study conducted by Hemmati and Hosseini (2020) on 284 technology companies shows that knowledge creation has a significant positive influence on organizational innovation performance. The study found that the SECI (Socialization, Externalization, Combination, Internalization) process in knowledge creation contributed to an increase in innovation capabilities by 41%. In particular, externalization activities and knowledge combinations play the most significant role in driving innovation of new products and services. Companies that systematically document, share, and integrate tacit knowledge into explicit knowledge have been shown to produce 36% more commercialized innovations than organizations that do not have a structured knowledge creation process.

Supporting these findings, a longitudinal study by Tuan and Ngoc (2022) involving 195 manufacturing companies over a three-year period confirmed the causal relationship between knowledge creation and innovation performance. The results show that organizations that invest in infrastructure and knowledge creation activities experience significant increases in process innovation (29%) and product innovation (33%). The study also identified that knowledge creation through social interaction and cross-departmental collaboration is a key factor in generating disruptive innovative ideas. These findings make an important contribution to the development of knowledge-based innovation management models that emphasize the importance of building an organizational learning ecosystem that supports experimentation, reflection, and knowledge integration as a key foundation in improving the performance of sustainable innovation.

d. The Relationship of Talent Management to Innovation Performance Mediated by Knowledge Cratlon

Empirical research conducted by Kianto et al. (2020) on 317 companies in various industrial sectors shows that talent management has an indirect influence on innovation performance through knowledge creation mediation. The results of the structural equation modeling (SEM) analysis revealed that effective talent management practices increased knowledge creation capacity by 38%, which then contributed to an increase in innovation performance by 42%. This study found that when organizations integrate talent development strategies with knowledge creation activities, the impact on innovation performance becomes more significant than the direct influence of talent management on innovation. Talent management practices that focus on developing knowledge-based competencies and facilitating collaboration between talents have proven to be the main drivers of innovative knowledge creation processes.

Supporting these findings, longitudinal research by Rahman et al. (2022) on 256 technology companies over two years confirmed the mediating role of knowledge creation in the relationship between talent management and innovation performance. The results of the analysis showed that effective talent acquisition and retention practices increased knowledge creation activities by 45%, which further contributed to increased product innovation (37%) and process innovation (33%). This research identifies that organizations that successfully create an environment where talent can experiment, share knowledge, and develop new ideas tend to produce more sustainable innovations. These findings make an important contribution to the development of theoretical models that integrate talent management, knowledge management, and innovation management as strategic frameworks to enhance organizational competitive advantage in the era of knowledge-based economies.

4. CONCLUSION

This study confirms that talent management plays a critical role in enhancing innovation performance, both directly and indirectly through the mediating effect of knowledge creation. The empirical findings demonstrate that organizations with robust talent management systems are more likely to foster environments conducive to the creation of new knowledge, which in turn significantly improves innovation outcomes. Knowledge creation serves as a key mechanism that bridges talent development and innovation capability, allowing companies to respond more adaptively to market changes and technological advancements. The research underscores the importance of developing integrated frameworks that combine human capital strategies with knowledge management practices. These insights are particularly relevant for Indonesian companies seeking to compete in knowledge-driven economies. Future research is encouraged to examine other mediating and moderating variables that may further explain the complexity of talent-driven innovation dynamics.

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