

MILLENNIAL HUMAN CAPITAL DEVELOPMENT STRATEGY MODEL IN IMPROVING BUSINESS PERFORMANCE

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Abstract

Trends in achieving national banking performance in the 2017-2022 period tend to fluctuate. This is evidenced by financial report data that contains performance and financial ratios of national banking with indicators with unstable trends. Creativity, technological advances, superior competence and business attitudes to add value proposition to compete in the banking industry are not only related to products and processes, but also related to the company's human capital management and have a positive influence on improving business performance. The research method uses quantitative research with descriptive and verification research types. The research instrument used a questionnaire and data analysis techniques to determine the correlative relationship in this study using Partial Least Square. The results of the study show that Business Performance with a dominant dimension, namely Non-Financial Performance, is strongly influenced by the Work Engagement Program with a dominant dimension, namely Organization Commitment and Digital Transformation Implementation with a dominant dimension, namely Value Proposition. The Work Engagement Program is influenced by Millennial Human Capital Development with the dominant dimension namely Internal Integration, which is influenced by the External Environment with the dominant dimension namely Covid-19 Pandemic and the Internal Environment with the dominant dimension namely Human Capital. namely Organization Commitment and Digital Transformation Implementation with a

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dominant dimension, namely Value Proposition. The Work Engagement Program is influenced by Millennial Human Capital Development with the dominant dimension namely Internal Integration, which is influenced by the External Environment with the dominant dimension namely Covid-19 Pandemic and the Internal Environment with the dominant dimension namely Human Capital. namely Organization Commitment and Digital Transformation Implementation with a dominant dimension, namely Value Proposition. The Work Engagement Program is influenced by Millennial Human Capital Development with the dominant dimension namely Internal Integration, which is influenced by the External Environment with the dominant dimension namely Covid-19 Pandemic and the Internal Environment with the dominant dimension namely Human Capital.

Keywords: External Environment; Internal Environment; Millennial Human Capital Development; Digital Transformation Implementation; Work Engagement Program; Business Performance.

1. INTRODUCTION

Competition in the business environment has entered a complex and dynamic era, encouraging companies to make significant strategic changes in order to continue to survive in a competitive environment (Mohsin, 2013). Performance is a management process designed to link organizational goals with individual goals in such a way that both individual and corporate goals can be met (Shehu, 2014; Martinez et al, 2015). Business performance can help companies optimize their business performance to ensure the achievement of company goals (Mahmoud et al, 2016).

The size of the company's performance differs between industries depending on the company's main activities such as finance, marketing, production, HR, and other activities. The success of a company is basically explained by its performance over a certain period of time (Al-Matari, 2014). Measuring business performance in the current economic environment is an important issue for academics and company managers (Nur et al, 2011). Company performance can be seen from financial performance and non-financial performance, including human capital performance (Hanfan & Se-tiawan, 2018).

Creative ideas, technological advances, and business attitudes to add value (value proposition) to compete in the banking industry are not only related to products and processes, but also related to the company's human capital management (Gunday et al., 2011). A creative and innovative banking culture as well as an adequate scope of training to produce the necessary competencies (Das & Panigrahi,

2018). Creativity, superior competence and value creation have a positive influence on improving business performance. Creativity and superior competence should be seen as a necessary corporate strategy for many reasons such as implementing more productive processes, to perform better in the market, to gain a good reputation in customer perceptions, all of which will result in the company gaining a sustainable competitive advantage (Killa, 2017). Kafetzopoulos and Psomas (2015) in their research results stated that high product/service quality resulted from high corporate creativity and innovation performance.

Likewise in the banking industry, where banking products/services are different from other products/services because they rely on public trust capital which is a competitive advantage and affects the risk of a bank's reputation. Every time a case occurs in a banking institution, it will affect public perception of the banking institution. The benchmark seen by the bank's management is how to run the bank's business in accordance with applicable regulations, so as to avoid problems that occurred in the past.

This challenge must be faced with transformation steps to create sustainability and digital innovation to adapt to changes in competition and market needs. The success of banking in facing these two challenges is largely determined by the presence of leadership and human capital. With the disruption in the digital era like now, the scarcity of leaders is getting bigger because of the emergence of new needs. Leaders are required not only to have maturity and traces of success, but also to have digital thinking and the ability to effectively manage ambiguity.

Next is Human Capital, which certainly plays a part in determining the success of leaders in being able to surf on the wave of technology disruption and being able to realize the goals that have been set. In the digital era, companies need people who are able to work with a growth-mindset in an agile and digitally savvy environment. Changes in business models and the emergence of new job fields demand new skills, and companies must be able to find people who can take on new jobs. Currently, there is no longer a talent war between banks or financial companies, but also banks and technology companies providing financial services or financial technology (fintech). Lots of talent in the banking industry has crossed over to digital companies. Digital companies such as fintech and e-commerce are also experiencing a shortage of suitable people as they have to scramble with banks. Jobs such as data analyst, cyber security and scrum master, which previously only existed in technology companies, now banks also need them (Yuginsah, 2021).

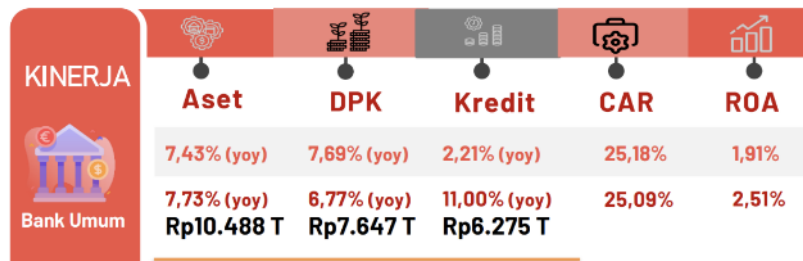
1.1. Bank Financial Performance Phenomena

Many organizations use automation and digitalization to support work. Digital-ization will affect how we work, how work is designed and who gets the work done. A survey conducted by WTW (2021), states that in the next 3 (three) years, globally 30-34% of work will be completed through automation and 92% of companies will apply automation to some routine work. The world will be filled with digital money, like Facebook money (Libra). Grab will also change its business model with additional banking services. Meanwhile, Gojek will add banking services as well. The millennial generation will become the foundation for business development and progress in the financial services and banking industry. The banking industry is also taking advantage of this potential to target millennial customers. (InfoBank, 2019)

Information technology has a major role in creating increasingly competitive competition in the fast and dynamic changes in the banking industry in the globaliza-tion era (Machmud & Sidhartha, 2014). Companies that have good performance can be considered as companies that are able to take advantage of many opportunities, can adapt to dynamic environmental changes and achieve better performance (Rajnoha and Lesníková 2016). Technology has experienced very rapid development in various fields of life. The transformation of analog technology to digital technology, an ongoing digitization process, has changed the behavior patterns of individuals, businesses, society as a whole (Gimpel, 2015).

Financial reports are one of the benchmarks in assessing the financial performance of a bank and are good for attracting investors' attention. The following is the result of processing performance data and national banking financial ratios taken from the of-ficial website of the Financial Services Authority (hereinafter referred to as OJK). In general, the performance of commercial banks in Indonesia can be seen in Figure 1 below.

Figure 1. Performance of Commercial Banks in Indonesia Position in Quarter III of 2022



Furthermore, the performance and Financial Ratios of Commercial Banks for the September 2021 – September 2022 period can be seen in Figure 2. below.

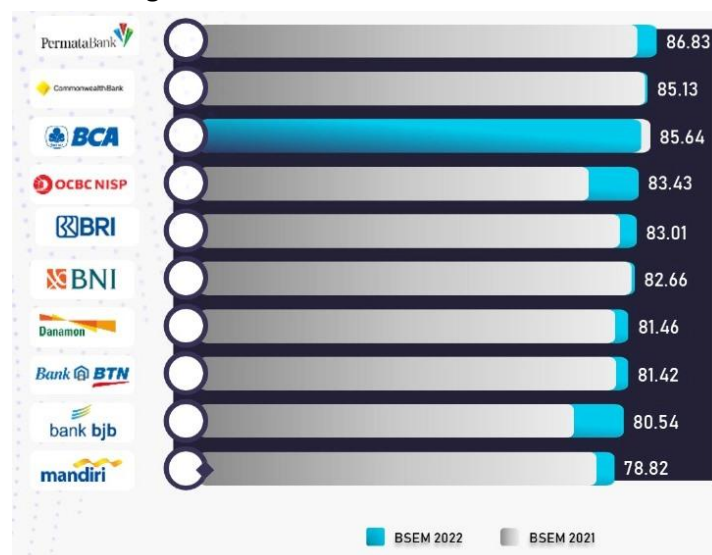
Figure 2. Performance & Financial Ratios of Commercial Banks for the Period September 2021 – September 2022

Indikator	2021		2022		qtq		yoy	
	Sep	Des	Jun	Sep	Jun '22	Sep '22	Sep '21	Sep '22
Total Aset (Rp miliar)	9.735.389	10.112.304	10.308.568	10.487.576	1,75%	1,74%	7,43%	7,73%
Kredit (Rp miliar)	5.652.839	5.768.585	6.176.861	6.274.901	5,35%	1,59%	2,21%	11,00%
DPK (Rp miliar)	7.162.288	7.479.463	7.602.297	7.647.334	1,61%	0,59%	7,69%	6,77%
- Giro (Rp miliar)	1.982.291	2.143.505	2.230.034	2.250.347	1,92%	0,91%	11,66%	13,52%
- Tabungan (Rp miliar)	2.294.714	2.432.260	2.518.071	2.525.287	3,43%	0,29%	11,88%	10,05%
- Deposito (Rp miliar)	2.885.283	2.903.698	2.854.191	2.871.700	-0,17%	0,61%	2,15%	-0,47%
CAR (%)	25,18	25,67	24,69	25,09	(13)	43	177	(9)
ROA (%)	1,91	1,84	2,37	2,51	18	14	17	60
NIM/NOM (%)	4,52	4,51	4,69	4,77	16	8	23	25
BOPO (%)	83,61	83,68	78,46	77,16	(189)	(130)	(254)	(645)
NPL/NPF Gross (%)	3,22	3,00	2,86	2,78	(13)	(8)	8	(44)
NPL/NPF Net (%)	1,04	0,88	0,80	0,77	(4)	(3)	(2)	(27)
LDR/FDR (%)	78,93	77,13	81,25	82,05	288	80	(423)	312
AL/DPK	33,53	35,12	29,99	27,35	(212)	(264)	230	(618)
AL/NCD	152,80	157,94	133,35	121,62	(1.029)	(1.173)	760	(3.118)

1.2. Bank Non Financial Performance Phenomena

Other performance measurements can be seen from service performance based on Market Research Indonesia data (MRI, 2022) as shown in Figure 3 below. Service performance assessed includes Digital Channel and Walk in Channel services in 2022.

Figure 3. Banking Service Performance for the 2021-2022 Period



The banking industry around the world, including in Indonesia, will shift towards being more digital, more personal and less physical. Since the enactment of deregulation and liberalization led to structural changes taking place in the Indonesian banking sector, competition between banks has increased, so that banks in their operations are faced with optimal operational efficiency, so that they can achieve high market share and minimize risk and obtain satisfactory financial performance. Syaifuddin, 2009). The Covid-19 pandemic has also caused social distancing and physical distancing so that the direct use of banking services by the public has also transformed. Social distancing and physical distancing make people spend time in the digital space both for work,

Other forms of technology have created new flows of financial information including messaging protocols, standards and networks, for example open APIs / Application Programming Interfaces have the potential to facilitate banking as a platform innovation, and therefore create a more customer-centric experience. Innovation supported by card payment services, mobile phones and location-based services has enabled entrepreneurs to challenge existing banking models and infrastructure (Gozman et al, 2018).

1.3. Millennial Human Capital Phenomena

Most of the bankers who filled the post-crisis banking industry were dominated by the new generation, especially the Millennial Generation. This happened in line with the banking experience of crises. Banks are becoming more prudent, prioritizing transparency and Good Corporate Governance (GCG). In recruiting bankers, banking does not only consider skills but also morale and attitude. The demands of the millennial generation must be flexible, tech savvy, very mobile, anti-mainstream and adventurous. The millennial generation will soon control the bank.

The younger generation, which has begun to occupy important positions in the world of work, apart from having great potential, also creates contradictions. Several leaders from the previous generation began to complain about the attitudes of millennials when they had to work with them. The friction that occurs between generations is a pattern of communication. The characteristics of millennials who like freedom tend not to like being supervised by superiors. There are times when this is the reason for communication disagreements between employee leaders from the previous generation and employees who are still millennial. (InfoBank, 2019)

According to Pella & Inayati (2011), the baby boomers generation tends to be optimistic, idealistic, likes challenges and wants to be a star and build a brilliant career. Generation X values flexibility, balance in life, work and independence at work, while Generation Y or

Millennials tend to be well organized, confident, steadfast and achievement oriented. They want to work in an environment where differences are respected and valued, where people are valued for their contributions and valued for their talents. Understanding and appreciating and meeting the specific needs of these different generations can help organizations maximize their talent. Without a serious management of talent management, serious disparities between the company and the workforce will emerge.

Following are some of the needs of millennial employees that must be understood by companies, especially in the banking industry, including: 1) Work Hard Play Hard, where Millennials are known as a generation that maintains a balance between two sides, namely working hard and playing. This attitude is in stark contrast to the work environment which still upholds conventional values; 2) Need a supportive work environment, namely a place that convinces them with recognition, achievement appreciation and progressive career paths; 3) In need of technology, the Millennial Generation is often called tech savvy or technologically literate. They are the generation that witnessed the technological revolution. With technology, everything is made easier. Companies must provide space to develop and remove conventional systems so that companies should emphasize performance / performance, not office routines, attendance or neatness of clothes. (Talents, 2021)

Apart from the disruption and the emergence of millennial bankers, there are also interesting challenges in the banking industry. A number of banks are facing an exodus or anti-usury movement where a number of banks have also lost their cadres because many bank cadres prefer to leave the bank. The millennial generation has grown into individuals who are open minded, uphold freedom, and are critical. This is heavily influenced by the development of gadgets, the internet, and social media. According to the 2019 Indonesia Millennial Report, the millennial generation only spends two-three years working in a company. As a result, the banking industry has complained about the high turnover rate in their respective work units, as can be seen in Table 1 below.

Table 1. Employee Turnover Trends in the National Banking Industry for the 2017 - 2022 Period

No	Bank Categories	2017	2018	2019	2020	2021
1	All Banks	12.20%	15.30%	13.00%	14.50%	13.70%
2	Foreign Banks	15.00%	10.40%	16.00%	12.50%	14.90%
3	Joint Venture Bank	20.60%	17.30%	22.00%	22.80%	20.60%
4	Local Banks	7.40%	15.10%	13.20%	13.20%	11.70%

Many factors can affect the company's employee turnover intention, including employee performance, work stress, career development, job satisfaction and low employee engagement. The employee engagement factor is a person's identification psychologically towards his work, participates actively and work is considered an important part of an individual's life. The problems faced by companies today, such as low employee engagement among employees, result in high levels of turnover intention. Employees think that their participation is not really needed by the company.

Such situations may not assist in satisfying an employee's need for responsibility, achievement, recognition, and increased self-esteem. Employee engagement is closely related to job satisfaction, engagement, lack of turnover intention, and organizational commitment by showing a positive attitude at work. Engaged employees will experience positive emotions (happiness, joy, and enthusiasm) and can manage their own abilities to perform well in completing the demands of their work (Bakker et al, 2012).

Based on the results of the Human Capital Audit conducted in the Banking Industry, the factors that require attention are capability improvement, performance evaluation, collaboration between employees, and employee remuneration which is accompanied by a fair performance evaluation (Fair Pay matched to performance) as shown in Figure 4 in below.

Figure 4. Human Capital Audit Results "High Performance Employee Experience"

	<i>Inspiration</i>	<i>Drive</i>	<i>Growth</i>	<i>Trust</i>
<i>Excellence</i>	Meet Expectation	Meet Expectation	Meet Expectation	Meet Expectation
	1-3 Years	Within 1 Year	Within 1 Year	Within 1 Year
	<i>Inclusion</i>	<i>Voice</i>	<i>Capability</i>	<i>Collaboration</i>
<i>Emphasys</i>	Meet / Above Expectation	Meet Expectation	*) Below Expectation	*) Below Expectation
	1-3 Years	Within 1 Year	1-3 Years	Within 1 Year
	<i>Understanding</i>	<i>Organization</i>	<i>Fair Pay</i>	<i>Support</i>
<i>Essentials</i>	Above Expectation	Meet Expectation	Meet / Below Expectation	Meet Expectation
	1-3 Years	Within 1 Year	Within 1 Year	Within 1 Year
	<i>Purpose</i>	<i>Work</i>	<i>Reward</i>	<i>People</i>

Empirical phenomena related to Human Capital which have been researched by WTW (2021), state that during the industrial revolution 4.0. and society 5.0. The on-going process is marked by the fusion of technology and the convergence of the physical and digital fields. Technological breakthroughs in areas ranging from artificial intelligence and robotics to block chain technology and telematics, are not only changing the way companies interact with customers and the products they offer but also influencing how work gets done.

In human capital management, employee performance is a central issue which is also the dominant factor in determining the success of

business activities. The competitive advantage of an organization is strongly influenced by the quality of human capital (Pella & Inayati, 2011). Suparman (2018) explained that the approach to organizational culture with organizational performance is the Competing Value cultural framework or competitive cultural values consisting of organizational focus (internal versus external), structure (stability and control versus change and flexibility), as well as processes and outcomes (means versus results).

2. LITERATURE REVIEW

2.1. Millennial Human Capital Development Concept

The term human capital for human resources (HR) has not been widely embraced by business people, while the role of HR in the future of the company is very decisive. Whatever the form and purpose, the organization is formed based on a vision for the benefit of humans and in carrying out its mission it is managed and managed by humans. So humans are a strategic factor in all organizational activities. For this reason, handling reliable human resources must be done as human capital (Kasmawati, 2017). What will determine the company's success is the ability to manage knowledge assets including knowledge-based processes and intangible resources (Bornemann and Leitner, 2002).

Human capital development in an organization emphasizes the notion that humans are one of the main assets in running an organization's success with unlimited value and amount, which can be managed in a process and ultimately produce value-added for stakeholders. The target of the human capital process implemented in the designed and implemented organizational management system is high-performing human assets. To ensure this is achieved, the human capital function must design measurement tools for each organizational management development system, especially for the implemented humans. Thus an organization can ensure that investments made by HR related to knowledge, expertise, and behavior will ultimately be able to add value-added both to employees, teams within the organization, and the success of the organization (Prasojo, et al, 2017).

Human Capital is a very vital organizational asset, therefore its existence in an organization or company cannot be replaced by other resources. The aim of Human Capital Development is to increase the productive contribution of people in the organization through strategic, ethical and socially responsible ways. Wahyudi (2010) suggests that the functions of Human Capital Development are as follows:

- a. Managerial Functions, including:
- 1) Planning is carrying out tasks in planning needs, complaints, development, and maintenance.
 - 2) Organizing is setting up an organization by designing the structure and relationships between the tasks that must be done by the workforce that has been prepared.
 - 3) Direction is to provide encouragement to create a willingness to work that is carried out effectively and efficiently.
 - 4) Controlling is measuring between activities carried out with standards that have been set, especially in the field of labor.
- b. Operational Function, is the basis for implementing an efficient and effective Human Capital Development process in achieving company goals which is divided into five functions, namely:
- 1) The procurement function is the process of attracting, selecting, placing, orienting and induction to get employees that match the company's needs.
 - 2) The development function is the process of improving the technical, theoretical, conceptual and moral skills of employees through education and training according to current and future job needs.
 - 3) The compensation function is the provision of direct and indirect remuneration in the form of money or goods to employees in return for the services (output) they provide to the company.
 - 4) The integration function is an activity to unify the interests of the company and the needs of employees, so as to create harmonious and mutually beneficial cooperation.
 - 5) The maintenance function is an activity to maintain or improve the physical, mental and loyalty conditions of employees in order to create long-term relationships.

2.2. Millennial Human Capital Development Construct & Dimension
 The following Table 2. explains the definition of Human Capital Development taken from various sources.

Table 2. Definition of Human Capital Development According to Experts

No	Source	Definition
1	(Stoner, 2006)	An ongoing procedure that aims to supply an organization with the right people to be placed in the right positions and positions when the organization needs them
2	(Bohlarander dan Snell, 2010)	The science that studies how to empower employees in companies, create jobs, work groups, develop employees who have the ability, identify

		an approach to be able to develop employee performance and reward them for their efforts and work
3	(Handoko, 2011)	Withdrawal, selection, development, maintenance, and use of human capital to achieve both individual and organizational goals.
4	(Sedarmayanti, 2011)	The driving force of an organization or company so that human capital is the most important factor in achieving the success or success of an organization or company through planning, organizing, directing and supervising activities, procurement, development, compensation, integration and maintenance of human capital.
5	(Desseler, 2015)	Processes for acquiring, training, appraising, and compensating employees and for managing labor relations, health and safety, and equity-related matters
6	Construct	An approach to human development that places human resources as the most important asset / property owned by an organization, while effective management is the key to the success of the organization

Based on the various understandings of Human Capital Development stated above, it shows the importance of Human Capital in achieving organizational goals, through the implementation of management functions and operational functions so that the company's goals that have been set can be achieved properly. Regarding the various definitions obtained from Human Capital Development, there is a theory gap which becomes a gap or inability of a theory to explain a phenomenon under study, namely the absence of a theory regarding human capital development that specifically discusses Millennial Human Capital Development.

Measurement of Human Capital Development adopts the dimensions of several previous literatures, references and research as a reference which is then adjusted to the subject and research object. Recapitulation of the results of the summary mapping of the dimensions of Human Capital Development from various references can be seen in Table 3. as follows.

Table 3. Komparasi Dimensi Manajemen Human Capital

No	Source	Dimension
1	De la Fuente & Ciccone (2002)	<i>Compulsory Education, Postsecondary education, Vocational Education</i>
2	Mello (2015)	<i>HR Philoshopy, HR Policies, HR Programs, HR Practices, HC Process</i>

3	Ferenhof et al. (2015)	<i>Structural capital, Human capital, Relational capital, Social capital</i>
4	Zakaria & Djoko (2017)	<i>Human capital, Structural capital, Relational Capital</i>
5	International Federation of Accountant (IFAC) in (Christiana, 2019)	<i>Intellectual Property, Intellectual Asset, Knowledge Asset</i>
6	InfoBank (2019)	<i>Millenial Competency, Innovation Behaviour, Internal Integration, Leadership Readiness</i>

3. RESEARCH METHOD

This study uses a strategic management approach, especially regarding the influence of business performance. Variables are anything that has differences or variations in value (Sekaran & Bougie, 2013). In this study, there are two variables that are used as research objects, namely the dependent variable and the independent variable. This research includes variable X which consists of External Environment, Internal Environment, Millennial Human Capital Development, Digital Transformation Implementation, Work Engagement Program and variable Y, namely Business Performance.

The unit of analysis that will be used as respondents in this study is located at the branch office. The selection of the unit of analysis is based on the characteristics of the unit of analysis to be studied which are relatively homogeneous which have good duties in terms of business expansion such as fundraising, lending, increasing fee-based income, as well as in terms of service and operations to customers and other administrative tasks. The collection of information from research subjects is only done once in one time period, so this research is a one-shot or cross-sectional (Maholtra, 2010)

Based on the level of explanation and research field, this type of research is descriptive and verification research. Descriptive research is a type of conclusive research that has the main goal of describing something (Maholtra, 2010). This descriptive research aims to describe, give a systematic, factual and accurate picture, address the facts, and the relationship between the phenomena investigated without connecting other variables or making comparisons. The purpose of this descriptive research is to find out an overall picture of the External Environment, Internal Environment, Millennial Human Capital Development, Digital Transformation Implementation, Work Engagement Program and Business Performance.

Verification research or causality research is research to test the truth of causal relationships (cause and effect), namely the relationship between the independent variables (which influence) and the dependent variable (which is influenced) (Maholtra, 2010). This research will test the correctness of the hypothesis through field data collection, regarding the influence of the External Environment and Internal Environment on Millennial Human Capital Development and Digital Transformation Implementation, the influence of Millennial Human Capital Development on Digital Transformation Implementation, and the Work Engagement Program and the influence of the Work Engagement Program on Business Performance.

The research method used is explanatory survey method. Explanatory surveys are conducted to explore problem situations, namely to get ideas and insights into the problems faced by the management or the researchers (Maholtra, 2010).

4. RESULT AND DISCUSSION

4.1. Structured Model Analysis Result

After conducting descriptive statistical analysis, then proceed with testing the re-search model using SEM-PLS with Smart-PLS Version 3.3.3 data processing software. whose purpose is to determine the effect of the independent variables on the dependent variable. In PLS-SEM, there are two stages of evaluating the measurement model used, namely the measurement model (outer model) and the structural model (inner model). The purpose of the two stages of evaluating a measurement model is to assess the validity and reliability of a model. A concept and research model cannot be tested in a relational and causal relationship prediction model if it has not passed the purification stage in the measurement model (Jogiyanto in Hamid & Suhardi, 2019).

At the evaluation stage, the structural model has the goal of being able to predict the relationship between latent constructs. The results of testing on the structural model can be used to see whether the empirical data in the study support the relationship from the development of the hypothesis that was made. The existence of a hypothetical relationship in research can be seen from the relationship between exogenous latent constructs and endogenous latent constructs and from exogenous latent constructs with other exogenous latent constructs, so that by testing the structural model, researchers can see whether based on empirical data the hypothesis made in this study is accepted. or rejected.

Table 4. Structural Model Evaluation

Endogenous (Construct) Variables	R Square	Information
Millennial Human Capital Development	0.683	Strong
Digital Transformation Implementation	0.737	Strong
Work Engagement Program	0.673	Strong
Business Performance	0.562	Strong

The test results are shown in Table 4. shows the value of R2 as follows:

a. The R Square (R2) value of the millennial human capital development variable is 0.683, which is between 0.50 and 0.75 which is classified as strong. These results explain that 68.3% of millennial human capital development is influenced by ex-ternal environment and internal environment variables, while the remaining 31.7% is influenced by other factors not examined in this study.

b. The R Square (R2) value of the digital transformation implementation variable of 0.737 is between 0.50 and 0.75 which is classified as strong. These results explain that 73.7% of digital transformation implementation is influenced by external environment, internal environment, and millennial human capital development variables, while the remaining 26.3% is influenced by other factors not examined in this study.

c. The R Square (R2) value of the work engagement program variable is 0.673, which is between 0.50 and 0.75 which is classified as strong. These results explain that 67.3% of work engagement programs are influenced by millennial human capital development and digital transformation implementation variables, while the re-maining 32.7% are influenced by other factors not examined in this study.

d. The R Square (R2) value of the business performance variable of 0.562 is between 0.50 and 0.75 which is classified as strong. These results explain that 56.2% of business performance is influenced by digital transformation implementation and work engagement program variables, while the remaining 43.8% is influenced by other factors not examined in this study.

The evaluation criteria for the overall Goodness of Fit (GoF) index for the entire model are obtained from the average communalities index or AVE multiplied by the R2 model as shown in Table 5. The GoF values range from 1-0 with an interpretation of this value being 0.1 (Small GoF), 0.25 (Moderate GoF), and 0.36 (Large GoF).

Table 5. Overall Fit Model

Variable	AVE	R Square (R2)
<i>External Environment</i>	0.698	-
<i>Internal Environment</i>	0.795	-
<i>Millennial Human Capital Development</i>	0.740	0.683

Variable	AVE	R Square (R2)
Digital Transformation Implementation	0.873	0.737
Work Engagement Program	0.777	0.673
Business Performance	0.910	0.562
Average	0.799	0.664
GoF Value (According to Formula)	0.728	
Conclusion	Large GoF value (Model Fit)	

In table 5 it can be seen that the overall model suitability shows a value of 0.728. This shows that the model formed in this study as a whole has strong predictive power or in other words that the model meets the GoF (Goodness of Fit) criteria.

4.2. Hypothesis Testing Result

In this study, the results of the path coefficient test and hypothesis testing that have been carried out by researchers will be explained. The results of the path coefficient of each variable and the loading factor of each dimension in this study can be seen in Figure 5 and Table 7 below.

Figure 5. Loading Factor and Path Coefficient

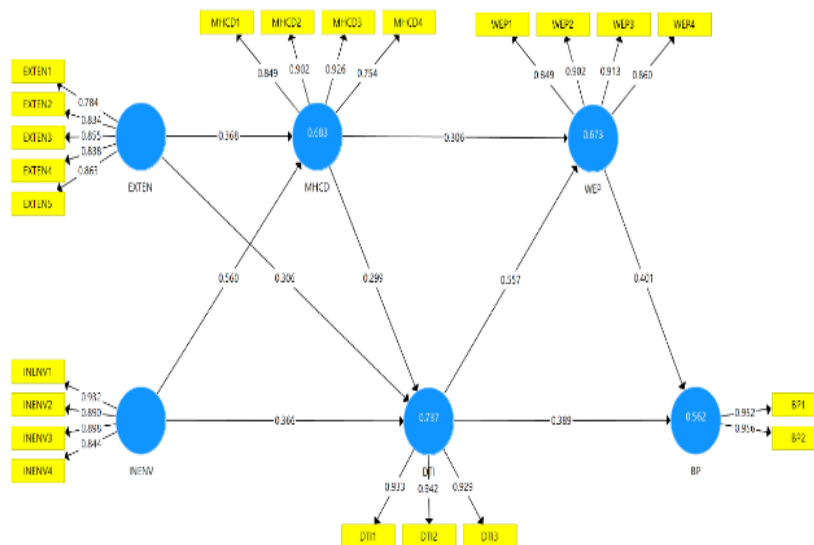


Table 7. Hypothesis Test

	<i>Path Coefficient</i>	<i>T Statistics</i>	<i>P Values</i>	<i>Information</i>
EXTEN→MHCD	0.368	2,690	0.007	Significant
INENV→MHCD	0.560	4,084	0.000	Significant
EXTEN→DTI	0.306	2,405	0.017	Significant
INENV→DTI	0.366	2,748	0.006	Significant
MHCD→DTI	0.299	2,392	0.017	Significant
MHCD→WEP	0.306	2.105	0.036	Significant
DTI→WEP	0.557	4,174	0.000	Significant
DTI→BP	0.389	3,482	0.001	Significant
WEP→BP	0.401	3,150	0.002	Significant

4.3. Discussion of Practical Implication

The following will describe the discussion of research results based on the results of testing the hypotheses that have been presented in the previous sub-chapter. Re-iteration of the formulation or statement of the hypotheses that have been formulated from the relationship structure of the construct or latent variables can be seen in Table 8. as follows.

Table 8. The Value of Lambda Estimation Results (Loading Factors) on Each Dimension of Exogenous and Endogenous Variables in the Research Model

<i>Exogenous Variables</i>	<i>λ value</i>	<i>Intervening Variables</i>	<i>λ value</i>
<i>External Environment (EXTEN)</i>	0.368	<i>Millennial Capital Development (MHCD)</i>	0.299
<i>EXTEN → MHCD</i>	0.306	<i>MHCD → DTI</i>	0.306
<i>EXTEN → DTI</i>		<i>MHCD → WEP</i>	0.849
a. <i>Regulators Government (X1.1)</i>	0.784	a. <i>Millennial Competency (Y1.1)</i>	0.902
b. <i>Demographic Growth (X1.2)</i>	0.834	b. <i>Innovation Behavior (Y1.2)</i>	0.926
c. <i>Technology Trends (X1.3)</i>	0.855	c. <i>Internal Integration (Y1.3)</i>	0.754
d. <i>Competitor Collaboration (X1.4)</i>	0.838	d. <i>Leadership Readiness (Y1.4)</i>	
e. <i>Covid-19 Pandemic (X1.5)</i>	0.863		
<i>Internal Environment (INENV)</i>	0.560	<i>Digital Transformation Implementation (DTI)</i>	
<i>INENV → MHCD</i>	0.366	<i>DTI → WEP</i>	0.557
<i>INENV → DTI</i>		<i>DTI → BP</i>	0.389
a. <i>Human Capital (X2.1)</i>	0.932	a. <i>Operational Excellence (Y2.1)</i>	0.933
b. <i>Corporate Culture (X2.2)</i>	0.890		
c. <i>IT Capacity (X2.3)</i>	0.898		0.942

d. <i>Marketing Capabilities</i> (X2.3)	0.844	b. <i>Value Propositions</i> (Y2.2)	0.929
		c. <i>Employee Experience Transformation</i> (Y2.3)	
Endogenous Variables	λ value		
Business Performance(BP)		Work Engagement Program(WEPs)	0.401
a. <i>Financial Performance</i> (Z1)	0.952	WEP→BP	
b. <i>Non-Financial Performance</i> (Z2)	0.956	a. <i>High Performance Employee Experience</i> (Y3.1)	0.849
		b. <i>Meaningful Work</i> (Y3.2)	0.902
		c. <i>Organizational Commitment</i> (Y3.3)	0.913
		d. <i>Engage & Retain</i> (Y3.4)	0.860

In accordance with the main theme of the research, namely the Millennial Human Capital Development Strategy in improving business performance, based on the results of mapping the business strategy and the formulation of the operational strategy, there is a Key Enablers strategy that can be applied to Millennial Human Capital Development, including:

- a. Creating the best-in-class team by paying attention to 4 human capital segments, namely:
 - 1) Fulfillment, optimizing the efficiency of human capital to achieve business targets, with key initiatives, namely Strategic Workforce Planning, namely analysis of workforce needs, forecasting the condition of HC needs and de-veloping channel source of talent
 - 2) Development, development of Customer Service Acumen as a key initiative in order to meet the need for improved standards in increasing business growth in branch offices and competition for service quality.
 - 3) Performance Management, monitoring employee performance in performance management through key initiatives, namely the development of 360o feedback, whistleblowing and company feedback features.
 - 4) Organization Structure, the need for adjustments to the organizational structure for alignment with business targets, the need for digitization, the need for providing One Stop Solution through key initiatives, namely the establishment of the Account Solution and Analytics Work Unit.

b. Implement Strategic Workforce Planning

1) The banking industry needs to carry out strategic workforce planning to support business growth. In achieving these business targets, there are positions needed within the organizational structure, including Product Development, Application Management, Data Scientist, Frontend and Backend Engineers and QA Engineers. Banks need to consider channels in recruiting digital talent, such as Job Websites, Company Websites, Personal Networks, Online Communities and Recruiting Consultants.

2) Implementation of recruitment initiatives can be carried out through two channels, including: 1) Conventional, such as University Recruiting, Pro-Hire Referrals and HR Vendor Cooperation; and 2) Digital, such as Job posting and Digital Headhunting

c. Instilling Innovation Behavior as a work culture, there are 4 (four) options in implementing work culture in the banking industry to attract Millennial Employees and form Digital Talents, namely:

1) Want to create cool products, through Recognition of the results of the products produced, Individual Portfolios and Great ideas attract great people

2) Want to work entrepreneurial, ownership of the product being developed, digital and non-hierarchical leadership, flexible working hours (time and location) and the development of an entrepreneurial spirit

3) Want to give social impact, the existence of social projects in office programs and the growing desire to have a positive impact on employees

4) Want to work non-bureaucratic and in a creative environment, such as having a creative workspace to facilitate team discussions, creative work techniques, communal culture without boundaries in the workplace so that the exchange of ideas is easy.

d. Work Load Decentralization

1) There was an accumulation of workload in the Human Capital Division so that the programs implemented faced challenges in speed and were not in line with the needs of the work units in the branch due to differences in geographical conditions and business segments.

2) There is an option for the decentralization of Human Capital work, namely by implementing the Human Capital Business Partner (HCBP) program, where HCBP acts as the head office HC representative at the Regional Office. The HC program in the area is handled by the HCBP in the area where the structure and function of the HCBP are clear enough so that it can be implemented properly.

e. Performance Management System, the banking industry must have a Human Capital management application in monitoring

employee performance that fo-cuses on evaluating 3 (three) aspects of Human Capital Performance, namely:

- 1) Key Performance Indicator, an assessment of the 4 perspectives of the Balance Scorecard, namely Financial, Customer, Internal Process and Learning and Growth Perspective.
- 2) Core Competency, assessment of knowledge (Knowledge), skills (Skills), and behavior (Attitude).
- 3) Qualitative Assessment, assessment regarding culture predicate, achieve-ment/special assignment and disciplinary sanction/behavior (if any)

f. Optimization of Rewards & Recognition

Currently the Bank has not implemented individual incentives for Sales AO performance. Current incentive schemes in the banking industry are not yet fo-cused on the performance of sales activities from the Account Office, but have group variable incentives which consist of two components, namely fixed salary & incentives per business unit. The Individual Bonus for Target Achievement Program is given as an appreciation for achieving targets per individual Sales AO. Incentives are given to Sales AO achievement according to the KPI with different targets depending on the business unit. Individual incentives have the potential to increase Sales AO's motivation to perform more than usual to max-imize variable incentives.

g. Implementation of New Ways Of Working

The banking industry is currently still using the Waterfall method for work processes between work units in product/service development. In this Waterfall method, 40% of the project time and budget is spent on the Requirement Speci-fication stage. When there are problems along the way, there is no integration between divisions which causes the rollout speed of the initiative to be less than optimal because it requires realignment (returning to the previous step).

4.4. Novelty Research

Based on the results of hypothesis testing and research discussion and practical implications, the novelty of the research obtained includes:

a. State of the Art of this research are:

- 1) Similarities with previous studies: analyzing the variables Human Capital Management Strategy, Digital Transformation, Employee Engagement, Work Engagement, Business Performance
- 2) Difference:

a) In the research conducted, combining all the variables from previous studies which were previously studied partially, but in this study it was carried out simultaneously.

b) There are three development variables, namely Millennial Human Capital Development as strategy formulation and Digital Transformation Implementation and Work Engagement Program as strategy implementation.

b. Based on the research results, it is known that Business Performance with the dominant dimension, namely Non-Financial Performance, is significantly influenced by Digital Transformation Implementation and Work Engagement Programs. Furthermore, the Digital Transformation Implementation and Work Engagement Program are significantly influenced by Millennial Human Capital Development with the dominant dimension, namely Internal Integration. The Millennial Human Capital Development is significantly influenced by the Internal Environment with the dominant dimension, namely Human Capital and the External Environment with the dominant dimension, namely the Covid-19 Pandemic.

5. CONCLUSION

Based on the results of the analysis of the review of the Millennial Human Capital Development Strategy in Improving Business Performance which has been described in previous chapters which explain the points of findings (results of research and discussion) and present them briefly and clearly in response to the formulation of the problem, it can be concluded that several matters as follows:

a. There is a significant influence between the external environment and the internal environment on Millennial Human Capital Development with the external environment variable path coefficient value of 0.368 and the internal environment variable path coefficient value of 0.560. The influence of the internal environment on Millennial Human Capital Development is greater when compared to the influence of the external environment on Millennial Human Capital Development.

b. There is a significant influence between the external environment and the internal environment on Digital Transformation Implementation with a path coefficient value of the external environment variable of 0.306 and a path coefficient value of the internal environment variable of 0.366. The influence of the internal environment on Digital Transformation Implementation is greater when compared to the influence of the external environment on Digital Transformation Implementation.

c. There is a significant influence between Millennial Human Capital Development on Digital Transformation Implementation with a path coefficient value of 0.299.

d. There is a significant influence between Millennial Human Capital Development and Digital Transformation Implementation on the Work Engagement Program with the path coefficient value of the Millennial Human Capital Development variable of 0.306 and the path coefficient value of the Digital Transformation Implementation variable of 0.557. The influence of Digital Transformation Implementation on the Work Engagement Program is greater when compared to the influence of Millennial Human Capital Development on the Work Engagement Program.

e. There is a significant influence between the Work Engagement Program and Digital Transformation Implementation on Business Performance with the path coefficient value of the Digital Transformation Implementation variable of 0.389 and the path coefficient value of the Work Engagement Program variable of 0.401. The effect of the Work Engagement Program on Business Performance is greater when compared to the effect of Digital Transformation Implementation on Business Performance.

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