



Human Capital Management Policy Effect on Employee Performance

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<https://doi.org/10.29407/nusamba.v5i2.14487>

Informasi Artikel

Tanggal masuk:

19 Juni 2020

Tanggal revisi :

31 Agustus 2020

Tanggal diterima:

5 Oktober 2020

Abstract

This study aims to look at the effect of the application of human capital management in terms of practices such as recruitment and selection, placement, training and development, performance appraisal, compensation and benefits, and the relationship between employees and employee performance. This research approach is quantitative, all data obtained by taking several procedures, using SmartPLS SEM. To find out the relationship between HCM practices and employee performance, we found that there is a relationship between human capital management and employee performance.

Kata Kunci: Policy, Human, Capital, Management, Effect, Performance, Employee

Abstrak

Penelitian ini bertujuan untuk melihat pengaruh penerapan manajemen modal manusia ditinjau dari praktik seperti rekrutmen dan seleksi, penempatan, pelatihan dan pengembangan, penilaian kinerja, kompensasi dan tunjangan, serta hubungan antara karyawan dan kinerja karyawan. Pendekatan penelitian ini adalah kuantitatif, semua data diperoleh dengan mengambil beberapa prosedur, dengan menggunakan SmartPLS SEM. Hasil penelitian ini menunjukkan hubungan antara praktik HCM dan kinerja karyawan, kami menemukan bahwa ada hubungan antara manajemen modal manusia dan kinerja karyawan.

Kata Kunci: Policy, Human, Capital, Management, Effect, Performance, Employee

1, Pendahuluan

The era of globalisation makes the current business environment race against increasingly fierce competition. The company is currently required to be able to adapt to maintain and maintain its existence and business continuity, the company must have a strategy in developing and producing competitive advantages (Marimuthu, Arokiasamy, and Ismail, 2009). Furthermore, according to Marimuthu et al. (2009) mentioned the importance of labour factors, and strategies to increase labour productivity will be a higher value for the company. Thus, companies must strive to optimize the workforce through a comprehensive human resource development program not limited to achieving

business goals but also the most important thing is for the long-term survival and sustainability of the organization. Therefore, Marimuthu et al. (2009) argue, about the need for investment in human resources to ensure that employees have the knowledge that helps them know the latest issues, the skills needed to do work, and the competencies that must be possessed to work effectively in a rapidly changing environment and complex.

Mayo (2000) revealed the term human capital management contains an inherent fundamental philosophy. Human capital management, according to Mayo (2000), consists of five components, namely individual capability, individual motivation, leadership, the organizational climate, and workgroup effectiveness. These five components play an essential role in human resource management. Wood (1999) argues, human resource management is carried out correctly, can guarantee the quality of the organization seen through performance. Thus, if human resource management practices can involve the five components above, ideally, an organization can have high performance.

The five components above different play roles, concerning the company's human capital management, which will ultimately determine employee performance. Balatbat (2010) mentioned the application of human capital management could see through recruitment, selection and placement, training and development, performance appraisal, compensation, benefits and relations between employees. Based on this opinion, researchers will refer to how human capital management practices carried out by companies in connection with the five contexts and their effects on employee performance.

The object of this research is PT. ASDP Indonesia Ferry (Persero) for now on referred to as ASDP. ASDP is a crossing transportation service company, manages the port and ship business, and it has two characteristics of employees, namely employees. They also operate their human resource differently, especially for employees who work on land and employees who work at sea (onboarding vessels). This company motto is "We Bridge The Nation", a symbol of pride to unite the entire archipelago. PT.ASDP Indonesia Ferry (Persero) has a vision that is "Leading in service ports and ferry crossings ". Furthermore, the idea translated into the company's mission as 1) prioritizing safety, security, 2) service and compliance, 3) implementation of digitalization in supporting business practices, 4) building superior human resources to produce a professional work environment and culture, and finally 5) balance the role of development agencies.

PT. ASDP Indonesia Ferry (Persero) transforming their human resource management practices from Human Resources Management to Human Capital Management. Management sees human resources as a critical source of organization, and also as a strategic step for the company's management to maximize employees talent. By maximizing employees talent, the company will be able to create value and seeing the importance of management effectiveness in the creation of the company superior. To improve company performance, a company needs support from professional and productive human resources; it is necessary to increase strategies in some areas such as 1) employee competencies, 2) improvement of employee career paths and 3) efforts to reduce employee competency gaps through specific programs and HR development in the form of education and training and improvement of employee welfare.

Human resource management in PT. ASDP Indonesia Ferry (Persero) as was done in other organizations. Starting from the planning of human resources, namely determining the job description, job specifications and so on, then, proceed to the form of performance appraisal, career path,

development of human resources (source: internal). The exciting thing at ASDP is that there are two characteristics of employees, on land and at sea. A striking difference between the two attributes of employees is 1) work environment and 2) career path. Because of this difference, the management of human resources also has a gap in its management. As an illustration, for ASDP employees on land, the work environment is broader. It can interact with the community and interactions with relevant agencies, whereas for ASDP employees at sea, the work environment is limit to only on ships led by ship captains. Therefore, due to differences in the work environment, there will be potential differences in stress experienced by each employee from both of these characteristics and affect employee performance.

While business conditions face an intensive competition between competitors, the growing business causes many new companies to emerge as competitors and come from the private sector, on the other hand, PT. ASDP Indonesia Ferry (Persero) as a State-Owned Enterprise (BUMN) is given a mandate by the government to improve services to its service users by strengthening infrastructure, improving services and professionalism of its employees, and when viewed from the company's internal strengths, each type of employee has a crucial role in the company.

The following is a comparison table for the number of ASDP employees on land and at sea:

Table 1. Comparison of Number of Employees

	On-shore Employees	Off-shore Employees	Total
ASDP Employees (person)	1668	2860	4528

Besides the number of employees, there is another interesting thing, namely the career path between the two characteristics of the employee. The following is a table of the different career paths referred to (source: internal)

Table 2. Career Paths Based on Early Careers

	Schools Origin	Early Career	Career Paths
On-shore Employees	Public schools	Staffs	Supervisor Assistant, Supervisor, Manager, General Manager, Vice President.
Off-shore Employees	Marine Schools	Rating	a. Deck department b. Engine department

Based on the table above, PT. ASDP Indonesia Ferry (Persero) faces the challenges of managing human capital management due to the type of work environment and career path. These challenges translated into policies by companies which then published in internal regulations in the form of separate career path management policies, and the application of human resource management for development based on the type of work environment.

To achieve high organizational performance, ASDP carried out a transformation of human resource management. One of the forms of change is to place human resources as assets and establish company strategic policies as outlined in the 2018 corporate budget work plan and 2019-2023

Corporate Long-Term Plan (RJPP). Setting human resources as assets is a fundamental concept in Human capital management.

Mathis & Jackson (2009) states that dynamic organizations are organizations that have a low level of disability in the performance of their employees, so employee management must describe the characteristics associated with high levels of performance of their employees. Thus, ideally, ASDP may encourage all its employees to produce high performance so that it will have an impact on organizational performance.

This study aims to determine whether there is an influence of the application of human capital management on employee performance. The research question is 1) is recruitment, selection and placement influence positively and significantly to employee performance? 2) is training and development influence positively and significantly to employee performance? 3) is performance evaluation influence positively and significantly to employee performance? 4) is compensation and benefits influence positively and significantly to employee performance? 5) is employee relations influence positively and significantly to employee performance?.

The purpose of this study is to inspect the effect of the application of human capital management in terms of recruitment and selection, placement, training and development, performance appraisal, compensation and benefits, and the relationship between employees and employee performance

Based on the research model above, the research hypothesis is as follows:

- H1 = There is an influence of Recruitment, Selection and Placement on employee performance
- H2 = There is an influence of training and development on employee performance
- H3 = There is an influence of performance evaluation on employee performance
- H4 = There is an influence of compensation and benefits on employee performance
- H5 = There is an influence of employee relations on employee performance

3. Method

This research approach is quantitative. The data collection method is by distributing questionnaires. Individuals at the managerial level within ASDP employees will be the research analysis unit. The purpose of this study is to look at correlations and establish clear causal connections between the application of human capital management and employee performance. The sample was determined using probability sampling techniques with a simple random sampling method, the target sample calculated from the total population, divided into two characteristics, as follows.

Table 3. Population and Samples

	On-Shore Employees	Off-Shore Employees
Total Populations (in numbers)	1668	2860
The sample uses the formula Hair et al. (1995) which is the number of indicators x 5, where the number of indicators of this study is 33 (attached)	165	165

The method of collection using a questionnaire, all questionnaire items use a score on a 5-point-Likert scale (Strongly disagree (value 1) to Strongly Agree (value 5)). The items used in this study are attached.

The structural model of this research is the application of human capital management will affect employee performance. Then, human capital management classified as an exogenous latent variable and employee performance as an endogenous latent variable. Then, manifest variables of this study are all indicators that measure the application of human capital management, namely employee relations, employee performance, compensation and benefits, training and development, performance appraisal and recruitment selection and placement.

To examine the validity and reliability, researchers refer to tests conducted through SEM-PLS, which see the value of AVE, and Composite Reliability. Ideally, $AVE > 0.5$. Then, the Composite Reliability value ideally should have a value of ≥ 0.6 . Then the value of Discriminant Validity to see the uniqueness of the construct should ideally have a value < 0.9 . Then for testing the hypothesis, it is pursued by looking at the ideal P-Values value < 0.05 .

3. Results and Discussions

From the results of the distribution of questionnaires, obtained the results of respondents in this study were 194 people with filler profiles.

Table 4. Respondents Profile

Gender	
Male	: 180 people
Female	: 14
Work location	
On-shore	: 108
Off-shore	: 86
Latest education degree	
High school	: 98
Bachelor's degree	: 68
Master's degree	: 15
Diploma	: 10
Doctoral degree	: 3
Age (years)	
20 - 27	: 26
28 – 35	: 51
36 – 43	: 54
44 – 51	: 53
52 years up	: 10

The results of this study are a reflection of the respondents with the profile as the table above. Namely, the majority of respondents were male, the proportion between land and sea employees was almost equal, and then came from the level of education the majority were high school/equivalent, and ages 36-51 people were the most participating in this survey. Next step is to evaluate the measurement

model in this study by looking at the results as follows, with running standard bootstrapping procedure (n=300).

Tabel 5 Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Employee relations	0.622	0.639	0.840	0.724
Employee performance	0.921	0.927	0.934	0.611
Compensation and benefits	0.764	0.777	0.865	0.681
Training and development	0.796	0.835	0.864	0.615
Performance appraisals	0.887	0.938	0.916	0.686
Recruitment, selection and placement	0.484	0.490	0.794	0.659
	R Square	R Square Adjusted		
Employee performance	0.465	0.451		

From the test results above, employee relations are items with the highest AVE value (0.724 > 0.5), but all items are declared valid. Then, from the Composite Reliability (CR) value, employee performance has the highest CR value (0.934 > 0.60); however, all items are declared reliable. Then, using this model, the application of human capital management policies can explain employee performance by 46,5%.

Tabel 6. The measurement results of construct variables

	Compensation and Benefits	Employee Performance	Employee Relations	Performance Appraisals	Recruitment, Selection, Placement	Training and Development
Compensation and Benefits						
Employee Performance	0,530					
Employee Relations	0,789	0,461				
Performance Appraisals	0,684	0,440	0,657			
Recruitment, Selection, Placement	0,592	0,799	0,561	0,554		
Training and Development	0,546	0,667	0,485	0,572	0,875	

Then, the next step is to look at the extent to which the constructs on exogenous latent variables are unique, namely by looking at the value of Heretroit-Monotrait Ratio (HTM), all constructs are novel (<0.9) or thus can be declared valid. The relationship model in this study is a formative model, where all indicators will lead to exogenous latent variables.

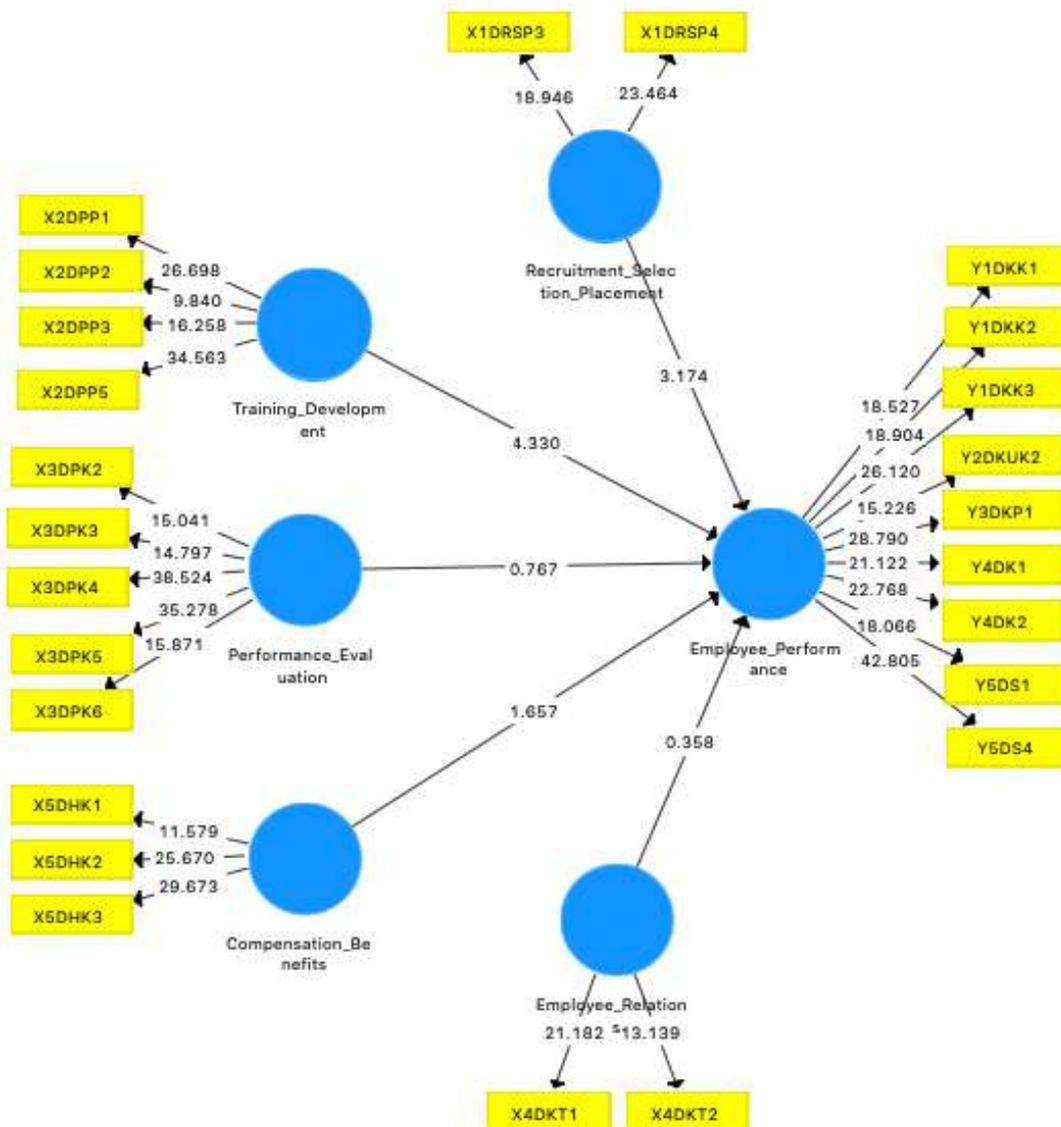


Figure 1. Original Model

Table 7. Relationships Between Constructs

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Recruitment_Selection_Placement -> Employee_Performance	0.243	0.246	0.077	3.174	0.002
Training_Development -> Employee_Performance	0.360	0.348	0.083	4.330	0.000
Performance_Evaluation -> Employee_Performance	0.053	0.052	0.069	0.767	0.444
Compensation_Benefits -> Employee_Performance	0.174	0.188	0.105	1.657	0.099
Employee_Relations -> Employee_Performance	0.028	0.032	0.079	0.358	0.721

Based on the results above, only the effect of training and development and performance appraisal on employee performance is significant (t statistic > 1.96). While others, namely employee relations, compensation and benefits as well as performance appraisal, showed insignificant results (t statistic < 1.96).

Based on the results of testing the above hypothesis, as follows:

Table 8. Hypotesis Results

H1	=	There is an influence of Recruitment, Selection and Placement on employee performance	Accepted
H2	=	There is an influence of training and development on employee performance	Accepted
H3	=	There is an influence of performance evaluation on employee performance	Rejected
H4	=	There is an influence of compensation and benefits on employee performance	Rejected
H5	=	There is an influence of employee relations on employee performance	Rejected

Mayo (2000) assumption that human capital management should have five different components tested through this research. This study aims to see whether the elements referred to by Mayo (2000) do indeed affect employee performance. Based on the results of hypothesis testing, three hypotheses rejected, there is no proven effect of employee relations, compensation and benefits and performance appraisal on employee performance. Meanwhile, the accepted hypothesis is that there is an influence of training and recruitment, selection and placement on employee performance.

As mentioned above, Noe et al. (2004) provide views on the importance of employee development as part of the human resource management activities in an organization. The extent to which the knowledge received by employees from the organization to improve skills will affect the performance of employees in the organization, from items used to measure training and development, within the PT. ASDP Indonesia Ferry (Persero) as the object of research, knowledge of the company's vision and mission as well company regulatory policies, participation in employee orientation programs, participation in training and development programs according to the field of work, the involvement of employee assessments while at PT. ASDP Indonesia Ferry (Persero) and the belief that by following training and development programs can make employees work better will affect employee performance.

The above results also confirm Lee's (2005) statement that the processes that occur in recruitment, selection and placement will have an impact on an organization's competitive advantage, directly from the performance produced by individuals in the organization. Then, from the items used to measure recruitment, selection and placement, it is known that respondents' knowledge about job openings through online media, friends and following selection through interviews and being placed in a position after the selection results will affect employee performance.

4. Conclusions

The research wants to see the effect of implementing human capital management within an organization will affect employee performance. From this research, there are two activities within human capital management affecting employee performance, namely recruitment, selection and placement and training and development. The managerial implication of this research, it is suggested that ASDP can emphasize two activities to obtain optimal employee performance, that is by striving for prospective employees to know the company well before going through the selection process and prepared for work placement. Then the organization needs to provide training and development programs to its employees in the hope of improving employee performance due to the updating of work knowledge. The limitation of this study is only one object of research, while to get a more concrete perspective on the application of human capital management, it is necessary to get a picture of several research objects and a more significant number of respondents. This study only reviews from employees' perceptions so that further exploration is needed, in an example, exploring managerial point of view and elaborate with employees' expectations.

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