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ARTICLE

Talent Management And Financial Performance: Does Organization Learning Mediate That Relationship? Josua Tarigan*, Gabriele Nia Ferdian, Saarc Elyse Hatane and Diah Dharmayanti

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Petra Christian University, Indonesia Abstract This research has a purpose to identify the impact of the talent management through organization learning towards the financial performance of the listed consumer goods sector in Indonesia. Indonesia costumer goods sector has faced significant growth during the recent year, the companies are enforced to establish competitive strategy to maintain their position in the market. Talent management should be paid attention more since it helps the company to attract, acquire, and retain the best employees that may help maintaining their position in the market as well as enhancing the performance. Based on the hypothesis test, it is true that talent management influences organization learning and financial performance. The results also reveal that some companies still need to improve the attraction activities and system to capture learning which are the first indicator of talent management and forth indicator of organization learning. In addition, it was found that organization learning

as a mediator can strengthen the relationship between talent management and financial performance.

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Keywords Talent Management, Organization Learning, Financial Performance, Competitive strategy
 *Corresponding author Email: josuat@petra.ac.id Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 ISSN : 2252-8997 Introduction Globalization creates a new era for all of the industries and change the way business works. It contributes to the significant increase of the

global competition, continuous technological evolution, and growing market complexity

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that changes the business world (Davis & Daley, 2008; Weldy, 2009). This globalization issue happens across all kind of industries including manufacturing industry specifically in the consumer goods sector. This sector has faced several unexpected growth recently, which increase the competitiveness level in this industry. Thus, each company needs to conduct continuous learning in order to obtain advance information that can be used as competitive advantage and develop effective business strategy. This lead to the increasing need of the organization learning process. Organization learning focuses on the individuals involved in the company since they are the sources of the idea and knowledge. At the same time, there is increasing needs for the talent management as well. Talent management plays an important role on several human resources activities such as attraction,

identification, development, engagement, retention, and deployment of the individuals that have high potential and high

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value for the organization (Davies & Davies, 2010). Moreover, when the company is able to attract and retain qualified or superior employees through an effective talent management, they will be able to survive in the changing business environment since those qualified or superior employees may be able to learn faster and more effective compared to others. Furthermore, the existence of talent management will enhance the organization learning process in the company. Talent management

can play an important role in facilitating the process of creating Asia Pacific knowledge,

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managing knowledge, transferring the knowledge among different organizational units (Whelan et al., 2010).

Many of the companies have put more attention to this organizational learning since it is able to help the company in achieving a great success especially during the turbulent times (Bierly &

Daly, 2007; Akhavan & Jafari, 2008; Austin & Harkins, 2008).

2

By conducting learning process and acquiring knowledge, the performance of the company will be improved (Lei et al., 1999). Through organization learning, the company will have

a better chance of sensing and acting upon events and trends in the marketplace

1

when they are able to gain knowledge or information regarding their customers, competitors, and regulators (Tippins and Sohi, 2003). This is important since consumer goods sector has faced significant growth that sometimes exceed the overall economic growth (Jayabuana, 2017). During period of 2017 for example, this sector has increased by 7.3% and it has been predicted to keep growing for the following year (Yudi, 2017). In the third quarter of 2017, food and beverage industry as one of the sectors included in the consumer good grew by 9.24%, which contributes 27.13% from the total growth (Gumelar, 2017). Thus, it leads to the increasing importance of talent management. While, there are only a few studies concern about talent management topic especially in Asia or Indonesia.

The objective of this paper is to analyze the relationship between talent management, organization learning, and

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financial performance. Talent Management Talent management practices focuses on the variety of talents possessed by the employees of the organization that may help the company in achieving a success since talented individuals most likely to perform Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 their duties well and they are able to show outstanding performance in the given environment (Darrough & Melumad, 1995). Stockley (2007) mentioned that talent management is a conscious deliberate approach that is conducted in order

to attract, develop, and retain people

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who have relevant aptitudes and abilities that are used to meet organizational needs. Talent management involves all of the human resource activities that usually consist of sourcing, selecting, deploying, socializing, maintaining, and developing talented employee. Talents management cycle consist of

talent identification and absorption, talents maintenance, and talents development (Schweyer, 2004).

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In measuring the variable talent management, the indicators adopted from Philip and Roper (2009) that described talent management practices into attraction, selection, development, engagement, and retention. Attraction means organization should have creative recruitment strategy such as open houses events, referral programs, internship, online application, etc. The organization should also consider offering competitive benefits or above- market compensation packages. While in the selection stages, the companies should

include an objective performance measurement such as psychological assessment.

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It will increase the opportunity of choosing the right person for the available job vacancy. Then, the next indicator, which is engagement, enforces the company to have link between type of generations and the method of how to increase the employee engagement. The company should consider developing engagement method based on the generations available in the company. While for the development indicator, the company should have an integrated set of programs that are designed in order to assure that all of the employees have the relevance competences, which are used to perform Tigor Sitorus their work

and support organization's goal, which includes

on the job training and off the job training.

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In addition to that, the last indicator, which is retention, should relate to the organization's performance management system and it should relate to the perception of different generations toward feedbacks and the drivers of the employee retention. The remuneration should support the organization's goal as a whole. Organization Learning Organization learning is

defined as a dynamic process of creation, acquisition, and integration of knowledge, which contributes to **the development of resources and capabilities** in order to achieve **better organizational performance** (Perez et al., 2005).

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Chen (2005) stated that organization

learning is a process which an organization continuously adjust and transform itself by utilizing and enriching organizational knowledge resources in order to adapt to the external and internal environmental changes

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which consequently help the company

to maintain sustainable competitive advantage. The

46

goal of the organization learning process

is to improve the development of the organization by producing new initiatives in term of **technological**, productivity, **or commercial**

1

factor (Perez et al., 2005). The process of organizational learning helps people to develop critical thinking which help them to

discover why problems are seen in one dimensional framework, raising **questions on the current systems** as well as **challenging paradoxes as they occur** (Murray and Donegan, 2003).

1

There are 7 indicators of organization learning as developed by Marsick and Watkins (2003) that consist of creating continuous learning opportunity; promoting

inquiry and dialogue; team Learning; system to capture learning; empower people; connect the organization; and strategic leadership.

13

Financial Performance Financial performance represents the measurement of the changes of the company's financial condition or the financial output that is resulted from the management decision as well as the decision by the

members of the organization. According to Richard et al. (2009), **the financial performance of**

33

the organization related to the accountancy measurement. The financial performance will be measured

indirectly by asking the opinion of the management level about the degree of financial performance achievement due to the limited data available. This is called as subject performance measurement. It will avoid the problems of availability and confidentiality (Pelham and Wilson, 1996). Subjective performance measurement can be used in many indicators

such as Return on Assets (ROA), Return on Investment (ROI),

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and the others (Harris, 2001). The indicators used in this research will be adopted from Lopez et al. (2005) which consist of

Return on Asset (ROA), Return on Equity (ROE), sales growth, net profit, profit growth, and market share.

7

Hypotheses Development There are not many researches that study

the relationship between talent management and organization learning.

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However, one of them is the

research that is conducted by Kheirkhah et al. (2016). According to the result of the research,

there is a significant relationship between talent management and

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organization learning. When the

company is able to implement an effective talent development program as part of the talent management activities, it will enhance the organization learning performance since it improves the knowledge capability of the employee. Furthermore, the research conducted by Oltra and Lopez (2013) highlighted that the role of team autonomy and creativity are the essential factors of Asia Pacific organization learning that can be enhanced through talent management activities. Aside from the past researches, there are many authors that mentioned the relationship between talent management and organization learning. It is being stated that the elements of talent management encourages or enhances the ability for the company to learn. In the study of Whelan et al. (2010), it is mentioned that some of the talent management activities will improve as well as leverage the internal dissemination of knowledge within the organization. Talent management policies of an organization should have a purpose of maximizing the value created by talents and developing knowledge assets which consequently can optimize the organization learning process (Vaiman and Vance, 2008). Many authors asserted that the talent management activities or policies would be able to optimize the existence of organization learning process (Collings &

Mellahi, 2009; Scullion et al., 2010; Schuler et al., 2011).

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Hence, a hypothesis can be derived to conclude

the relationship between talent management and organization learning.

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H1: Talent management

influences the organization learning Based on the several

studies about the relationship between organization learning and financial performance,

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it can be stated that organization learning will enhance the financial performance of the company. There is some evidences for the impact of the organization learning

on financial and non-financial performance as shown **in the research**

24

conducted by Calantone et al. (2002) and Tippins and Sohi (2003). According to Jiménez (2011),

organizational learning capability is defined as organizational and administrative

3

characteristic that can provide learning process is considered as

an important variable for developing organizational

3

Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 performance.

Some studies have shown that there is a positive relationship between organizational learning and company performance.

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Baker and Sinkula (1999), learning orientation as part of the

34

organization

learning has a direct effect on company performance. In line with the

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other researchers, Akgun et al. (2013) mentioned that organization learning capability which recognize

the importance of bridging organizational members to promote a common language, shared knowledge, joint action, perceptions, and

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believe can result in the enhancing financial performance. Thus, the hypothesis

about the relationship between organization learning and financial performance

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can be derived as follow: H2: Organization learning influences financial performance There are several studies that focus on the

relationship between talent management and financial performance. Collings and Mellahi (2009) mentioned in

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their research that an effective talent management practices such as work motivation and organizational commitment

will have indirect positive relationship with the organizational performance.

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Talent management is considered as a beneficial investment since it will help the company increasing their performance (Joyce et al., 2007). Organization that conduct an effective

talent management strategy will show significantly higher financial performance compared to

29

the others since talent management will increase profitability, sales revenue, productivity,

net profit margin, Return on Assets (ROA), Return on Equity, and

20

market value (ROE) (Ringo et al., 2008; Yapp, 2009; Joyce et al., 2007). When the organization is successful in managing the talented employee by implementing best talent management practices, it will enhance the profitability of the company and it will

beneficial in the long term for the company

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Tigor Sitorus (Oladapo, 2014). In accordance with the other researchers, Kehinde (2012) also mentioned that talent management has

a positive impact towards **the overall performance of the organization**
including **financial performance and**

22

non-financial performance. Therefore, the hypothesis about the

relationship between talent management and financial performance can
be derived as

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follow: H3: Talent management influences financial performance Research Methodology This research uses primary data by distributing questionnaires to the consumer goods sector in Indonesia. The valid respondents was the employees who are in the supervisor or managerial and have minimum working experience of 1 year. In total, there are 120 respondents in which 30 of them should be eliminated since it did not respond the questionnaires. Thus, the total of observations used in the research is 90 respondents from 30 companies. The indicator that is used to measure talent management as independent variable is adopted from the framework developed by Phillips and Roper, (2009). Their framework is commonly used by several researches such as Sadri et. al (2015), Marjani and Safaee (2016), and Daneshfard et al. (2016). In this research, the dependent variable is the financial performance that is measured through distributing questionnaires to measure the degree of satisfaction towards the financial performance result. Financial

performance is defined as the degree of the

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management success in managing the financial resources of the company and their effort to create value for the shareholders. The indicator of the financial performance is adopted from Lopez, Peon, and Ordas (2005). The intervening variable used in this research is organization learning. Organization learning is

defined as a dynamic process of creation, acquisition, and integration
of knowledge, which contributes to **the development of resources** Asia
Pacific **and capabilities** in order **to achieve better organizational performance**. In
this research, **the**

2

organization learning variable is measured by adopting 7 dimension of organization learning theory by Marsick and Watkins (2003). Table 1. Sample Selection Procedure
Sample Selection Procedure
Observations Number of companies listed in the Indonesia Stock Exchange 563 Companies
Number of companies which are included as non manufacturing companies (420) Companies
Number of companies which are non consumer goods sector (103) Companies
Total companies which are consumer goods sector and did not respond the questionnaires (10) Companies
Total companies as valid respondents 30
Companies
Total respondents (3 respondents per company) 90 Respondents
Figure 1. Research Model
Research Result and Analysis the data obtained, the average of the The questionnaire data is being analysed by respondent's answer for the talent using WarpPLS. It is multivariate statistic management variable is 4.20 means that it is technique that compares multi dependent considered as very high. Most of

the variable and multi independent variable. companies have implemented talent Due to the multi variable used in this management practices effectively in a way research, this research need multivariate that their employees feel that the company is analysis. The questionnaire already passed able to attract, manage, and retain qualified the validity and the reliability test. It means employees. The highest score in the talent that the questionnaire is valid and reliable to management variable happens to be PT HM be used in the research model. According to Sampoerna Tbk and PT Unilever Tbk. Both Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 Asia Pacific Management and Business Application companies have a good score in each indicator representing talent management. For example, the first indicator – attraction, they have developed creative recruitment strategy, which is in line with talent management practices. For the second variable which is organization learning, the overall average score is 4.34 and it is included as very high as well. It means that most companies have paid attention towards the organization learning process and it has worked well. There are possibilities that this high score is driven by the high competitiveness in the industry that encourage the company to keep learning in order to obtain advance information in the market. Lastly, the financial performance has a score of 4.41. It means, most of the respondents are strongly agree that the companies have a good ability to achieve targeted financial performance. The companies who attain a very good score in financial performance is not proven to have a high score in the financial performance. Next, the hypothesis test should be conducted. The p-value should be lower or equal to 0.05 for the hypothesis to be accepted. Below is the result for the combined loading as well as cross loading for each indicator, and hypothesis test. The first hypothesis, which is talent management influences organization learning, has p-value < 0.001 and path coefficient 0.723. The p-value is below than 0.05 and it justify the acceptance of the first 3 hypothesis. As the path coefficient has positive value 0.723, it means that when the talent management practice is improved in the related company, the organization learning process in the company will be improved as well. Variable talent management and organization learning explains approximately 72.3% the relationship that happens between both variables. For the second hypothesis, which is organization learning influences financial performance, it has p value 0.001 and path coefficient 0.297. The hypothesis should be accepted since p value is lower than 0.05. Path coefficient also has positive value and it means that whenever the organization learning process improved, the financial performance of the company will be improved also. Lastly, the third hypothesis, which is talent management influences financial performance, should be accepted also. It has p value of 0.035, which is lower than 0.05 and path coefficient of 0.183. It means that when talent management practice is improved, the financial performance of the company will be affected in positive way. However, even though the second hypothesis and the third hypothesis are supported, the path coefficients are below 50%. It means that those variables only explain 29.7% and 18.3% of the relationship between those variables. There are other variables that

influence the financial performance of the company that

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need to be considered. Asia Pacific Management and Business Application 3 Table 2. Loading and Cross Loading Indicator Talent Management Organization Learning Financial Performance TM 1 0.670 TM 2 0.856 TM 3 0.761 TM 4 0.850 TM 5 0.840 OL 1 0.521 OL 2 0.630 OL 3 0.819 OL 4 0.799 OL 5 0.854 OL 6 0.791 OL 7 0.704 FP 1 0.618 FP 2 0.793 FP 3 0.803 FP 4 0.740 FP 5 0.880 FP 6 0.857 Table 3. Hypoteses Testing result Hypoteses Path Coefficients p-value Note H1 Talent Management to Organization learning 0.723 < 0.001 Accept H2 Organization Learning to Financial Performance 0.297 < 0.001 Accept H3 Talent Management to Financial Performance 0.183 0.035 Accept Figure 2. Path Coefficients and p values Based on the hypothesis test conducted earlier, it is shown that the first hypothesis, which is talent management influences organization learning, should be accepted since it has

p value below than 0. 05. The value of R2 for the relationship between talent management and

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organization learning is 0.52. It means that the variance of the organization learning data that can be explained by talent management is 52%. On the other word, the organization learning process will be influenced by the implementation of the talent management practice in the company related which in this case is listed consumer goods sector in Indonesia. The R2 is 0.52, which is more than 50%, and it means that talent management contributes significantly to the improvement in the organization learning process. The improvement in the organization learning process also being influenced by the other variables outside talent management. The relationship between talent management and organization learning is significantly positive which is in accordance with the first hypothesis. Whenever the implementation of the talent management practices are improved, consequently the organization learning process will be improved as well since more than 50% of the variance in the organization learning is being caused by the talent management. Talent management itself has a purpose to maximize the value created by talents and

developing knowledge assets which consequently will able to enhance the organization learning process (Vaiman and Vance, 2008). The second hypothesis, which is organization learning influences financial performance, should be accepted as well. The value of R2 for the financial performance variable is 0.19. It means that the variance of the financial performance data can be explained 19% by the variable talent management and organization learning. Specifically, the value of the R2

for the relationship between organization learning and financial performance is 0.

2

122 or 12.2%. This means that organization learning only influences 12.2% financial performances of the company relates specifically listed consumer goods sector in Indonesia.

Learning through better knowledge and understanding will facilitate behavior change that consequently enhances the performance

1

result (Lei et al., 1999). There are many variables outside organization learning that influences the financial performances that need to be considered such as employee satisfaction (Koys, 2003). Furthermore, the biggest loading factor for financial performance came from the indicator FP 5 which is profit growth. It has loading factor of 0.880 and it means that profit

growth is the best indicator used to explain variable financial performance.

7

However, when we look at the result as a whole, the variance

of the financial performance that is explained by the

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variable organization learning is very little. This is explained by low value of the R2 for financial performance. There are many variables outside organization learning that influences the financial performances that need to be considered such as employee satisfaction (Koys, 2003) and employee performances (Zahargier and Balasundaram, 2011). For the last hypothesis, talent management has positive relationship since the application

of talent management in the listed consumer goods sector

16

enhances the

financial performance of the related company. The variance of the

12

financial performance data can be explained 19% by the variable talent management and organization learning. Specifically, the value of the R2

for the relationship between talent management and financial performance is

36

0.067 or equal to 6.7%. This means that talent management only contributes around 6.7% of the variance in the financial performance. It means that whenever the implementation of the talent management practices are improved, the financial performance only affected a little bit by this issue. There are many variables outside talent management that influences the financial performances as mentioned earlier that need to be considered such as Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 Asia Pacific Management and Business Application employee satisfaction (Koys, 2003) and employee performances (Zahargier and Balasundaram, 2011). Furthermore, organization learning

has an indirect effect for the relationship between talent management and 40

financial performance. It has p-value of 0.003, which is below 0.005. Therefore, it means that organization learning has successfully become the mediator of the variable talent management and variable financial performance. This variable can strengthen the impact driven by talent management towards financial performance. This is because when the company is able to have a successful talent management, they will be able to obtain high quality employees that may help the company to conduct effective learning process. By having an effective learning process, the company will gain an advance information that can be used as competitive advantage to maintain their position in the market and consequently enhance business performance especially financial performance. Conclusions and Suggestions The

purpose of this paper is to analyze the relationship between talent management, organization learning, and company performance 1

specifically financial performance. This is important since consumer goods sector has faced significant growth during the recent year in which it leads to the increasing importance of talent management. While, there are only a few studies concern about talent management topic especially in Asia and Indonesia. Based on the research result and result analysis, which are explained in detail in the previous sections, this research can be concluded all the hypotheses was accepted. Talent management practice has a positive influence toward the organization

learning, organization learning has a positive influence toward financial performance of the 6

company, and last but not least talent management also has

a positive influence toward the financial performance of the company. 32

Therefore, when the implementation of the talent management is improved, the organization learning process will be improved consecutively. The implementation of the talent management practices in the listed consumer goods in Indonesia is considered as very good as shown in the high score of the respondent's answer for the variable talent management which is 4.26. Also, high score of talent management always followed by high score in the organization learning as shown in the score for PT HM Sampoerna Tbk and PT Unilever Tbk. Both companies have an average score of 4.96 for the talent management and organization learning. However, some of the companies still need to improve their talent management practices to ensure that they can acquire the best talent for the vacant position, which may help them to conduct effective learning process, which consequently enhance the financial performance of the company related. Moreover, organization learning

as a mediator can strengthen the relationship between talent management and financial performance since it has 10

indirect significant influences toward the relationship between both variables. However, the relationships should also consider other variables outside talent management and organization learning since there are so many factors that may affect the financial performance. Furthermore, based on the findings earlier, there are some suggestions that the authors could give. First, the implementation of talent management practices in the listed consumer goods in Indonesia is quite good as shown as shown in the high score of this variable which is 4.26. Some companies such as PT HM Sampoerna and PT Unilever Tbk have a score close to perfect which is 4.96 while some of the companies still need to improve the talent management practices more especially for the initial activities which is recruitment. The company needs to consider using referral programs, internship, and offer competitive benefit to attract best candidates. The companies can refer to the talent management practices conducted by PT HM Sampoerna Tbk and Asia-Pacific Management and Business Application, 10, 1 (2020): 1-10 PT Unilever Tbk since they are able to attain high score in this issue. Through improving the talent management practices, the organization learning process will be enhanced as well. Secondly, since this study is still considered as early study, the future research should consider using other samples for example non manufacturing companies to identify whether the result will be different or not. This will justify if

the relationship between talent management, organization learning, and financial performance

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as explained earlier only happens to this specific sector. For the future research, the variable talent management should be explored more and the research should identify the relationship with the other variables possible aside from the organization learning and financial performance. This is because talent management practices is still an early research in Indonesia, therefore there will be many research model possibilities that can be developed and being conducted in Indonesia. Notes on Contributor Josua Tarigan, Saarce Elsy Hatane and Diah Dharmayanti is a senior lecturer in International Business Accounting, Petra Christian University. Their research interest are Financial Performance Determinations, Risk Management, Good Governance, Customer Satisfaction and CSR. Gabriele Nia Ferdian is an employee at Philip Morris Indonesia (Sampoerna), commercial division. She is doing research as well regarding manufacturing Talent Management in listed companies Indonesia.

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