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The Effect of Digital Talent and Digital Capability on Bank Performance: Perspective of Regional Development Bank Employees

Audy THUDA*
Bina Nusantara University, Jakarta, Indonesia[1]
**Corresponding author, audy.thuda@banksulutgo.co.id*

Rano KARTONO
Bina Nusantara University, Jakarta, Indonesia[2]
rano.rahim@binus.edu

Mohammad HAMSAL
Bina Nusantara University, Jakarta, Indonesia[3]
m.hamsal@binus.edu

Asnan FURINTO
Bina Nusantara University, Jakarta, Indonesia[4]
afurinto@binus.edu

Abstract. *The digital talent gap has expanded globally, and the industry sector most pronounced is the banking industry, the most critical sector in the Indonesian economic system. Previous studies have shown that institutions must understand and own digital capabilities to achieve better performance. The aim of this research is to examine the effect of digital talent and digital capability through the lens of dynamic capability on bank performance. This research uses a quantitative method, with 344 North Sulawesi & Gorontalo Regional Development Bank employees as respondents spread across various jobs and locations. The data is processed with SmartPLS 4.0.8.4 software. The results show a positive and significant influence of digital talent and digital capability on bank performance. Meanwhile, digital capability has a more substantial role than digital talent in improving bank performance. This research provides new theoretical contributions to studying digital talent and digital capability. This research can also contribute to Indonesia Regional Development Bank's efforts in accelerating its digital transformation and increasing digital talent and digital capability's competitiveness in improving bank performance. This study introduces the research of digital talent and digital capability in banking to improve regional development banks' competitiveness in facing the competition of the Indonesian banking industry.*

Keywords: Bank performance, Digital capability, Digital talent, Digital transformation, Regional development bank.

[1, 2, 3, 4] *Management Department, BINUS Business School Doctor of Research in Management*

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Introduction

Digitalization is an economic mechanism driven by technological capabilities, so it positively affects efficiency, effectiveness, costs, economic quality, and public and individual activities (Ostrovska et al., 2021). In the digital era, all business processes are subject to digital transformation efforts carried out by various industries, including managing their talents (Karaboga et al., 2020). According to Karacay (2018), adopting digital systems as part of industry 4.0 requires employee skills to be responsive to the increasing complexity of the organizational environment. In line with that, Santoso et al. (2020) reveal the need for new digital competencies that will change how and where people work, including the ability to lead, supervise, and formulate concepts and strategies. It will undoubtedly change the role of employees in the substance and work process (Karaboga et al., 2020) as well as learning for the younger generations (Brunetti et al., 2020). In the future, work will become more digitally oriented. Hence, the term digital talent is increasingly essential and critical to the world of work and encourages the need for digital talent at all levels within the organization to increase (Jacobs, 2019; Karaboga, 2020; Brunetti, 2020). It has transformed the work environment, and it has become essential to develop digital innovation (Dery et al., 2017).

The digital talent gap has expanded globally, and the industry sector most pronounced is the banking industry (Capgemini, 2017) the most critical sector in the Indonesian economic system. According to Santoso et al. (2020), banks will face the most significant impact from technological changes and new digital competitors in the financial market due to the large number of transaction data managed by banks, so the availability of human resources is a challenge for the banking industry. Based on the Indonesian Banking Statistics (December 2021) published by the Financial Services Authority *(Otoritas Jasa Keuangan)*, total banking assets reached Rp 10,280 trillion (Otoritas Jasa Keuangan, 2022). The level of health and stability of the financial services industry is essential for the country's economy, so the quality of human resources in the banking sector requires skill, competence, and competitiveness. The banking industry is a very strategic sector, considering the large number of public funds managed. Public funds managed in the financial services industry have reached IDR 8,269 trillion, managed by 1575 banks (107 commercial banks and 1,468 rural credit banks of different sizes and business complexities) (Otoritas Jasa Keuangan, 2022). It shows that Regional Development Bank (BPD), mainly owned by the local government (Yusuf et al., 2017), has a market share of 9% and can grow by 12.8% compared with other bank groups, even compared with the growth of Indonesia's banking industry (10.2%). As we know, BPD has a strategic function as a driver of economic growth and regional development, a holder of local government cash, and one of the sources of regional original income (Cahyono & Laila, 2017). Because of this strategic role, BPD must prepare its organization to face competition from fellow banks and new digital competitors such as financial technology (Santoso et al., 2020). Pio (2020) suggests that information technology positively affects the managerial performance of one BPD. Almeida et al. (2020) confirm that as a company, the success of BPD's digital transformation will significantly depend on how stakeholders, especially employees, adopt the technology.

Globally, the banking industry faces a digital talent gap (Capgemini, 2017; Nair, 2019; Karaboga et al., 2020; Wahyuningtyas, 2021), as well as BPD. Banking regulators such as the Financial Services Authority (OJK) and Indonesia Deposit Insurance Corporation (LPS) have encouraged BPD to transform digitally to win the market competition (bisnis.com, 2019). In its efforts to improve the competitiveness of BPD, digital talent needs to drive company performance. The digital talent gap is not only quantitative (Wahyuningtyas, 2021), but also a BPD problem in terms of quality (Sukarela et al., 2021). This problem is related to Indonesia's talent lagging behind

neighboring countries (Institute of Management Development, 2021). BPD also experienced the same phenomenon compared with other commercial banks; the competitiveness of BPD, including its human resources has not been adequate (Otoritas Jasa Keuangan, 2015).

As part of organizational capability, digital talent can be assessed for its readiness to initiate digital transformation within the company (Fahmi, 2020). Moreover, it strengthens the definition of digital talent, according to Jacobs (2019), as a company's core competency. This confirms the results of Chirumalla's (2021) research that digital capabilities are not only about technology but also related to company strategy. Based on this, it must be understood that digital talent cannot directly have a relationship with organizational performance but needs to be mediated by digital capability variables. In line with that, Khin and Ho (2018) state that companies need digital capabilities to integrate technology with their digital talent. So, in researching its effect on bank performance, digital capability will be investigated based on dynamic capability theory.

By paying attention to the issue of digital talent and digital capability, this research expects to contribute to theoretical developments. Studies on digital talent have conducted research across industries, including banking (Nair, 2019; Santoso et al., 2020; Sukarela et al., 2021; Glich et al., 2021). However, this has never been explicitly done for regional banks or regional development banks, so this research can make a new scientific contribution to studying digital talent in the banking sector. For this reason, this research will examine the relationship between digital talent, digital capability, and bank performance, which is expected to provide new theoretical contributions. This research can also contribute to BPD's efforts to accelerate digital transformation according to all stakeholders' expectations and increase digital talent and digital capability competitiveness in improving bank performance.

Literature review

Digital Talent

Concerning the topics discussed, it is essential to understand that digital talent is a firm resource strategically related to the company regarding digital capabilities and performance. From the resource-based theory perspective, Barney (1991) reveals that human capital is one of the company's resources. Barney describes these resources as employee skills such as: training, experience, intelligence, relationships, and insight. According to Barney, managerial talent is the most needed resource for companies to implement existing strategies. From the resource-based theory (RBT) perspective, individuals can be a source of sustainable competitive advantage that is not of high value, is unique and is difficult to imitate (Luna-Arocas et al., 2020). Therefore, talented employees within the company have important and strategic roles (Ibrahim & Al Omari, 2020; Kabwe & Tripathi, 2019; Kaewsaeng-on et al., 2021; Kravariti et al., 2022; Luna-Arocas et al., 2020).

From an organizational perspective, several researchers reveal that the impact of digital transformation has increased the need and role of digital talent in companies. People must be central in developing organizational core competencies (Benevene, 2010) to succeed in digital transformation, which is highly dependent on the technology adoption by the people within the organization (Almeida et al., 2020; Fahmi et al., 2020). Digital talent is critical to a company's long-term survival and success (Gilch & Sieweke, 2021), preparing its management strategy (Cabot & Gagnon, 2021; Capgemini, 2017), and filling the existing digital talent gap (Karaboga et al., 2020). It is undoubtedly a challenge for the management of human resources (HR) in each organization to anticipate competency gaps and manage company talent (Capgemini, 2017; Cabot & Gagnon, 2021; Wiblen & Marler, 2021). Since humans are the essence of change (Fahmi et al.,

2020), digitalization should be based on people (Dini et al., 2011). That is why when investing in technology, leaders must also invest in employees, especially in soft skills, so that the technology is useful (Frankiewicz & Chamorro-Premuzic, 2020). Some literature shows the focus of attention of academics on the topic of people-based digitization. Talent development (Akter et al., 2020), talent retention (Florek-Paszkowska et al., 2021), and digital talent (Gilch et al., 2021; Karaboga, 2020; Rusly et al., 2021; Jacobs, 2019) has become the subject of discussion in previous studies.

In previous studies, the urgency of organizational capability through digital talent development has been seen and has become a concern. In their study, Fahmi et al. (2020) show that companies need to diagnose digital talent readiness, carry out digital transformation initiatives, and make decisions using information systems and technology to prepare for their digital transformation. This is in line with the findings of Nair (2019) that a significant digital talent gap makes it difficult for organizations to implement digital transformation programs. Likewise, Fahmy et al. (2022) revealed that the main research direction related to digital talent is to support digital transformation, develop talent, attract talent, and meet talent shortages. The results of the Gilch and Sieweke (2021) study also emphasize the importance of recruiting digital talent to support digital transformation in organizations. Sukarela et al. (2021), in their study, revealed the need to map digital talent needs as well as strategies and roadmaps for digital talent development in the financial services sector. From these studies, we can conclude that the current digital talent gap requires the attention and cooperation of industry, government, and universities (Karaboga et al., 2020).

Kravariti et al. (2022) describe talent as individuals with high performance or potential. Furthermore, Dang et al. (2020), in their research in the banking sector, perceive talent as high performers/potential, not employees in general, and state that talent is a combination of skills, attitudes, and abilities. The use of *digital talent*, refers to skills and abilities toward digital technology for specific jobs (Karaboga, 2020). Jacobs (2019) states that the term digital talent refers to: 1) a set of technology-oriented skills and knowledge; 2) individual competencies; and 3) the core competencies of an organization. Nair (2019) defines digital talent as a combination of soft digital skills and hard digital skills. Nair also emphasized the importance of talent with a digital-first mindset for successfully implementing digital transformation in an organization. Frankiewicz and Chamorro-Premuzic (2020) conclude that digital transformation is not about technology, but talent. Agreeing with this statement, Tansley (2011) states that employees with high performance or potential that have talent must at least have the ability, aspiration, and engagement. The criteria and definition of talent can vary, depending on the needs and conditions of the organization; the individual may have the achievements throughout the organization or specific skills and fit certain criteria (Wiblen & Marler, 2021). Therefore, digital talent needs to refer to a definition that will be referenced throughout this research. In their conceptual article, Fahmy et al. (2022) found that digital talent does not yet have a standard definition, and its meaning varies across industries and organizations. So this research combines the various definitions above and defines digital talent as high-performance employees or potential employees with digital-oriented knowledge and skills (Frankiewicz & Chamorro-Premuzic, 2020; Tansley, 2011).

Hypothesis 1 (H1): Digital talent has a positive and significant effect on bank performance

Digital Capability

Previous studies have shown that institutions must understand and own digital capabilities (Karaboga et al., 2020; Khin & Ho, 2018) to achieve better performance. Khin and Ho also found an indirect positive effect of the company's digital capabilities on company performance. As a

consequence of the digital era, companies need to have digital capabilities through their organizational talents (Gilch et al., 2021) to survive and have sustainable performance. Chirumalla (2021) summarizes various research and states that digital capability is capability-building related activities for optimizing the company's entire management, including strategy, business processes, structure, and technology. Digital capability, according to Gao et al. (2022) relates to the company's ability to manage digital technology, infrastructure, and resources to achieve its goals. Furthermore, Khin (2018) defines digital capability as a firm's talent, skill, and expertise, to manage digital technologies. Likewise, Saputra et al. (2022) view technology-based capabilities as an organizational capacity to create and build new products and related processes.

Dynamic capabilities are the most dominant theory used in previous studies related to this subject. As a development of the resource-based theory (Sousa-Zomer et al., 2020; Heredia et al., 2022), dynamic capabilities are used as a theoretical foundation to examine the relationship between digital capabilities and firm performance (Khin & Ho, 2018; Heredia, 2022). With this theory, it is found that there is an influence on company performance in various industries across countries. In its development, dynamic capabilities have transformed into new variables such as digital capabilities (Chirumalla, 2021; Karaboga, 2020; Torres de Oliviera, 2019; Khin & Ho, 2018 & Heredia et al., 2022), dynamic service analytics capability (Akter et al., 2020) and dynamic digital transformation capabilities (Sousa-Zomer et al., 2020).

Khin and Ho (2018) specifically review digital capabilities that can be considered dynamic capabilities. By Khin & Ho, digital capability describes an organization's ability to create new products, processes, and it dictates its response facing uncertain market conditions (Teece & Pisano, 1994). The concept of digital capability as a driving factor for digital innovation is built on RBV and dynamic capabilities. The results of this study support the RBV and dynamic capability theory that links digital orientation and digital capabilities with digital innovation. Khin and Ho's conception is similar to the study of Liu and Yang (2021), which explores how industries develop dynamic capabilities to improve performance through technology-based strategies. According to the aforementioned studies digital capability, and the development of dynamic capability theory, has a vital role in firm performance (Hanelt et al., 2020). Based on dynamic capabilities (Teece, 2017), Warner et al. (2019) propose three dimensions of digital capabilities in the context of transformation: digital sensing capabilities, digital seizing capabilities, and digital transformation capabilities. So, in achieving the objectives of this research, digital capability can be described as consisting of digital sensing, digital seizure and digital transformation to reach its goals (Warner et al., 2019; Gao et al., 2022).

Hypothesis 2 (H2): Digital capability has a positive and significant effect on bank performance

Bank Performance

The issue of BPD competitiveness became a concern for the government and *OJK* several years ago, with the launch of the BPD Transformation program on May 26, 2015 (OJK, 2015). One of the problems this program hopes to overcome is the low competitiveness of BPD. For this reason, it is necessary to develop talent and digital capability. The banking industry has begun to develop, recruit and make digital talent an essential component of its digital transformation (McKinsey, 2016). Furthermore, it shows the increasingly strategic role of talent and firm capability in BPD's digital transformation.

Banks, as fully regulated organizations and closely monitored by the relevant authorities, have many parameters to measure their success. To examine organizational performance, Salman

et al. (2020) proposes two metrics of measurement: financial performance and non-financial performance. In a study at several banks in India, Salman et al. (2020) use non-financial parameters such as: self-competence, employee competence, team competence, social competence, and communication competence. As for financial performance, several studies (Boubakri et al., 2005; Lin & Zhang, 2009; Beccali, 2007) used parameters including: profitability (Return On Assets, Return On Equity), efficiency, risk exposure, and capital adequacy. For this study, we define *bank performance* as a financial performance consisting of profitability and cost efficiency and non-financial performance consisting of a customer perspective, internal operations perspective, and employee perspective.

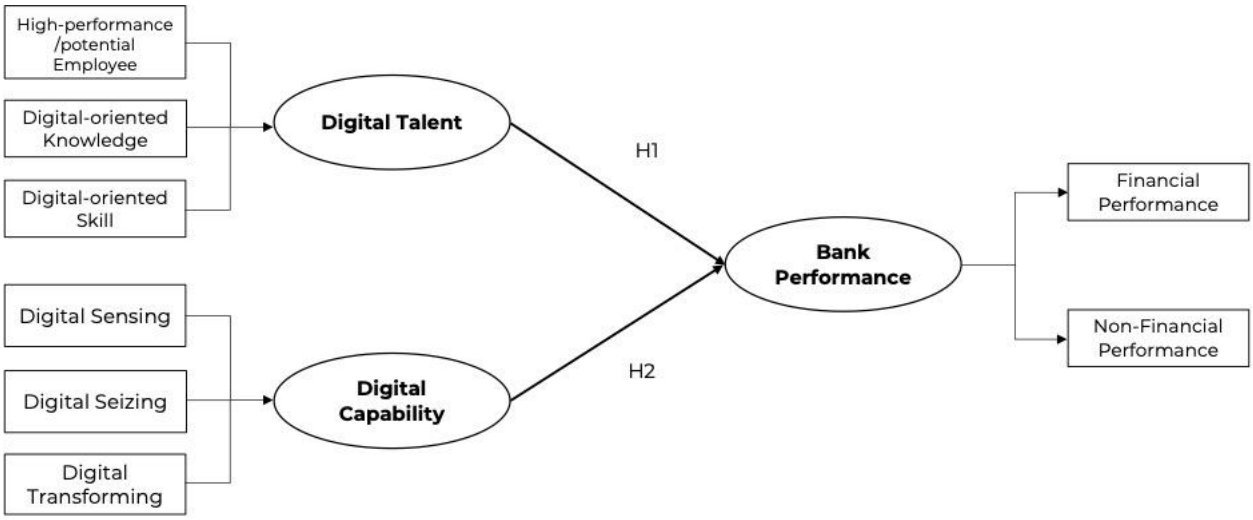

Figure 1. Research Model

Source: Authors' own research.

Methodology

Research Method

After describing the theoretical study that forms the foundation of this research, the approaches, methods, techniques, and strategies used to collect and analyze data will be explained to resolve and clarify the research problem. This part will also explicate the arguments for choosing the approach used by the researchers. Previous studies have stated the urgency of digital talent in achieving positive organizational performance and also introduced several methods, such as the qualitative method (Fahmi et al., 2020; Gilch et al., 2021) and the mixed methods (qualitative and quantitative methods) used by Santoso et al., (2020) and Sukarela et al., (2021). However, to achieve the research objectives, this study uses quantitative methods. To collect data in this study uses a survey method where data will be collected from respondents through a questionnaire instrument. The questionnaire was prepared using a Likert scale method with five answer items that must be filled out (1 to 5, from 1 = strongly disagree to 5 = strongly agree).

Sample & Procedure

Sekaran & Bougie (2016) define a population as an entire group of people, events, and other things that the researcher wants to investigate. In this article, Bank SulutGo, one of the Regional Development Banks located in two provinces, North Sulawesi, and Gorontalo, became the research location. The population of this research is 1792 Bank Sulutgo's employees. Furthermore, research questionnaires are distributed directly to respondents, through the WhatsApp chat application and

by filling out online questions via Google Forms. The population was attained by using a simple random sampling technique as the sampling method. Then we distributed research questionnaires directly to respondents through the WhatsApp chat application and by filling out online questions via Google Forms. As a result, the number of questionnaires received was 344 from branch and head office employees. From the number of questionnaires, the sample is more than sufficient for further analysis (Sekaran & Bougie, 2016).

Table 1. Variables Operationalization

Construct	Items	Source
Digital Talent		
High-performance or potential employee	The company has high-performing employees who can complete routine tasks (DT1) The company has high-potential employees who can complete routine tasks (DT2) High-performing employees are appreciated by the company (DT3) High-potential employees are appreciated by the company (DT4) High-performing employees get recognition from the company (DT5) High-potential employees get recognition from the company (DT6) High-performing employees want to stay with the company longer (DT7) High-potential employees want to stay with the company longer (DT8)	Tansley, 2011; HBR, 2017
Digital-oriented knowledge	High-performing employees know social media (DT9) High-potential employees know social media (DT10) High-performing employees know how to use mobile apps (DT11) High-performing employees know how to use mobile apps (DT12)	Di Gregorio et al. 2019
Digital-oriented skill	High-performer employees have data analysis skills (DT13) High-potential employees have data analysis skills (DT14) High performers have troubleshooting abilities and focus on customers. (DT15) High performers have troubleshooting abilities and focus on customers. (DT16)	Capgemini, 2017; Nair, 2019
Digital Capability		
Digital Sensing	The company is aware of technological developments (DC1) The company knows who its competitors are (DC2) The company knows the trend of digital customer behavior (DC3) The company analyzes the future of the digital industry (DC4) The company understand the future of the digital industry (DC5) The company develop a digital strategy (DC6) The company has a digital vision (DC7) The company fosters the entrepreneurial spirit and digital mindset of its employees (DC8) The company has a digital mindset (DC9)	Warner et al., 2019
Digital Seizing	The company has digital products (DC10) The company has a lean method of innovation (DC11) The company has an innovation center (DC12) The company can maintain a balanced digital portfolio (DC13) The company is able to increase business model innovation (DC14) The company has speed in executing its strategy (DC15) The company can accept change (DC16) The company can respond quickly to changes (DC17)	
Digital Tranforming	The company joins the digital ecosystem for new capabilities (DC18)	

Construct	Items	Source
	The company interacts with digital companies (e.g., fintech) to gain new capabilities (DC19) The company has a unit that manages digital business (DC20) The company has a unit that performs digitization (DC21) The company recruits workers to support digitalization (DC22) The company optimizes employee digital knowledge to support digitalization within the company (DC23)	
Bank Performance		
Financial Performance	Our company has a good level of revenue (BP1) Our company has excellent income performance (BP2) Our company has a very high rate of return on investment (BP3) IT investment increases company cost efficiency (BP4)	Tseng, 2016; Becalli 2007
Non-financial performance	The bank approach customers to increase their savings (BP5) The bank handles customer complaints well (BP6) The bank has an internal process according to regulatory standards and procedures (BP7) The bank encourages employees to improve their performance (BP9) The bank retains qualified employees (BP10)	Qatawneh, 2020

Source: Authors' own research.

This study uses structural equation modeling (SEM) to discover the relationship between latent variables using SmartPLS 4.0.8.4. Data analysis went through two testing stages, namely the outer model and the inner model, where the instrument was tested with Outer Loading > 0.7, Cronbach's Alpha > 0.6, Composite Reliability (Pc) > 0.7, Average Variance Extracted (Pvc) > 0.5 and Discriminant Validity.

Results and discussions

The table below shows the questionnaires have responses from 344 employees (65.7% male, 34.3% female). Respondents were divided into positions ranging from staff to division heads and by various work experience.

Table 2. Respondents Profile

Demographic	Attribute	*n*	(%)
Gender	Male	226	65.7%
	Female	118	34.3%
Position	Division Head	5	1.5%
	Department Head	22	6.4%
	Branch Manager	15	4.4%
	Supervisor	59	17.2%
	Staff	223	64.8%
Work Experience	< 5 years	81	23.5%
	5-10 years	103	29.9%
	10 – 20 years	120	34.9%
	> 20 years	40	11.6%
Location	Head Office	71	20.6%
	Branches	273	79.4%

Source: Authors' own research.

Outer Model Testing

Outer Loadings

At the outer model stage, the validity and reliability of indicators and constructs are tested. The levels of validity and reliability that must be met so that the research model meets the requirements are: loading factor indicators must be > 0.7; Average Variance Extracted (AVE) > 0.5; and Cronbach's Alpha > 0.7; and composite reliability > 0.7.

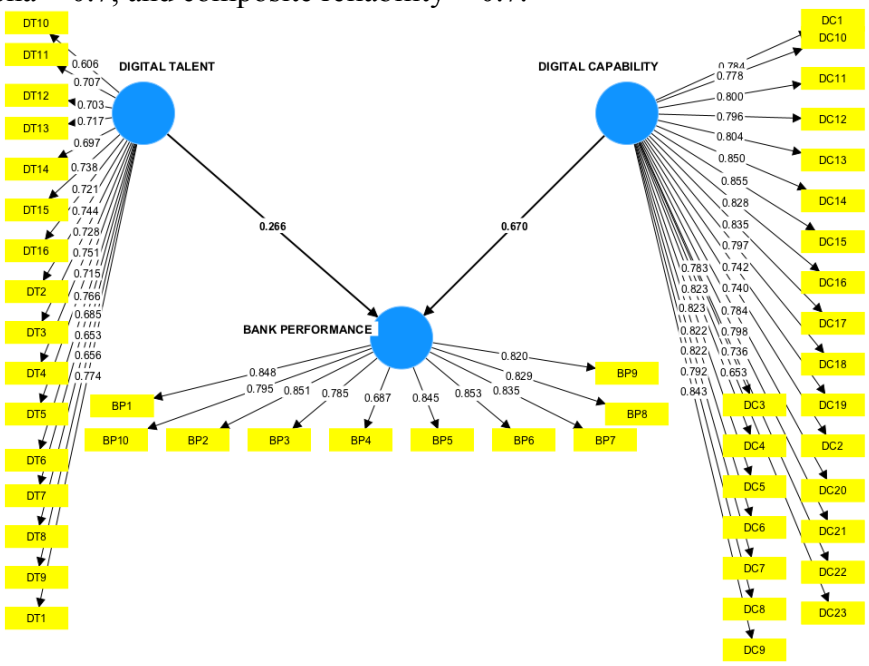

Figure 2. Outer Loadings

Source: SmartPLS 4.0.8.4 software.

From the testing process by SmartPLS, it shows that nine indicators of Digital Talent have a loading factor > 0.7 while seven indicators > 0.6. Meanwhile, the Digital Capability variable has only one indicator > 0.6, and the rest are above 0.7. Therefore, these indicators can be used for further SEM tests. As for further testing, it can be seen that Digital Talent has a role of 0.266 on Bank Performance, and Digital Capability has a role of 0.67 on Bank Performance. Therefore, it shows that in improving Bank Performance, the role of Digital Capability is more significant than Digital Talent.

Construct Reliability and Validity

Meanwhile, a path coefficient test to show the reliability of all indicators in the model was conducted on the outer model in SmartPLS. The tests that can be measured are: Cronbach's Alpha to calculate the lower limit of the reliability of a construct with a minimum value of 0.7; composite reliability to quantify the actual value of the reliability of a construct of at least 0.7; and the AVE value must be above 0.5.

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability (Rho_A)	Composite Reliability (Rho_C)	Average Variance Extracted (AVE)
Bank Performance	0.6556	0.6569	0.6611	0.4625
Digital Capability	0.6764	0.6764	0.6771	0.4403
Digital Talent	0.6493	0.6514	0.6542	0.3514

Source: SmartPLS 4.0.8.4 software.

Testing the Cronbach's Alpha value shows a value of > 0.7; this indicates that the latent variable has good reliability. Reliability tests were also run to see whether the research instruments had sufficient internal consistency.

Discriminant Validity

Furthermore, to test what extent the latent construct is different from other constructs, it measures discriminant validity. A good value discriminant validity indicates that a construct is unique and can explain the measured phenomenon. This research uses the Fornell-Larcker methodology to measure discriminant validity, as shown below.

Table 4. Discriminant Validity

	Bank Performance	Digital Capability	Digital Talent
Bank Performance	0.5667		
Digital Capability	0.6132	0.5528	
Digital Talent	0.5583	0.5583	0.4938

Source: SmartPLS 4.0.8.4 software.

Hypothesis Testing

T Statistic

In testing the hypothesis, the inner model testing technique is implemented through a t-statistics test to see the significance level in hypothesis testing. A bootstrap approach is used in SmartPLS to test the hypotheses. According to Ghozali (2016), convergent validity requires a statistical value more significant than the t-table value (t-statistic. 1.96). In the t-statistics test results in Table 4, Digital Talent on Bank Performance is 5.687 while Digital Capability on Bank Performance is 15.601, indicating that the relationship between variables has a significant effect on Bank Performance.

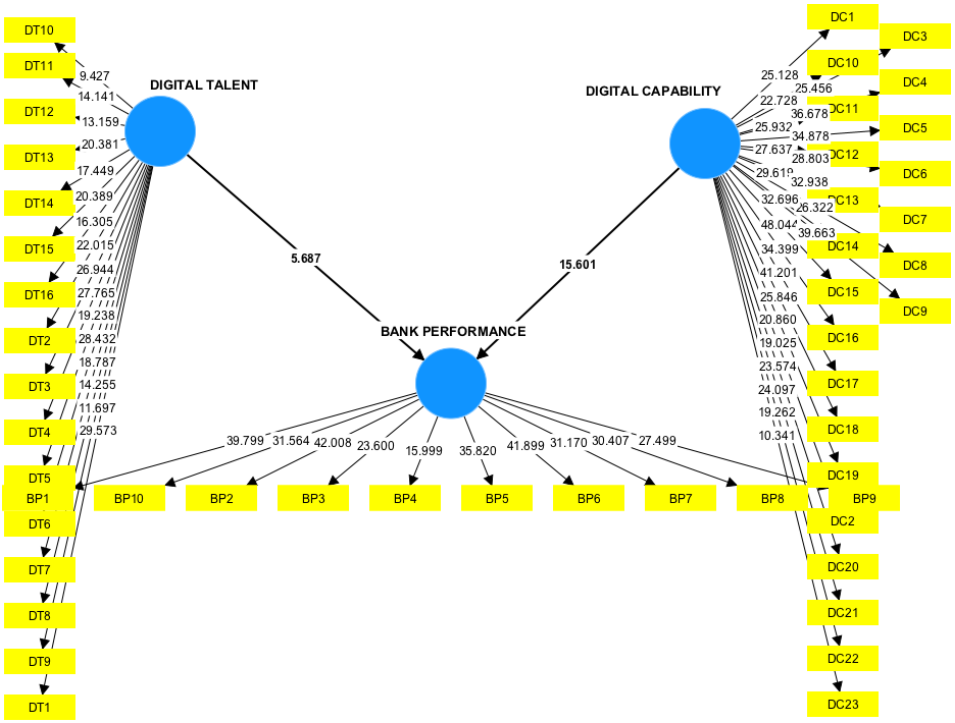

Figure 3. T-statistic Result

Source: SmartPLS 4.0.8.4 software.

Path Coefficient

P-Value is the number of observed opportunities (probability) from statistical tests. If p is less than 0.05, then the opportunity is in the alpha region so H0 is rejected. The number of samples significantly affects the p-value. Therefore, the study is considered to have a significant effect if the p-value is significant, whereas if the p-value > 0.05, no significant relationship has been found for the variables studied. Based on the SmartPLS test, the p-value of Digital Talent and Digital Capability is 0.000, so it can be deduced that there is a significant relationship between latent variables. Furthermore, the path coefficient indicates that the causal variable directly influences the variable determined as an effect, so the path coefficient with a positive value indicates a positive relationship. Table 4 shows the positive values of Digital Talent and Digital Capability. It suggests that the greater the Digital Talent and Digital Capability, the higher the bank's performance.

Table 5. Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Digital Capability -> Bank Performance	0.4653	0.4625	0.043	15.601	0.000
Digital Talent -> Bank Performance	0.1847	0.1868	0.047	5.687	0.000

Source: SmartPLS 4.0.8.4 software.

R-Square

R square is a value test process to determine the percentage of the variance of the dependent variable explained by the variances of the independent variables (or by the model). R squared is a

number that ranges from 0 to 1. This result will show how much impact the combination of independent variables simultaneously influences the value of the dependent variable. The value of R-squared (R2) is tested to assess the extent to which the influence of certain independent latent variables affects the latent dependent variable. In the R square test, there are three categories, namely, the strong category, the moderate category, and the weak category. According to Hair et al. (Hair, 2019), if the R square value of 0.75 can be categorized as strong, the R square value of 0.50 is in the medium category, and the R square value is weak if it is at 0.25.

Table 6. R-Square

	R-square	R-square adjusted
Bank Performance	0.5590	0.5583

Source: SmartPLS 4.0.8.4 software

Table 5 shows that the R square of 0.795 means that simultaneously all independent variables affect the bank's performance by 79.5%. On the other hand, these results indicate an influence from other variables outside this research of 20.5%.

F-Square

After assessing the significance of the relationship between variables, the research needs to be evaluated to understand how much influence exists between the variables. In SEM, this is done by testing the value of f squared. According to Sarstedt et al.(2017), 0.02 is categorized as small so that it can be ignored or has no effect, 0.15 is moderate, and 0.35 is large. Table 6 shows that the influence of Digital Capability on Bank Performance is far more significant than that of Digital Talent.

Table 7. F-Square

	Bank Performance
Digital Capability	0.5653
Digital Talent	0.0889

Source: SmartPLS 4.0.8.4 software.

Model Fit

It is essential to know whether the model under study fit. Model testing was carried out through the Standardized Root Mean Square Residual (SRMR) test. A mode is said to fit if the value is between 0.05 and 0.08.

Table 8. Model Fit

	Saturated model	Estimated model
SRMR	0.068	0.068
d_ULS	5.650	5.650
d_G	3.838	3.838
Chi-square	6.173	6.173
NFI	0.667	0.667

Source: SmartPLS 4.0.8.4 software.

Based on the model examination, it can be seen that the result of the SRMR value in the table is 0.068, so this research model fits. This figure shows that the bank's performance will increase if the bank optimizes Digital Talent and Digital Capability in facing the highly regulated industry, banking competition, and uncertain business environment.

Discussion

As presented in Figure 4 and 5, it can be explained that the interrelation between Digital Talent and Bank Performance has a t-statistic of 5.687, greater than the t-table of 1.96. The p-value is below the research significance limit of 0.05, so the H1 is accepted. Meanwhile, the relationship between Digital Capability and Bank Performance has a t-statistic of 15.601, and the p-value is the same as Digital Talent, namely 0.000, where the value is less than 0.05, so H2 is also accepted. Accepting these two hypotheses shows that the greater the Digital Talent and Digital Capability, the higher the Bank's Performance. The R-square value reinforces this result, indicating that the two exogenous variables strongly impact Bank Performance. Furthermore, it is interesting to discuss the influence of Digital Capability on Bank Performance which is more significant than the influence of Digital Talent. This premise reflects the results of the outer model test. The fact that it is hard to find empirical research on Digital Talent compared to Digital Capability may have something to do with the assertion of Fahmy et al. (2022) that Digital Talent does not yet have a standard definition, and its meaning varies across industries and organizations.

The research results by Proksch et al. (2021) show that employees' digital abilities have no significant effect and the company's digital capabilities have a prominent impact on digitalization strategies. This study corroborates the proposition of Proksch et al. (2021) that a company's digital capabilities significantly influence company strategy. Although, according to Proksch et al., employees' digital capabilities are independent of corporate strategy. Concerning the opinion of Heredia et al. (2022), this study concurs that digital capabilities have a direct impact on firm performance. In addition, Heredia et al. state that employees' digital skills are influential but not direct.

Conclusion

The study results show a positive and significant influence of digital talent and digital capabilities on bank performance. Meanwhile, digital capability has a more substantial role than digital talent in improving bank performance. This study also provides a new contribution to developing digital talent and digital capability studies in Indonesia, which is still limited. BPD competitiveness has become an issue in recent years. Its ability to compete with national banks is being questioned amid the rise of digital banking. BPD management must start thinking about and developing employees' digital capabilities and selecting the best talent to support the digitization of bank services. This research lays the foundation for improving bank capabilities to enhance company performance. Managers must start thinking about and increasing digital capabilities to improve company performance. The framework in this study can become the foundation for strategy formulation, and even a roadmap for developing organizational capabilities for the success of its digital transformation.

This research can also be a starting point for future discussions and studies on talent and organizational development in supporting digital banking. The fact that there is no standard definition of digital talent and a lack of research about it can be raised in forthcoming literature studies. Our research only focuses on one of the 27 regional banks in Indonesia, so the results of this study cannot be generalized to all existing BPD. Furthermore, research has yet to receive the

perspective of top management as decision-makers, so the research results' strategic aspects need to be further explored. In addition, the level of adoption of digital technology in each regional bank is different, so employees' perceptions of digital talent and company digital capabilities will be different for every bank; similar research can be extended to other industries and by conducting multi-country research.

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