PERFORMANCE MANAGEMENT IMPROVEMENT
A Human Resource Perspective

Group Field Project

Prepared by:

Group 1 - The Insiders
Executive July 2003

Ernest Humphrey Alto

Fadhil Marhaban

Julhandiarso Handogo

Harsya Wardana

Pradana Sugarda

Wabas Awal

Wirawan Widjanarko

Supervised by:

DR. Bambang Bhakti, MBA

ASABA COMPUTER CENTRE
simol fying complexities

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APPROVAL FORM

I am pleased to be the supervisor of this project and certify that the students have faithfully achieved the requirement as specified in the Terms of Reference.

Moreover the students have fulfilled their obligations to submit a group field project report as an essential part of accomplishing their degree from the Indonesian Institute for Management Development (IPMI)

Jakarta, September 26, 2005

Bambang Bhakti
Supervising Faculty

EXECUTIVE SUMMARY

Successful application of Strategic Human Resources Management application in today's business environment is a key success factor to ensure the long term sustainability of a business organization. ASABA Computer Centre, a service-oriented IT Solution Provider, has a strong awareness and concern toward Human Resources Management implementation. Therefore we conducted our Group Field Project Study to cover the improvement plan of its Human Resources Management function.

This study is focused on Performance Management System practices & recommendations. In addition, we also included people development area as a proposed suggestion to strengthen sales performance. The study involved sales personnel as our respondents, to assess their perception of current Human Resources Management practices in ASABA. For sales personnel, it is crucial to manage their sales compensation scheme as motivational tools to:

1. Recognize the role of company sales personnel in acquiring and retaining customers as a source of present and future revenues.

2. Align pay opportunities with the revenue objectives of the business by creating mutual success between the company and its sales employees,

3. Attract, retain, and motivate talented sales employees,

4. Provide members of the sales force with credible performance measures that complement, and may even replace, the need for employee supervision, and

5. Manage a major portion of sales costs by linking selling success directly with compensation expenditures.

The findings of this study indicate that PT ASABA Computer Centre needs to improve its current practices with respect to Performance Management System, Employment Relation, and People Development aspects. We also conducted a SWOT analysis from a human resource perspective, followed by distributing a questionnaire to sales personnel. Such improvements will ensure ASABA computer Centre is adequately equipped to achieve its vision to become a World Class Knowledge Company.

Our recommendations are divided into three categories: short term – those that are urgent and should be applied within one year, mid term - within 3 years, and long term within 5 years or more.

ACKNOWLEDGEMENT

This group field project concludes the 2 years of post graduate studies in applied general management for the IPMI MM/MBA program. Every member of the group feels fortunate to have worked together as a solid team since this project was initiated in July 2005.

We would like to thank God for the blessing and expediency that He has abundantly granted us. We would also like to thank each other (the team) for the patience, struggle, understanding and support we have given to and sacrificed for each other throughout the process of completing this group field project.

Our most sincere appreciation to Mr. Bambang Bhakti, our project supervisor, who has committed his time to supervise our group, give us guidance, inputs, corrections, critics and opinions for this project.

We would like to extend our utmost gratitude to PT. ASABA COMPUTER CENTER, especially Mr. David Santoso Hartono, Mr. John Hartono, Mr. Sugiri Santosa, Mr. Husin Taslim, Mr. Tony Simangunsong for the opportunity to partner with PT. ASABA COMPUTER CENTRE for our group field project. Notwithstanding their extremely busy and tight schedule, they provided us with their utmost concern and enthusiasm towards the project and were very helpful and cooperative throughout.

We would like to thank our families for all their support in bearing with us through all the sleepless nights and the late hours they have endured with us to achieve the successful completion of this group field project.

Group-1 The Insiders

Ernest Humphrey Alto, Fadhil Marhaban, Julhandiarso Handogo, Harsya Wardana, Pradana Sugarda, Wabas Awal, Wirawan Widjanarko

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I.   INTRODUCTION

I.1   Background of study

While the basic teaching instrument at IPMI is the written case, a considerable time in the curriculum is devoted to the Group Field Project. In each instance, the emphasis is on learning by doing, a key tenet of the educational philosophy of the Institute.

The case is a document in which a researcher has assembled the facts and opinions judged relevant for analysis by the business managers involved in the case problem. In business, however, problems do not customarily appear in this neat manner. The beginning of a problem will often consist only of a comment or question. Managers must then collect and analyze relevant information, refine the problem definition, develop alternative solutions and finally recommend specific action. Business problem solving is a process that requires application of analytical tools, creativity, and intuition.

The objective of the Group Field Project is to shift the attention form analyzing static data placed in front of him to the challenging task of dynamic problem solving. In a sense, the Group Field Project is a laboratory in which what has been learned can be applied. The Project is brought to a conclusion with a written and oral presentation to the management sponsoring the Group Field Project.

With the support of ASABA Computer Centre management, this Group Field Project is written based on an initial interview, citing current issues arising in Human Resources aspects in the organization.

I.2   Objective of study

There are three main objectives of the Group Field Project. Firstly, as an integral part of the Institute's MBA program, it further develops the skills and attitudes required in the present and future business environment. Secondly, it serves to strengthen the links between the business community and IPMI.   Thirdly, it

develops specific recommendations aimed at improving the company's business performance.

Based on observation and data collection, this Group Field Project provides recommendations to ASABA Computer Centre within the scope of study below.

ASABA Computer Centre and IPMI MM/MBA program are to engage in developing a strategy for improving Asaba's human resources, especially the sales force performance.

I.3   Scope of study

Thorough interviews and data analysis is conducted with the Board members and several key managerial officials of ASABA Computer Centre to pinpoint the current issues faced by the company. Aligning understanding of the company issues is carried out several times to ensure that the problem statement is congruent to specific problems actually identified.

Problem assessment within context of Strategic Human Resource analysis to evaluate
- Performance management system
- HR management practices
- Management Information System

I.4   Method of study

This Group Field Project is prepared using the following methodologies:
- interview with Board members and several key personnel,
- company documents, procedures, regulations, and other related records,
- literature in human resource and organizational behavior subjects, and
- internet

Data Collection is obtained from internal/primary as well as external/secondary data which consist of:

- Internal data collection; company history and background, vision and mission, corporate culture and value, organization structure, business model, service being offered, core business strategy, competitive advantage of the company, strengths, weaknesses, opportunities, threats, source of revenue, marketing mix, customer profile.

- External data collection: Indonesian economic outlook, Indonesian IT market, IT services trend & segment, competitor analysis, suppliers, brand awareness, product quality assessment.

Data Analysis is conducted utilizing various tools including the following:

- Business process assessment
- External situation including economic outlook
- Human Resource SWOT analysis
- Porter's five forces industry analysis
- Herzberg motivational theory

II. CURRENT SITUATION

II.1 Company Background

PT ASABA Computer Centre was founded in July 1990 as system integrator and Novell Authorized Education Centre, based in Jakarta

Currently PT ASABA Computer Centre is one of the leading IT Solution Providers in Indonesia for integrated networking, cabling system solution, network operating system, database, desktop applications and internet-intranet-extranet that support business information and IT infrastructure requirements.

PT ASABA Computer Centre Partners include, are among others, Microsoft, Hewlett Packard, SAP, NCR, Assea, Computer Associates, Sun Microsystems, Avaya, Orinoco, Oracle, Cisco Systems.

Customers of PT ASABA Computer Centre are divided into 6 market segment:
- Financial/ Banking Industry
- Government Companies
- Telecommunication Companies
- Oil & Gas Companies
- Mining Companies
- Private Sectors

II.2   The Economic Outlook of the Industry

The Indonesian economy is becoming more liberalized, but due to various reasons the government still plays a significant role. It still owns and controls 158 state-owned enterprises and administers prices.

In 1980, the Government began to eliminate regulatory obstacles to economic activity. The steps were aimed primarily at the external and financial sectors and were designed to stimulate employment and growth in the non-oil export sector. Annual real gross domestic product (GDP) growth averaged nearly 7% from 1987–1997 and most analysts recognized Indonesia as a newly industrialized economic landscape. In 1998, Indonesia experienced negative GDP growth of 13.7% and unemployment rose to 15-20%.

In the aftermath of the 1997–1998 financial crisis, the government took custody of a significant portion of private sector assets through acquisition of non-performing bank loans and corporate assets through the debt restructuring process but subsequently disposed of most of the assets, averaging 29% return on the assets received. Indonesia has since recovered and has recapitalized its banking sector, improved oversight of capital markets, and taken steps to stimulate growth and investment, particularly in infrastructure. GDP growth in 2002 was 4.3%, 4.5% in 2003 and 5.1% in 2004.

Indonesia's overall macroeconomic picture is stable and improving, although GDP growth rates have not yet returned to pre-crisis levels. The government has targeted average growth of 6.6% in 2004–2009 and it looks confident to achieve its GDP growth target 6.9% annually on the average in the coming several years.

As presented in table II.2.1, GDP per industry sector industry from year 2000 to 2004. It clearly presents the changing trend of total GDP per sector. All sectors, with the exception of Oil & Gas, showed increases in GDP with the Telecommunications sector increasing from IDR 18,260 billion in year 2000 to IDR 33,519 billion in years 2004 - the highest sector percentage increase at 84%. Oil and Gas experienced a decreased from IDR 117,156 billion in year 2000 to IDR

98.638 billion in year 2004 - a 16% decrease. However in absolute terms, Oil and Gas sectors still provided biggest portion amounting IDR 98,638 billion compared to the Telecommunication sector, which provided IDR 33,519 billion (2004).

Table II.2.1
Indonesian GDP per industry sector from 2000-2004

GDP table (In billion rupiah)

	2000	2001	2002	2003	2004
Financial Banking Industry	64,313.9	67,810.3	71,727.2	76,113.7	81,217.2
Government	69,460.3	70,200.2	70,482.4	71,147.8	72,323.7
Telecommunication	18,260.2	20,553.0	23,786.6	27,678.0	33,519.1
Oil & Gas	117,156.0	111,450.9	108,130.6	103,083.8	98,638.3
Mining Companies	50,536.2	56,793.5	61,801.4	65,343.0	62,016.9
Private Companies	60,293.0	63,757.3	68,499.9	73,206.5	79,111.6

Source;

Figure II.2.1
Indonesian GDP per industry sector from 2000-2004
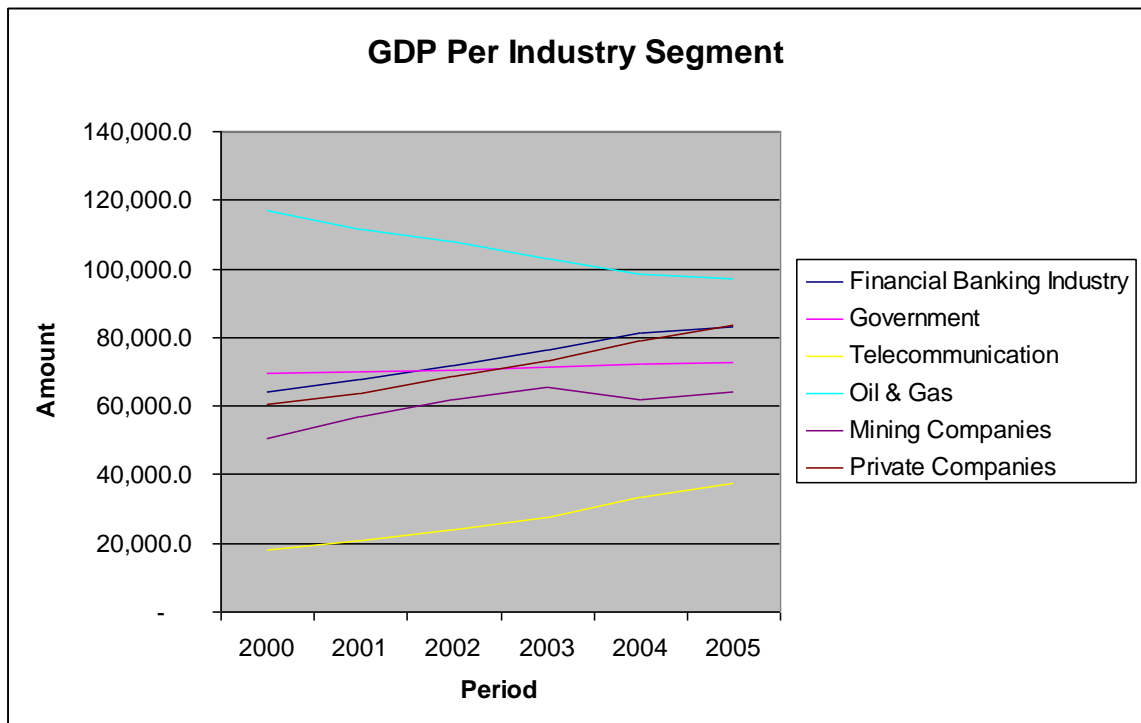
Source: Biro Pusat Statistik

GDP average growth per sector from 2005 to 2009 is projected as follows:

- Financial Service Industry   6.0 %
- Telecommunication   16.4 %

- Government   1.0 %
- Oil and Gas   - 4.2 % (minus)
- Mining   5.5 %
- Private Companies   7.0 %

Since October 2004, President Yudhoyono has stated repeatedly the Government's intention to improve the business climate for private sector investment in order to raise the level of GDP growth and reduce unemployment. Though investment grew 15% in the second half of 2004, a significant shift from investment growth in 2003 for only 1.9%, many challenges remain. By early 2005, significant reform efforts were underway in many areas.

II.3 IT spending in Indonesia

Although Indonesia is one of the smallest IT spending countries, the country's IT spending grew 11% to reach US$ 1.5 billion from 2003 to 2004. With a new government that promotes democracy and a strong GDP forecast, Indonesia is predicted to have IT spending grow by 11.9% to reach US$ 1.7 billion in 2005 and US$ 2.5 billion by 2008. Hardware is predicted to be the biggest portion of that IT spending, followed by service and spending for software.
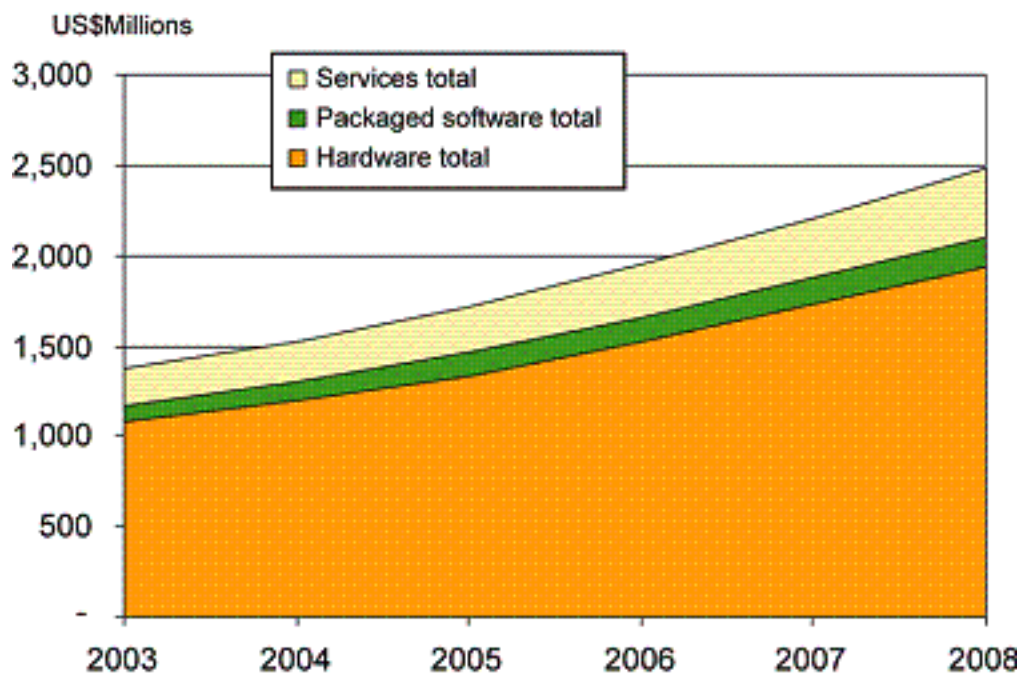
II.4　Industry Analysis
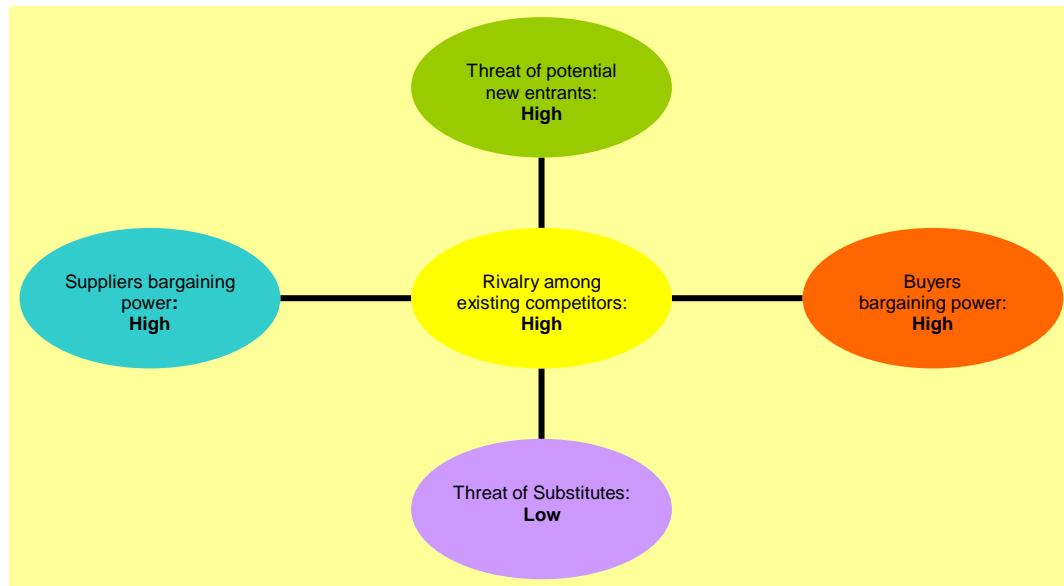
An analysis of the IT Solution Provider industry in Indonesia exemplifies the trend of the industry towards product commoditization, and industry fragmentation. The five-forces analysis (Michael Porter, Competitive Advantage, 19) of the industry, as depicted in Figure II.4.1, reveals intense rivalry and competition among existing players as the result of high supplier and buyer bargaining power and also the relative ease of entry by which new players enter the market. Low threat of substitution allows some degree of enhanced profitability for the industry.

As a result of the competitive forces acting on the industry, the industry structure is very competitive and the intense rivalry among firms within the industry results in weak profitability of the industry as rivals continue to accept ever-lower margins to acquire customers and revenues. As companies all strive for cost leadership, the programs implemented to cut costs will automatically place pressure on the compensations and rewards granted to employees, who will in turn begin to seek better opportunities by joining or setting up a startup company or by moving to a competing company. This leads the industry to fragmentation and even lower margins for the industry.

A summary of the competitive forces acting in the IT Solution provider Industry in Indonesia as follows:

Threat of new entrants: High (entry barriers: low)

- Economies of scale (Low barrier, high threat): Entry in to the industry does not require a new entrant to come in at large scale to serve the market. This enables the entrant to be competitive even if it retains a minimum number of employees and investment funds. The entrant could simply consist of a capable sales force, with technical staff acquired on an as-needed basis or through out-sourcing.

- Product differentiation (Low barrier, high threat): IT services have been experiencing a trend towards becoming a near-commodity and an almost homogenous product as perceived by end-users. Customer loyalty is the exception and not the rule as they constantly search for lower priced offerings and cost savings. Major components of the product are undifferentiated (Microsoft Office, SAP, Oracle, etc.) and rely on customization for differentiation, the success of which is difficult to determine until the product has been implemented for its intended purpose. The success of the product is therefore equally unknown for all competitors.

  However, over an extended period, differentiation in quality and service become an important aspect of the industry as end-users become disappointed with the performance of low quality implementations. Repeat buyers eventually develop loyalty to certain brands based on quality, service and reputation. Nevertheless, failing to win a project translates to lost saves which in terms of any particular customer means that the entire revenue stream is lost for several years into the future.

  Therefore, new entrants will invest heavily on building trust and reputation in the quality of their products and services if it is to overcome customer loyalties. This demands that they make a substantial investment to win over customers, financially by accepting lower margins and in time by building up reputation

through the extended use and recognition of quality of its products

- <u>Access to distribution channels</u> (Low barrier, high threat): Considering the bargaining power of suppliers, new entrants do not have significant barriers in the form of access to distributors. They are usually well-trained and experienced people who have left their former companies to start up their own business, new players that have a sound educational background, or even non-technicians with superior sales skills. Start ups have also frequently proved to become highly successful in a short period of time and are familiar with products from several software companies and can therefore influence the clients toward a particular vendor that is most cooperative to their business. Therefore, distributors are willing to serve these new entrants just as well as long established firms.

Cost disadvantage independent of scale:
- <u>Favorable locations</u> (Low barrier, high threat): Serving customers well by locating personnel in close proximity to customers, or even on-site, is not difficult as it basically entails locating or relocating personnel, which is easily and cheaply done.
- <u>Learning and experience curve</u> (Low barrier, high threat): the service provided to any particular customer is highly similar among customers in the same industry and at the same time highly customized between customers with respect to particular business processes. However the choice of a particular software component would basically mean that many processes would be tailored to fit the capabilities and logic of that software and therefore reduce the extent to which learning and experience curves would be an advantage.
- <u>Government policy</u> (Low barrier, high threat): AFTA will allow more freedom for foreign competition in the Indonesian IT industry as a whole, and therefore foreign companies with extensive global experience and reputation will become a formidable competitor in the local market.

Supplier bargaining power (High):

- Dominated by a few major software companies (Microsoft, SAP, Oracle, etc) and is more concentrated than the industry it sells to (Financial/ Banking Industry, Government Companies, Telecommunication Companies, Oil & Gas Companies, Mining Companies, Private Sectors)

- Not obliged to contend with other substitute products for sale to the industry: since substitute products are almost non-existent (e.g. substitutes for Microsoft Office, SAP) the suppliers can charge a high margin for their products.

- The supplier's product is an important input to the buyer's business: IT service providers rely almost entirely on vendors products as inputs for their services; therefore they must accept the price charged by the vendor.

- The supplier group's products are differentiated & it has built up switching costs: the cost for a customer to switch to different software will be very costly as will the risk of switching to software with a lower reputation or after sales support.

Buyer bargaining power (High):

- Customers are concentrated or purchase large volumes relative to seller sales: IT investments by customers are typically big, one-time purchases of a significant amount and therefore a significant source of revenue for Solution Providers. Since customers have a wide choice of alternative vendors, they are in a good position to dictate prices.

- The products it purchases from the industry represent a significant fraction of the buyer's costs or purchases

- Buyers pose a credible threat of backward integration: the industry is limited in terms or the margins it can charge customers, since overcharging would ultimately result in backward integration by buyers who would source its IT needs in-house.

- The buyer has full information: the ease at which a buyer can get information of product and component costs from other vendors or on the internet means that he has full and comprehensive information on the vendors' costs and margins.

Rivalry among competitors (Intense):

- Price competition: As it is difficult to achieve a competitive advantage by differentiating the product (customers prefer a proven, reliable solution) rival firms compete to be the low cost leader, resulting in fierce price competition and low margins. Soon, all projects are labeled strategic projects, meaning all projects get low margins.

- Increased customer service or warranties: as it becomes more difficult for firms to sustain a competitive advantage in terms of differentiation and price leadership, they tend to offer more and more generous customer service and support, which ultimately increases cost to the point where any advantages that may have arisen are cancelled out.

- Intense because:
    - Numerous or equally balanced competitors (Astra-graphia, Accenture, etc.)
    - High fixed costs (salaries, buildings, etc.)
    - Lack of differentiation or switching costs (more differentiation interpreted as non-standard, low switching cost since customer will have same risk by choosing a competitor)
    - Diverse competitors (mom-&-pop shops, small, medium, large competitors)
    - High strategic stakes (big projects earn higher reputation, track-record, and experience opportunities for company and employees)
    - Emotional barriers (some companies may be unprofitable but still kept in the competition by owners who place high sentimental value to their companies – keep company alive no matter how unprofitable)

Substitutes:

- Relatively low substitution of product the industry offers, especially application system for large scale industry.

II.5   Perceived Issues

Based on discussion with the Executive Management of PT ASABA COMPUTER CENTRE, the management has identified the following issues in the organization:

1. Non Optimum Sales
2. Deteriorating Margin
3. Loss of prospective project
4. Less effective sales force

The Executive Management believes that the root cause of the issues faced by PT ASABA COMPUTER CENTRE is related to the human resource aspects.

II.6   SWOT Analysis – HR Aspects

Based on the perceived issues which were identified above, we perform SWOT Analysis on the Human Resource aspects to gain understanding on the possible cause of the problem.

Strengths	Opportunities
• Reputable company among IT job seeker • Productive age of sales people • People oriented leadership • **Inspiring vision and mission** • Strong values	• Growing supply of IT specialists • Growing trend toward IT outsourcing • **Prospective industry growth**
Weaknesses	Threats
• Mgt information system inadequate • **HR procedures / guide lines - sales procedures non-existent** • Transparency in execution of company policy inadequate • HR planning, job design - job profile non-existent • Imbalanced employee skills & competences • Recruitment selection process not in-depth • Induction training process not structured • Insufficient soft skill & commercial training • Reward system not formalized • Individual targets not formally negotiated • Career path not clear	• High paced technology development • **Low service level** • Hijacking of key personnel • Globalization

II.7 Current Human Resources Practice

Human Resources Framework Implementation

In this section, we would like to asses the Human Resources (HR) Framework implementation at ASABA.
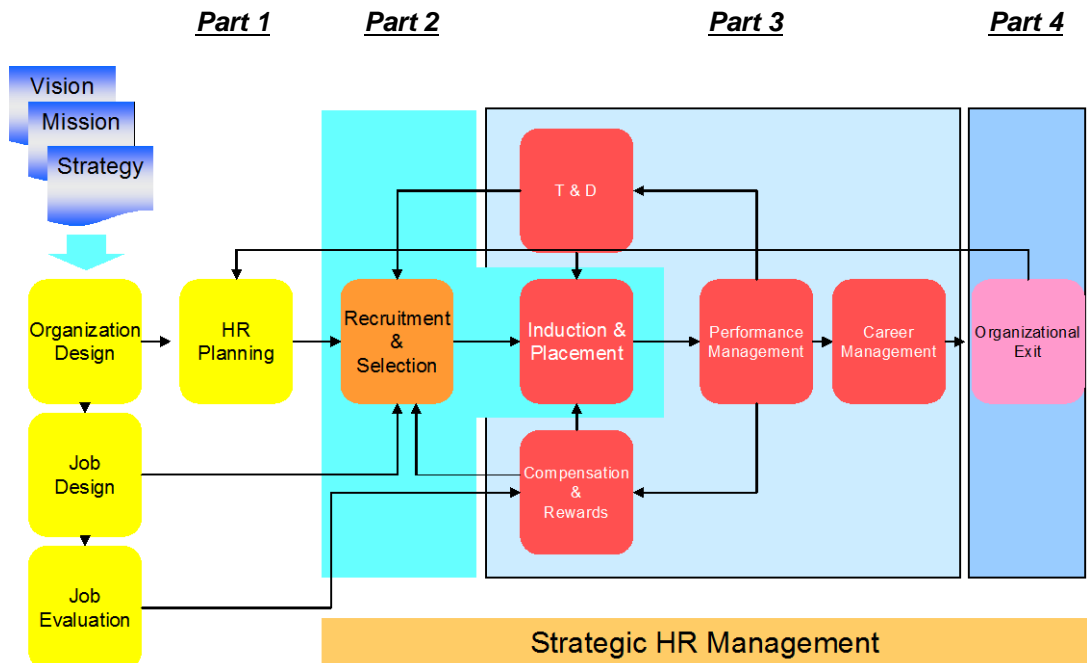
Source : Human Resource Management-An Experiential Approach H. John Bernardin & Joyce E A Russell McGraw-Hill International Ed.

Human Resources (HR) strategic framework originates from the company's beginnings, whereby the company's vision & direction are cascaded down to organizational design and ultimately on to HR processes within the organization.

The first part of the framework is basically the organizational requirements for the company, which consists of organizational objectives and plans, and how the organization is to execute the plan through organization design, job design, and human resources flow plans.

The second part is the HR inflow processes, which consist of a recruitment process, assessment and selection, and orientation and socialization. Fitness of organizational requirements and individual HR needs are considered in this part.

The third part encompasses managing internal flow through evaluation of performance and potential, career development, internal placement, promotion & demotion, and lastly education & training development. This part will assess individual performance and capability, which will lead to reward and compensation on one side and training and development on the other side for capability assessment.

The last part explains the outflow of employees from the organization through termination, outplacement, or retirement. In this part, the organization will largely be influenced by social institutions such as government legislation, unions, educational institutions, etc.

Using this framework, we attempt to assess the implementation of HR policies at ASABA.

HR Process	What Worked	What Doesn't Work	Implications
1. Company Vision, Mission, & Strategy	• Vision & mission do exist • Focused strategy	• Employee understanding on vision, mission, & strategy • Company's direction not well communicated	• Need to cascade down company's direction • Gain involvement from employees
2. Organization Design	• Departmental structure on main functions on the company (sales/marketing & technical)	• Strategy linkage to organization design	• Effort not focused
3. Job Design	• Technical skills & network specification	• Job process on project management • Clarity on business objective • Target setting related with job allocation	• Job deliverables are not well defined.
4. Job Evaluation		• Externally comparable Key parameters for job evaluation	• Difficult to systematically measure compensation competitiveness against other companies
5. Human Resources Planning		• Non formalized HR Planning	• Need to have comprehensive HR Planning (i.e. headcount versus productivity)
6. Recruitment & Selection	• Technical / experience background focus	• In-depth recruitment process	• To set recruitment process guidelines
7. Induction & Placement		• Non formalized induction process	• Need to set comprehension induction process
8. Performance Management		• Clarity on job objectives • Clarity on workload division • Feedback process • Regular performance appraisal • Clearly defined % of fix & variable pay	• Comprehensive & clearly defined performance management & reward system

HR Process	What Worked	What Doesn't Work	Implications
9. Company Policy & Regulation		• Clear company policy & regulation	• Negative impact on employees productivity
10. Training & Development	• Technical skills development • Personal Motivation training	• Salesmanship / commercial development • Coaching process	• Need to have performance assessment to identify gaps • Need to have individual training schedule based on skills gap
11. Compensation & Reward	•	• Structured C&B policy • Openness in setting the policy • Openness in implementation • Systematic external benchmark	• Unclear competitiveness position within industry • Unclear pay for performance lead to lower productivity
12. Career Management	•	• Clarity on career path • Promotion within organization	• Low motivated employees

III. PERFORMANCE AND REWARD SYSTEM

III.1 Retaining Skilled Technical Professionals

As the need for skilled Information Technology (IT) professionals continues to outstrip the supply, organizations often see valued IT staff members go to other organizations. Given the high cost for recruitment and training, companies are trying to determine ways to effectively retain their employees without becoming involved in salary wars. A review of the literature reveals that while the traditional methods of motivation and development first identified by **Maslow** and **Herzberg** still apply, they are not sufficient to stem the flow of employees from company to company. Salaries have become a major motivator for some employees for job selection. However, once employed, offers of increased pay are usually not enough to make an employee move to another company, if the work environment is supportive and challenging. Topics that have been identified as important concerns are: access to training and education, flexible employment hours and locations, challenging work experience, positive work environment, and having an identifiable career path. This paper discusses how an organization can take a practical approach to these issues to develop a program that maximizes its effect to retain valued IT professionals.

The literature of motivation and management is full of theories about how employees should be retained in companies. Some of the first theories were developed more than 50 years ago by Maslow, Herzberg, and Drucker. Since that time there has been a steady development of theories on what the key factors in employee satisfaction are. Maslow's belief that the superior manager is the key to employee retention is as relevant today as it was 30 years ago and has been quoted in *Across the Board* magazine (Maslow, 2000). Studies (Utley et al, 1997, Knight and Westbrook, 1999) show that ***Herzberg's (1966) findings were still valid for workers 35 years after his original work. The studies also showed that dissatisfiers, such as salary and administration, were not as important as the satisfiers, such as recognition and the work, were in keeping the workers with a particular company.***

Current Issues

In the IT field with its reported high lack of workers, retention has become a critical issue for many companies. Some of the current literature on retention has made these findings: Herman (1999) discusses five principle reasons why employees leave companies: incompatible corporate culture, unsatisfactory relationships with co-workers, insufficient support, inadequate opportunities for growth, and dissatisfaction with compensation offered. Stum (1998) reported on a 3 year study on employee loyalty in America. The findings were quite similar to those reported by Herman and **Herzberg. Seventeen factors were identified to have some impact, but the five main drivers identified in the study are: a supportive culture that allows employee to experiment and grow, job satisfaction, opportunities for growth, organizational direction and goals, and recognition of work/life balance needs.**

Roberts (1999) discusses the importance of learning about employees the same way that companies learn about their customers. He discusses using data warehouses and data marts to learn what employees do and what then responding to their needs and improving retention. Tehrani (1998) and Duboff and Heaton (1999) discuss the importance of taking the information obtained and creating employee service centers and employee care centers as a means to provide service to employees in the same way that companies provide customer service and care centers to customers as ways of achieving higher employee loyalty.

Austin (1998) stresses that the effort for employee retention must come from the top. The effort to develop good retention must be a primary goal of managers at all levels in the organization, and it must be a consistent goal that is developed and reinforced over time. As such it can only occur if supported at the highest levels in the organization.

This does not mean that compensation and pay issues can be ignored. Thomas Hoffman (1998) reports on a Society for Information Management (SIM) survey. Although sense of community and other factors are important, financial compensation is still the one greatest influence on employee retention.

This means that retention is a complex issue and there are many possible ways to deal with it. Have companies done anything to improve retention? There has been

a proliferation of articles on the subject of retaining staff in both the professional and popular media including *Computerworld, CIO,* and the *Washington Post.* An article by Ann Harrison (1998) is typical, covering specifics that have worked for various organizations in retaining technical staff. These suggestions are good for reviewing against your own company's employment atmosphere.

A Practical Approach

Given the theoretical background described above, what is a practical way of dealing with these issues in the IT environment? Mr. Iserson has more than 15 years experience in a variety of IT firms and describes what has worked on a practical level to stem attrition in technical staffing. The approach starts with caring about staff members as people, and treating each person as an individual with different priorities, needs, desires, and drives. He looks at main issues identified above and presents a practical method of implementation. Salaries are important only to the extent that they are within normal ranges. No matter how much an employee is paid, they can always leave for an increase from another company. The important factor is to ensure that the salary you are paying is a fair one. Salary, including benefits, is only one component of the entire picture to an employee.

Work Conditions

Each staff member considers different conditions important. The organization's posture towards work hours and environment, educational opportunities, communication concerning projects and their employment, forms of supervision, and professional collaboration opportunities are key issues.

Flexibility in work hours is often a key point. Possible variables include telecommuting, compressed work schedule (allowing 4 - ten hour days), work sharing (allowing part-time work for an individual), and flexible work hours. By structuring the work around the member's personal obligations, life becomes less harried for the individual. This leads to a staff member that is under less stress from outside issues, more likely to be happy with their present position and more able to concentrate on business issues.

Many staff members are concerned about their future ability to stay employed and to find new employment. With technology changing at an ever-increasing rate, staff members are concerned that they will fall into the trap of being very capable at current technologies without the knowledge of the newer, state-of-the-art, market required technologies. In order to give employees the ability to keep up with current and future trends, continuous education is needed. The education can be in offered through a combination of tuition reimbursement, in-house courses, computer-based-training, seminars, convention attendance, and on-the-job training. Periodically a review should be made of the staff member's professional objectives. Through these periodic reviews, appropriate training and associated work assignments may be made to move the individual towards his/her objectives.

Recognition of professional work is another issue for some employees. Public kudos, recognition awards, and verbal and written thanks should all be utilized in order to convey when superior professional effort has been expended. These types of public recognition should be used sparingly for people who put forth more effort than can be reasonably expected. If the awards are given out freely or for political reasons rather than for individual effort on a project, they loose their meaning.

A positive work environment is important as well. The work environment consists of the physical nature of the offices as well as the formal and informal organization communications and mores. Allowing staff to select and modify their space for their needs can pay major dividends. Placing individuals in single or shared offices or open space without their input often leads to frustration. One extension of the physical makeup of the office environment is the ability for the staff member to dress in a casual manner. For many technical staff members there is no reason to require formal dress. Business casual dress for times when the person is not in direct contact with clients should be allowed, and many of your competitive firms are allowing this type of dress.

A positive work environment extends to emotional issues of the staff. The atmosphere should be friendly with open communications of all levels of staff encouraged. The staff should be kept up to date on the organizational mission and receive communications pertaining to changes in the business and technical

environment. Staff members should be encouraged to make suggestions to any level of management. Accepting and encouraging suggestions keeps lines of communications open.

Supervision should be kept to a minimum. Where appropriate, the supervisor should give broad directions and allow staff members to use their own judgment to make specific decisions. Prudent risk-taking should be encouraged. Establishing trust with technical staff members has current and future benefits as it helps to train the staff member for future, more senior-level duties.

Career Issues

This covers topics such as burnout, the ability to work on interesting projects, future career path issues, and current employment security. The type of person that makes a good technical staff member is the same type of person that will do whatever it takes to get the job done. When an employee is open to accepting more and more responsibility because they are the "only one that can get it done correctly and on time," he/she is also a prime candidate for working excessive hours. This effort long term though can result in burnout. Management must actively work with key staff members to keep them for the long-term rather than to burn them out quickly on several projects.

Technical staff members are generally looking to be challenged. They would like to work on interesting, state-of-the-art technology. Working on the most up-to-date technologies is more than just a resume issue. It is a status symbol in the technology community. New technology projects should be equitably assigned so that all staff members can participate fully. The assignments should also keep in mind each individual's chosen career path. In that way the person will not only be working on a new and exciting project, but one that will have a long-term effect on their career. As the project starts, and throughout the lifecycle of the project, management should communicate its importance to the staff. This is both a motivating factor and an aid to their long-term stability.

The last issue is employment security. With the number of positions available in the market, feeling that their job or company is unstable can result in returning a call from an employment agent or picking up the Sunday newspaper classified section.

Layoffs, although necessary from time to time, will start many technology staff members considering whether they will be next. Open communication can reduce the destabilizing effect on the morale of the technical employee.

The issue of IT employee retention is a complex issue and there is no "silver bullet" or "best way" to solve the problem. The best way to increase retention is to use all of the tools available, and not just one or two. Even by following the best practices that you have found in research or which have worked in the past, some staff members will still leave because of the dissatisfiers noted previously. Others will leave due to a change in their family situation. Someone may have taken sick, a spouse may have gotten employment in another city, or the staff member may have decided to go back to school full-time. These situations cannot be avoided.

Turnover is not always bad. Some people stay in jobs for extended periods of time and end up producing the same product in the same way for years on end. Turnover can create new ideas, new motivation, and new excitement. The objective is not zero turnover. The objective is to keep turnover to a predictable, low level that is manageable for the company.

III.2   Compensation, Rewards and Their Impact on Behaviors

In order to recruit, motivate and retain an effective work force, organizations must have an appropriate reward strategy. This is essential in case of knowledge companies like IT companies. Gone are the days, when employees used to consider their present job as permanent. People would like to change jobs at the slightest pretext. It has been found in a survey that the majority of employees would like to change their job. This topic has gained relevance because of the increasing need for management to retain their more valued employees with the company. Labor turnover has been on the rise in every industry. Many times the cause of the change of job is higher pay. The management therefore has to design a proper payment structure.

Since the 1980s, the topic of financial rewards for employees has become a very

important, at times controversial, topic on the agenda of most human resource management professionals. New payment structures and the increasing use of Performance Related Remuneration (PRR) have resulted in reward management becoming a very complicated and specialized area within the human resource management profession. The aim of this paper is to discuss the main issues surrounding the process of rewarding employees in return for their contribution to the organization.

The paper has been structured to elaborate some issues relating to reward management. The first part deals with what motivates the employees and whether they can be motivated by remuneration. The second part deals with the practicalities of developing a payment system.

III.2.1 Employee and Organizational performance

More money = Higher employee performance levels? Is this the answer to the employee motivation within the modern business world?

This is the general perception in the modern business world. Within modern organizations, whilst labor is one of the important assets, it is often one of the major operating costs. Therefore, it is essential that in return for expenditure on salaries, wages and other remunerative benefits, the employers are assured a high level of income. In other words, to run an effective and efficient organization, the employers must get value for money from their employees.

Organizational performance
Prior to the industrial revolution of the eighteenth century, the organization of work, and therefore of labor, tended to be on a small scale. Such organization was primarily based on the cottage industries with networks of widely dispersed workers. The advent of the industrial revolution initiated the movement of workers from rural settings to large industrial organizations in urban towns and cities. The managers of these new, large organizations were required to develop new managerial skills to be able to organize and coordinate the management of resources on a large scale. One such skill, which these managers had to acquire,

was the ability to manage human resources on a large scale. Further development of large industrial organizations continued uninterrupted for more than one hundred years, until the second half of the nineteenth century. By this time organizations were faced with new business pressures from the industrial world:

- Increasing competition
- Trade restrictions
- New technologies
- The rapid growth of organized labor

As a result of such pressures, organizations were required to evaluate their overall performances and effectiveness; such evaluations become a prerequisite for organizational success. As part of these evaluations, organizations had to consider how the following factors influenced their overall performance:

- The organizational structure
- The quality of product/service
- The demands of the customer/consumer
- Forward planning
- Technology
- Human resources (planning)

If employee performance can be improved as a result of remunerative incentives, this in turn will improve the performance of the organization. In order to recruit, motivate and retain an effective workforce, organizations must have an appropriate reward strategy.

Remuneration is normally a reward package involving such aspects as: Salary, Bonus, Commission, Profit sharing, Pension scheme, Sick pay, Holidays, Cars, Housing assistance, Medical benefits, Low interest loans, Subsidized catering.

The primary aim of performance-based remuneration is to improve the organization performance by improving the performance of the people. Such performance is based on the fulfillment of series of objectives identified in a research paper by Angela M Bowey, (1982) 'Effects of incentive payment

system, United Kingdom 1977-1980'. Performance related remuneration is therefore concerned with improving organizational performance by improving employee performance through a remuneration system, which will help to guarantee the recruitment, retention and effective deployment of a highly motivated work force.

Objectives	% of respondents
To increase earnings	69
To increase output	75
To improve quality	29
To improve labor flexibility	31
To reduce labor turnover	25
To reduce overtime	27
To improve recruitment	26
To motivate	48
To increase profits	43

The use of performance based incentives is based on the presumption that the motivation of the employees will be increased, the performance improved, by the attraction and receipt of financial incentives. Whilst financial incentives are an important motivator, it is dangerous to consider it as the only motivator. Motivation is a complex process with different people having different needs and goals. There are various employment and organizational factors that can act as employee motivators.

III.2.2 What motivates the employees?

Motivation is essentially an area of psychology, which attempts to explain why people, or animals, behave in a certain manner. Although humans can be motivated to act in a similar fashion but their level of commitment will differ substantially.

Throughout the 20th century a lot has been written about motivation. The theories have emerged to be conflicting if not contradictory. Let us evaluate some

of the theories of motivation. Employee motivation is very relevant in a workplace if the goals and objectives have to be achieved. The management must ensure that the employees are well motivated.

In order to understand the motivation theories, it is better to classify them as *physiological theories*, *cognitive theories*, and *social/ behavior theories*.

The *physiological theories* believe that humans have a predetermined set of needs and these needs determine their behavior. Such theories suggest that humans are motivated to act in certain ways due to their needs. These needs are with us when we were born and remain with us throughout our life.

In contradiction to the physiological theories the *cognitive theories* are based on the fact that the human beings are motivated by factors both inside and outside the individual. *Social/ behavior theories* form the third school of thought, which draws together two approaches to motivation social and behaviorist. The base of this theory is that human beings are motivated by the external factor that is the environment.

Physiological Theories

Among various behavioral theories long generally believed and embraced by American business are those of Frederick Herzberg and Abraham Maslow. Herzberg, a psychologist, proposed a theory about job factors that motivate employees. Maslow, a behavioral scientist and contemporary of Herzberg's, developed a theory about the rank and satisfaction of various human needs and how people pursue these needs. These theories are widely cited in the business literature.

Herzberg's Theory of Motivators and Hygiene Factors

Herzberg (1959) constructed a two-dimensional paradigm of factors affecting people's attitudes about work. He concluded that such factors as company policy, supervision, interpersonal relations, working conditions, and salary are hygiene factors rather than motivators. According to the theory, the absence of hygiene

factors can create job dissatisfaction, but their presence does not motivate or create satisfaction.

In contrast, he determined from the data that the motivators were elements that enriched a person's job; he found five factors in particular that were strong determiners of job satisfaction: achievement, recognition, the work itself, responsibility, and advancement. These motivators (satisfiers) were associated with long-term positive effects in job performance while the hygiene factors (dissatisfiers) consistently produced only short-term changes in job attitudes and performance, which quickly fell back to its previous level.

In summary, satisfiers describe a person's relationship with what she or he does, many related to the tasks being performed. Dissatisfiers, on the other hand, have to do with a person' relationship to the context or environment in which she or he performs the job. The satisfiers relate to what a person does while the dissatisfiers relate to the situation in which the person does what he or she does.
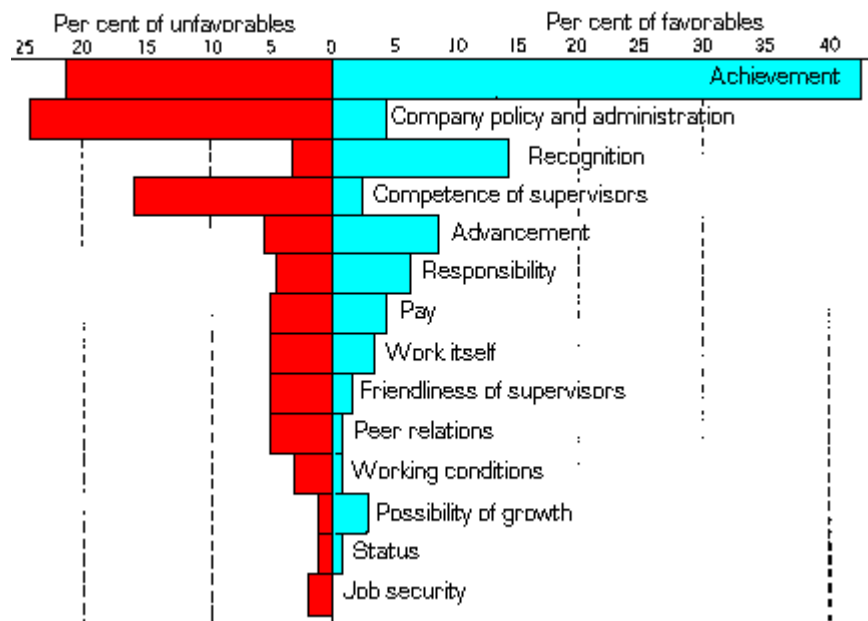
Maslow's Hierarchy of Needs

In 1954, Maslow first published "Motivation and Personality," which introduced his theory about how people satisfy various personal needs in the context of their work. He postulated, based on his observations as a humanistic psychologist, that there is a general pattern of needs recognition and satisfaction that people follow in generally the same sequence. He also theorized that a person could not recognize or pursue the next higher need in the hierarchy until her or his currently recognized need was substantially or completely satisfied, a concept called prepotency. According to various literatures on motivation, individuals often have problems articulating what they want from a job. Therefore, employers have ignored what individuals say that they want, instead telling employees what they want, based on what managers believe most people want under the circumstances. Frequently, these decisions have been based on Maslow's needs hierarchy, including the factor of prepotency. As a person advances through an organization, his employer supplies or provides opportunities to satisfy needs higher on Maslow's pyramid.

Physiological theories and remuneration

Since the physiological theories of motivation are based on the presence of a set of innate needs within each individual, remuneration could only serve to improve or increase employee motivation only if the additional aspects of remuneration would assist in the satisfaction of the innate needs. With reference to Maslow's hierarchy of needs, for example, remuneration would help to satisfy the needs at each level of hierarchy. At the lowest level, remuneration in the form of cash could help to satisfy the hunger needs. At the second level, remuneration would again in the form of cash could help to satisfy safety needs by purchasing equipment such as burglar alarm.

In Herzberg's two-factor theory, remuneration is not considered as a motivating factor, but it is considered as a factor essential to remove dissatisfaction.

The difficult aspect in motivating employees through remuneration systems is establishing a method by which remuneration can actually result in satisfying the innate needs of the individual.

Cognitive Theories

Equity theory assumes that one important cognitive process involves people looking around and observing what effort other people are putting into their work and what rewards follow them. This social comparison process is driven by our concern for fairness and equity. Research by Adams (1965) and others confirms equity theory as one of the most useful frameworks for understanding work motivation.

Valence, instrumentality and expectancy (VIE) theory had resulted from Vroom's (1964) work into motivation. His argument was that crucial to motivation at work was the perception of a link between effort and reward. Perceiving this link could be thought of as a process in which individuals calculated first whether there was a connection between effort and reward and then the probability (valences) would follow from high performance (instrumentality.) The motivational force of a job can therefore be calculated if the expectancy, instrumentality and valence values are known. The individual's abilities, traits, role perceptions and opportunities attenuate the motivational force.

The main contribution of both types of process theory has been to highlight the effects of cognitive and perceptual processes on objective work conditions. It suggests that managers need to pay attention to four main aspects of their subordinate's perceptions:
- Focus on the crucial expectancy values (the link between effort and their performance).
- Managers should determine what outcome employee values.
- They need to link the reward that subordinates value to their performance.
- Managers need to ensure that wage rates are not perceived as inequitable.

Cognitive theories and remuneration

Since the central feature of the cognitive theories is a rational and conscious process which evaluates the outcome of actions, remuneration will only be useful if the provision of remuneration is valued highly. If the employee values

remuneration in the form of cash, car etc. then he will be highly motivated when he receives remuneration. If an employee does not value the remuneration then he will not be motivated when he receives it.

Individuals are motivated partly by innate needs, partly by cognitive processes and partly by social/ behavioristic influences. The degree to which the above factors influence him depends upon two factors:
1. The mental and physical development of the individual
2. The external environment

III.2.3 Remuneration and Motivation

There is no doubt that motivation is the crux for good performance, but there is no clear cut answer to the question of how to motivate. The previous pages gave a glimpse of the answer through various theories and practices. Money is a factor in motivating people and this section concentrates on this. Money is important!

This is, perhaps, saying the obvious. But it still needs to be said, for a perusal of the previous section may give the impression to the contrary, at least judging from Maslow's concept. Refreshing as it is, if the theory was completely valid then, at least in affluent countries, economic incentives should have lost all their force. This, we know is not correct.

According to Peter Drucker (1974) *'there is not one shred of evidence for the alleged turning away from material rewards... Anti materialism is a myth, no matter how much it is extolled.' In fact, they are taken so much for granted that their denial may act as a de-motivator.'* Economic incentives are becoming rights rather than rewards.

There is no doubt that we live in a money-motivated world. Any amount of human relations cannot compensate for a lack of monetary reward. If the reward is right, good human relations will give that extra zest to a team, motivating them to try even harder. ***Insufficient monetary reward cannot be compensated by good human relations.***

Even dedicated footballers do not think of playing for England, they merely pay 'lip service' to it. Cricketers and rugby players no longer play for their own country but opt for the 'highest bidder'. Professional tennis players have refused to play at Wimbledon, the 'Mecca' of lawn tennis, because the rewards were not attractive.

It is no different in the industrial world. Strikes for better salary and rewards do still occur. All this despite the claim of psychologists that security is the prime need of a person, as indicated in the previous section. Has the sense of values changed with time? But we are not concerned here with the philosophical angle, but with hard facts of life in a commercial world.

Self-motivation can go only so far and it needs to be constantly reinforced by rewards. In particular, merit must be measured and rewarded regularly, if it is to be encouraged and sustained. The 'gold banana' in Foxboro has its origin in just an ordinary banana which one of the pioneers could muster on the spur of the moment when he discovered extraordinary performance by one of the employees.

Central to any remuneration system is the assumption that the provision or withdrawal of certain types of remuneration can be used to reinforce the behavior of employees concurrent with the objectives of the organization. In addition to the provision of remuneration in the form of a basic wage or salary and associated remunerative benefits, it is becoming increasingly common for organizations to provide an additional aspect of remuneration related to the performance of an individual, work group or organization – **Performance Related Remuneration (PRR)**.

In the modern commercial world, with high levels of competition and technological advances, it is clear that if organizations are to survive, they must ensure a high level of organizational performance. Whilst organizational performance can mean many things, it is must commonly interpreted as meaning financial performance which can be measured in terms of profitability, turnover, return on capital and capital growth.

Organizational performance can be measured in terms of

- Financial performance
- Customer service
- Quality of product and service
- Efficiency/productivity

Systems of PRR attempt to improve organizational performance by:

- *Rewarding those employees whose performance is assessed to be of a high standard.* Such an approach communicates to the individual (or group) that their contribution to the organization is highly valued. The overall message is simple – improved performance results in improved remuneration. Essentially, workers should feel that their remuneration in relation to their effort, performance and contribution is fair when compared with the remuneration and work performance of their colleagues.

- *Motivating all employees to perform well.* Whilst the principle of rewarding high performers may well reinforce their behavior, it is important to motivate those employees who are not performing so well. Good PRR systems must not therefore concentrate only on employees who are only performing well, but must also consider the motivation of other employees – all employees must be encouraged to improve their performance.

- *Supporting a performance oriented approach to work.* PRR systems are based on the output from work rather than the effort put in by individuals, as for example; in a reward system based on the amount of time employees spend at work. Employees are encouraged to concentrate on the standard of the end product rather than the input or effort.

- *Encouraging the use of work systems appropriate to the organization.* By establishing a correlation between remuneration and the performance of individuals or groups, different work systems can be emphasized. For example, work systems based on individual performance (personal initiative and contribution) or work systems based on collective performance

(teamwork and co-operation).

- *Promoting forward planning and objective setting*. The central feature of many systems of PRR is the assessment of performance based on the achievement of previously established plans and objectives. This management technique therefore encourages individuals and groups to plan their work activity and achieve predetermined objectives.

III.2.4 Performance management

Performance management can be described as a human resource management strategy aimed at achieving business objectives through improved individual and organizational performance. It is the systematic approach to the management using performance, goals, measurement, feedback and recognition as a means of motivating them to realize their maximum potential. It embraces all formal or informal methods adopted by an organization and its managers to increase commitment and individual and corporate effectiveness.

Developed through the 1980's, performance management has become yet another trendy management practice, joining other management initiatives such as performance related remuneration (PRR), management by objectives (MBO), quality circles, total quality management, empowerment and so on. The apparent increase in popularity of performance management technique can be attributed to two main causes:

- Since the early 1980s, organizations have experienced a continually increasing level of market competition. As a result, it has become imperative that if organizations are to survive and prosper they must ensure high levels of individual, group and corporate performance. Managers have, thus, introduced management policies, which are likely to have a significant impact on all aspects of performance within the organization.

- The changing management culture from a position of controlling workers towards a process of securing employee commitment. The cooperation of the employees towards the corporate objectives is more likely to be secured if the

employees are made to feel part of the organization and therefore committed to its success.

Importance of the performance management system:

- Improve individual and organizational performance in line with business goals
- Identification of training and development needs
- Increasing employee involvement and participation within the organization
- Establishing a foundation for the correlation between the performance of the individual and their remuneration
- Encouraging open communication between managers and employees
- To act as a base for the assessment of potential career development and succession planning.

Performance Management System:

In order to be effective, performance management systems must be part of the philosophy, culture and values of the organization and should focus the attention of both employer and employee on improved individual and organizational performance. The focus should be on the holistic, systematic, cyclical and continual process involving identification of corporate and individual goals and the subsequent review and evaluation of how far these targets have been achieved. The Institute of Personnel Management (IPM) has identified five key features of an ideal performance management system, which can be incorporated into a performance management cycle.

1. *Corporate objectives established and communicated to all employees* - Before it is possible to identify performance targets for the employees, it is necessary for the management to be clear about the direction and vision of the organization and ensure that it is effectively communicated to all employees.

2. *Identification of group and individual performance targets* – Once the corporate objectives have been established, it is necessary for these objectives to be translated into group and individual performance targets. In order to successfully achieve the corporate objectives, each individual

employee, in addition to being aware of the mission of the organization, must know what the requirements or targets are for their own individual and group performance.

3. *Formal review of performance and progress towards targets* – In this stage the performance of each employee is assessed to determine whether or not they are progressing towards their performance targets. This element of the cycle is essentially a performance appraisal. If it is established that the employee is working satisfactorily and does not require any managerial guidance or intervention, the most appropriate course of action would be to praise the employee, give him recognition for high performance standards and some form of reward.

4. *Implications for management policies* – If the performance of the employees is not in line with the corporate objectives of the organization, it would be necessary for the managers to review their management policies.

5. *Evaluation of the effectiveness of the performance management system in relation to corporate objectives* – Once the performance management cycle has reached this stage, it will be necessary for the management to evaluate how effective the system has been in contributing to or achieving the corporate objectives. The intention is to highlight any problems in relation to the performance management system with the objective of amending it as necessary to ensure its success in the future.

Implications for management policies:

Once the work performance of the employees has been assessed, there are likely to be implications for a number of management policies. Overall, the management of performance should be considered as a holistic concept, and organizations are likely to have a range of management policies in operation at any one time aimed at improving individual and organizational performance. Such policies include:
- scientific management
- reducing worker fatigue

- human relations management
- management systems
- work design
- performance related remuneration

III.2.5 Establishing Remuneration Systems:

A key factor affecting recruitment, retention and motivation of an effective workforce is a carefully researched and appropriately designed remuneration system. The remuneration system should take account of market pressures and be designed in line with organizational and business objectives. Such considerations should ensure that the organization is in a position to recruit the best to do the best. A poorly designed remuneration system is likely to manifest itself in the recruitment of poor quality staff, undesirable levels of employee performance and motivation and high levels of staff turnover. All remuneration systems should encompass the following aims:

- to enable the organization to recruit and retain employees of the desired standard to facilitate the achievement of objectives;
- to ensure fairness and equity regarding payment for service to the organization;
- to reward performance, responsibility, skills, achievement and loyalty;
- to establish clear link between effort and reward;
- to motivate employees to work towards the achievement of objectives.

Factors influencing payment levels:

Establishing the correct payment levels for employees is important for several reasons. For example, in order to recruit and retain a workforce of the correct caliber, it is essential that the organization establishes and maintains payment levels, which are at least comparable to that of competing employees. It is therefore imperative that any remuneration system takes account of current market forces and potential trends in payment levels. In addition, since the payment of salaries and wages is a considerable cost to any organization, it is important for employers to get a satisfactory return on such expenditure in terms of employee performance, commitment and loyalty.

While attempting to establish payment levels for employees, employers must take account of the following factors:

- The external labor market – The main purpose of examining the external labor market is to establish what competing employers are paying to recruit and retain employees with similar skills, abilities, qualifications and experience. Once an employer is aware of the payment trends in their geographical location, industry, business area or in a particular occupation, they will be in a position to establish or modify payment levels and remuneration packages to assist with attracting and retaining a workforce of the correct caliber.

- Internal differentials – Within the organization, the workforce tends to be arranged into a number of categories or grades of employee. Once established, these grades are normally ranked and reflected in a hierarchy of pay levels using a series of payment structures. Employees quickly become aware not only of their own grade and corresponding salary level, but also of the relative position within the organization.

- Individual skills and performance – Although an organization may have a carefully planned remuneration system with established payment levels based on market comparisons, there are occasions when the organization may have to deviate from the established guidelines. One such occasion is when the organization is willing to pay above market rates in order to ensure the speedy appointment of an appropriately skilled individual or when it incorporates a performance based element of pay. In such circumstances, should the performance of the employee go beyond a pre-determined standard, they become eligible for a remunerative reward like bonus, salary increase or non-cash benefit.

- Collective bargaining – An important influence on remuneration policy, including payment levels, are the demands made upon employers by employee representatives such as trade unions. Collective bargaining is a process of joint negotiation between the employer and trade unions regarding all aspects of employment relationship like the issue of pay and the terms and conditions of employment.

- Company performance – In the highly competitive business of today, both

public and private sector organizations are becoming increasingly aware of the need to justify any expenditure. In order to provide for payment increases, the organization must have adequate resources to cover the additional expenditure. If the organization does not have sufficient funds to pay for increased remuneration levels, then to agree to such changes is likely to result in the demise of the business.

- Government intervention – Occasionally, payment levels within organizations can be affected by government intervention, either in an attempt to control salary inflation or to guarantee minimum wages.

Sources of data

Whilst there are many sources of information available on remuneration trends, the organization must establish what type of data it requires and which source is most appropriate to its needs. The following are examples of sources of data, each of which may be appropriate for gathering different types of data:

- *General salary surveys* – There are many organizations which conduct research into salary trends and publish their findings in various formats. Such organizations generally produce information on trends relating to base salaries, total remuneration, remunerative benefits and annual salary benefits and group the factors as job titles, company size, type of employment, industrial sector and geographical location.

- *Consultants' surveys* – Organizations employ consultants to conduct surveys to meet their specific requirements and provide information on a specifically targeted selection of jobs and issues. They help in providing specialist expertise and knowledge and act as a catalyst for ideas and developments.

- *Recruitment agencies* – Since recruitment agencies are employed by organizations to advertise and perhaps shortlist and select appropriately candidates for particular positions, they have a large source of information regarding the pay and terms and conditions of employment relating to large number of jobs.

- *Professional institutions* – Should an organization require information on the payment trends of a particular profession or occupation, they may be able to obtain such data from the representative professional institution. Whilst some professional bodies may only release information on payment trends to its membership, others make such information generally available, perhaps with a corresponding charge.

- *Recruitment advertisements* – Information on remuneration trends, similar to the obtained through recruitment agencies, can be obtained by analyzing information on pay and terms and conditions of employment found in recruitment advertisements. Organizations can concentrate on particular jobs and competing employers, and it may be a cheap source of data.

- *Periodicals/ Journals* – With the personnel management profession, there are a number of journals, which constitute a valuable source of information regarding trends in human resource management. Such journals often provide useful up-to-date information on payment trends.

- *Government surveys* – The Government produces surveys, which are valuable sources of information on payment trends. The data can be analyzed according to a number of factors such as industry, occupation, age, sex, and geographical region.

- *Informal sources* – Within the personnel profession, it is common for group of personnel managers to meet either formally or informally to discuss issues of common interest. In addition to such meetings, valuable information is often made available via personnel grapevine.

III.2.6 Job Evaluation

Job evaluation is a management technique often used to enable organizations to rationalize and validate their remuneration system by removing anomalies and creating an easily understandable pay structure. Whilst possibly the best method of determining payment levels for particular jobs would be to establish the worth or contribution that job makes to the organization, the level of worth of each job is

usually impossible to identify. As a result, the basis for many payment structures involves the comparison of what each job involves and establishing the internal relativities of the jobs within organizations – the key function of job evaluation.

Whilst the main objective behind the use of job evaluation is to provide a structure for a remuneration system, this comprises the following aims:

1. to ensure that the pay for each job reflects fair market rates
2. to eradicate any horizontal or vertical internal pay differentials
3. to enable a comparison of the pay rates for different jobs, functions and departments within the organization
4. to identify the tasks, skills and responsibilities associated with each job
5. to provide a method of establishing pay rates for new jobs and skills and redesigned jobs within the organization
6. to identify strengths and weaknesses of the organizational structure
7. to provide a base for salary negotiations and performance related aspects of remuneration

Implementation process:

1. Formation of Job Evaluation Committee

The overall purpose of the Job Evaluation Committee should be to manage the introduction, administration and subsequent reviews and evaluation of the job evaluation system. Membership of the Job Evaluation Committee is likely to be led by a senior executive of the organization (perhaps the Director of Human Resource Management), and include two or three senior managers and a similar number of staff representatives. Essentially, the committee will be concerned with project management, which is likely to involve a number of responsibilities including:

a. Establishing the organizational strategy regarding job evaluation – the purpose of job evaluation in relation to the needs of the organization
b. Selecting the approach to be used – whether the system of job evaluation should be devised "in- house" or alternatively with the assistance of a consultant
c. Establishing a program for the introduction and implementation of job evaluation

d. Selecting the most appropriate system of job evaluation – whether it should be a new system developed for the organization, a customized version of an existing system

e. Identifying jobs to be evaluated as 'benchmarks' – the jobs against which all the other jobs will be compared

f. Selecting personnel to be involved in the job evaluation process – the Job Evaluation Team encouraging employee involvement in the job evaluation program.

2. Job analysis

Before it is possible to carry out a job evaluation of the benchmark jobs, it is essential that comprehensive information about each job is available for those involved in the decision making. Such information is readily gathered through job analysis, which can be defined as a process of collecting information about the tasks, responsibilities and context of jobs. This information includes details of the job title, the organizational context, tasks/duties of the position, working conditions and performance requirements.

3. Job evaluation

Using the system of job evaluation selected by the Job Evaluation Committee, the Job Evaluation Team can proceed with the evaluation of the benchmark jobs. The benchmark jobs should be selected to provide the Job Evaluation Team with an indication of any potentially contentious issues, and in addition should highlight any problem areas with the system of job evaluation being used. Once the Job Evaluation Team is satisfied with both the evaluation of the benchmark jobs and with the operation of the job evaluation system, making any necessary modifications, it can proceed with evaluating the remaining jobs within the organization.

4. Review/ Design job structure

Using the results of the job evaluation exercise, the next step for the Job Evaluation team is to either review or amend the existing job structure or alternatively to introduce a new job structure. The purpose of this exercise is

to create a hierarchy of jobs, which can be used to establish the internal relativities of each job within the organization.

5. **Review/ Design remuneration system**

Once the job structure has been established, the organization is in a position to consider which system of remuneration is most appropriate to the needs and characteristics of the organization.

6. **Communicate results**

Once the process of job evaluation has been completed, and the job structure and remuneration system has been established, it is essential that detailed feedback be given to the employees. The employees must be made aware of what changes, if any are to be introduced into the organization and how they are likely to affect them as individuals or groups of employees. Such feedback is necessary in order to appease the concerns or fears which employees may have regarding their position within the organization.

7. **Establish appeals procedure**

Following the communication of results to employees, there are likely to be some employees, which are not completely satisfied with the effect of the job evaluation exercise or their position within the organization. It is important that the Job Evaluation Committee formulates an appeals procedure, which allows individuals to intimate their objections.

8. **Implement**

After completion of the job evaluation and the subsequent development of job structures and payment systems, the organization should be in a position to implement the most appropriate course of action. Throughout the process of implementation, it is vital that communication is maintained between the Job Evaluation Committee, Job Evaluation Team and the employees.

9. **Review/ maintain/ amend**

If it is to be successful, job evaluation must be viewed as a system which should be reviewed, maintained and amended as necessary. It should not be

viewed as a one-off system, which can be installed and left to function without any consideration about its role within the overall strategy of the organization. Careful consideration is given to a systematic reviewing procedure, which takes significant account of the ongoing and developing strategy of the organization.

III.2.7 Systems of Performance Related Remuneration

In addition to selecting the correct salary structure and benefits packages for employees, organizations may decide that the introduction of a system of performance related remuneration (PRR) into the total remuneration package would assist with the achievement of organizational objectives.

The choice, implementation and administration of a system of PRR are all important factors which will influence how effective the use of PRR will be. The basic purpose of any system of performance related remuneration is to establish a correlation between the work performance of the individual employee, or group of employees, and their subsequent level of remuneration. By doing so, the intention is that the employee will be motivated to behave in such a manner that high levels performance will be given in return for an enhanced level of remuneration. The main types of performance related remuneration include:

- Payment by results (PRR)
- Bonus schemes
- Profit related pay
- Sales incentives
- Merit pay

Payment by results

Payment by results systems is based on the belief that a relationship can be established between effort and reward. It assumes that the attraction of a reward (money) will motivate individuals to behave in a certain manner (work productively). The underlying assumption therefore is that more effort will result in more money. Systems of payment by results are perhaps best suited for production oriented jobs where there is a quantifiable output.

Bonus schemes

Bonus schemes are systems of PRR, which give individuals or groups of employees a cash bonus in return for the achievement of predetermined performance targets. The principal aim of a bonus scheme is to provide an incentive for high levels of effort and performance, and since bonus payments can be clearly related to the quantitative and qualitative aspects of group or individual performance, they are often an effective remuneration approach to the motivation of employees.

Profit sharing

Profit sharing is a system of PRR where the employer gives to employees, in addition to their normal remuneration, a proportion of the pre-tax profits of the organization. The profits can be distributed in several ways, and the various methods of distribution are examined below. The proportion of profits set aside and the actual method of distribution are at the discretion of management but may be determined by an established and published formula. Within most profit sharing systems, employees only become eligible to participate once they have satisfied a qualifying length of service. Many reasons are given for the introduction of profit sharing, such as:

- To improve employee attitude towards the organization
- To provide a means of encouraging employees to become more involved with, and identify more closely with, company objectives
- To encourage positive relationships between management and employees
- To enable employees to share in the financial prosperity of the organization
- To act as a self-financing method of increasing levels of employee remuneration
- To provide a remuneration package which is comparable to that of competitors

Sales incentives

In contrast to the systems of PRR mentioned above, which can apply to most categories of staff, sales incentives are unique in the sense that they apply to only one category of staff- sales staff. The basis for all sales incentive schemes is a relationship between the level of sales value (performance) and the

remuneration, or part of the remuneration, of the employee- as sales level increase, so should the level of remuneration. The assumption is that sales staff will be motivated to achieve their sales target by the attraction of increased remuneration.

How common approaches to pay causes problems:

The conventional wisdom about pay:
Cutting labor is very important for cutting overall costs. A company can achieve competitive position by cutting costs, as it is determined by the relative pays as compared to the competitors.

Generally it is thought that a company can save costs by paying less. But it is a myth and not a reality. A company can be cost effective if its employees are efficient and more productive. A company can pay higher wages as compared to its competitors but if its employees are more productive then the company will have lower labor cost.

Many benefits of the performance based incentive system are given but there are a few disadvantages also. Like if employees are motivated for every small thing they do then they will be offended that the management views that they need to paid for everything they do. It may give a negative perspective to the managements view point. People do not work for money alone. As mentioned earlier different things motivate different people. Challenging work may motivate some of them. Only improving financial incentives may not solve the problem.

Since the payment of salaries and the provision of other remuneration benefits is a significant item of expenditure for most organizations, it is essential that such expenditure is carefully managed to guarantee the maximum level of return for the organization. Whilst the primary purpose for an employee is to reward them for the service to the organization, it is also important that such remuneration secures work performance of a high quality, which supports the overall business strategy of the organization.

The organization should provide the correct level of remuneration, which motivates the employee to provide work of a high standard, which contributes to business objectives.

Another key element affecting the effectiveness of the reward system is communication with employees. If the reward system is to be effective in motivating employees to perform high standard, managers must ensure that employees are kept informed, using the most appropriate and effective communication methods, of all aspects of the reward policy, which affects them.

Sales compensation plans cover employees who are fulfilling sales jobs. Such plans have four fundamental elements: the range of cash compensation opportunity, the mix of base and incentive pay, the extent pay-at-risk is leveraged, and the selection of pertinent incentive goals.

An employer, in general, awards compensation to an employee for the employee's services rendered to the employer. An employer's sales compensation program focuses on the employee's revenue production and other important job characteristics that are unique to the sales function.

The purpose of sales compensation is to:

1. Recognize the role fulfilled by company sales personnel to obtain and retain revenues from customers,

2. Align pay opportunities with the revenue objectives of the business by creating mutual success between the company and its sales employees,

3. Attract, retain, and motivate talented sales employees,

4. Provide members of the sales force with credible performance measures that compliment, and may even replace, the need for employee supervision, and

5. Manage a major portion of sales costs by linking selling success directly with compensation expenditures.

Sales compensation can be distinguished from other employee pay programs because salespeople have a direct and measurable impact on the company's revenue productivity. This impact creates the opportunity to directly link a salesperson's individual performance as it relates to developing a positive impact on the business by:

1. Supporting the company's marketing and selling plans,

2. Communicating performance expectations,

3. Influencing the efforts and behaviors of employees engaged in the selling process by rewarding based on performance outcomes, and

4. Contributing to the culture of the sales organization.

III.3 Employee Survey

MeyerMonitor as Questionnaire's Survey Framework

Many large corporations are facing the same challenge: how to unleash the collective power of talent and capabilities in the organization to execute the chosen strategy.

MeyerMonitor is a management consultant dedicated to unleashing this power and achieving a stronger alignment between strategy and execution. To achieve this, Meyer Monitor implements a three step dialogue process.
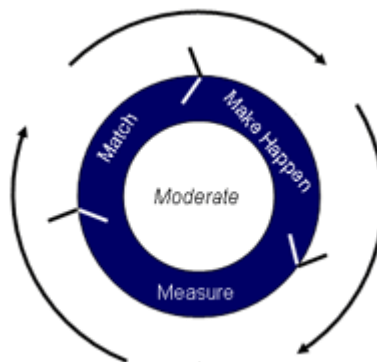
MeyerMonitor for Strategic Alignment

- The first step is to ask the key people of the organization to assess the organizational capabilities.

- Secondly, MeyerMonitor will match this assessment with the strategy of the organization to define priorities.

- Finally, MeyerMonitor moderates a dialogue between the CEO and the key people in the organization to continuously unleash the collective power of talents and capabilities.

Actionable Outcome:

- Gain insight in to strengths & weaknesses of your organization

- Understand key people's priorities and support for change

- Create common language and KPI's around organizational capabilities

- Embed a transparent and shared CEO agenda

- Align Strategy & Execution

- Increase involvement and commitment

- Engage and energize key people

COMPANY MONITOR™

The Company Monitor™ measures organizational capabilities by means of a survey process amongst the key people in an organization: senior and midlevel managers, and high potentials. The premise is that these key people know best what organizational capabilities are needed to implement the strategy.

On each element in the survey the respondents score 'desired' (the needed ambition level for their part of the business) and 'current' (the actual state of affairs). Based on the difference MeyerMonitor calculates the performance gap: the MM-Gap Index™.

These three metrics ('Desired'; 'Current' and 'MM-Gap™') show to what extent the organization is strategically aligned. They become Key Performance Indicators for organizational improvement.

Upon completion of their survey, participants receive immediate individual feedback on their responses.

The data can be benchmarked internally (e.g. amongst operating companies, management levels etc) and externally (with the industry, country, Best-in-Class, etc: 6 years of historical data and over 20.000 international profiles).

The survey is available in eight languages over the Internet. The data collection is done anonymously, and audited by PriceWaterhouseCoopers Global Trust.

Once a year the client executive board receives a management letter from Meyer Monitor that certifies which measurements have been done and what actions subsequently have been taken to improve the strategic alignment. The clients can incorporate this into their annual report section about organization development and improve transparency to stakeholders

MeyerMonitor Questionnaires is constructed to assess:

- **Motivators – Satisfier**
    1. Meritocracy
    2. Compensation based on contribution
    3. Maximum challenge
    4. Appraisal & Feedback
    5. Optimum support
    6. Freedom to act
    7. Employee Initiatives
    8. Ownership toward career
    9. Professional development
    10. Professional knowledge
    11. Value Added to employee

- **Hygiene – Disatisfier**
    1. Financial compensation package
    2. Transparent communication & Decision making.

3. Result oriented

4. Adaptability to change

5. Growth optimization

6. Direct & Action oriented

7. Attractive employers

8. Dynamic Industry Player

9. External orientation

10. Quality of supervision

11. Mobilizing people & resources

The above aspects were translated in questionnaire in Bahasa Indonesia, as the respondent consist of 18 out of 26 Sales personnel of ASABA. All of them are Indonesians. The questionnaire is available in the attachment.

Survey was conducted on August 12, 2005, with questionnaires being distributed during monthly sales gathering, and submitted back on August 22, 2005. Below is the result, as presented to ASABA management team on Sept 20, 2005
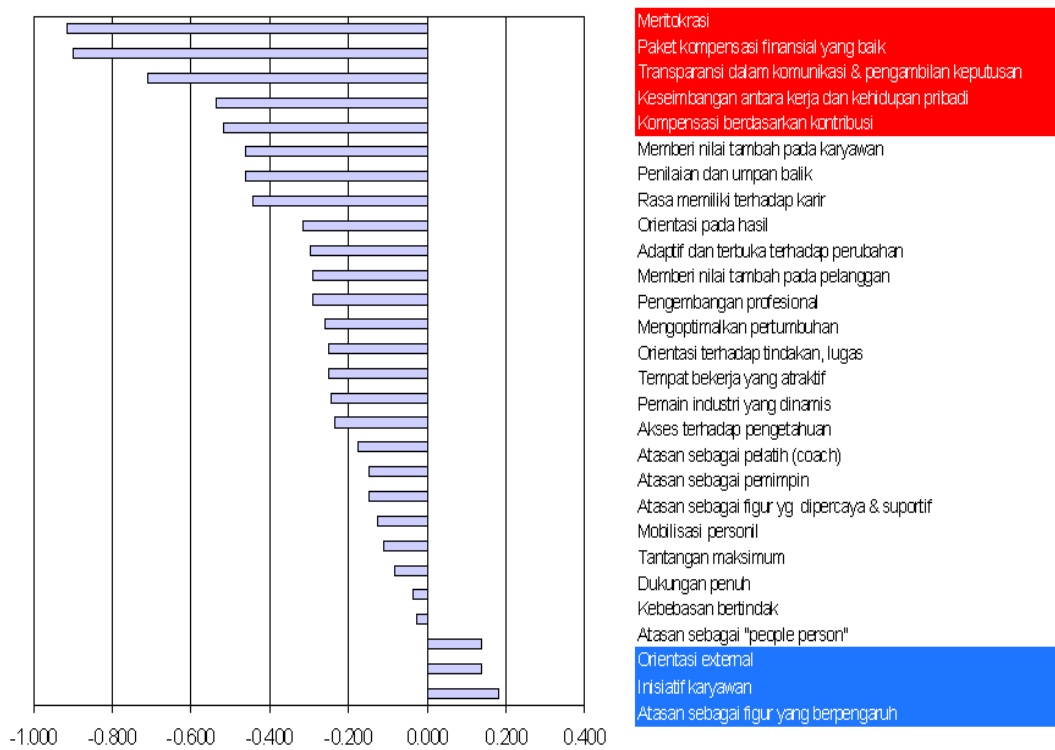
From the above findings, 5 (five) areas resulted in the highest negative gap against respondent expectations, and must be put forth as a first priority of any improvement effort:

1. Meritocracy
2. Good financial compensation package
3. Transparent communication & decision making
4. Work-life balance
5. Compensation based on contribution.

These results validate the previous analysis on what must be improved at ASABA COMPUTER CENTRE, based on Human Resources SWOT Assessment (page 13).

IV. RECOMMENDATION

Based on the above survey results and the underlying theory of Herzberg and Maslow, this Group Field Project prescribes a set of recommendations based on the following Human Resources Management framework. We categorize our recommendations into 3 stages: short term, mid term, & long term.

Short Term 2006	Mid Term 2008	Long Term 2010
• Project Based performance management ✹ • Formalized Annual Planning & Budgeting ✹ • Formalize Sales & CRM SOP ✹ • Formalized & Communicate Company Regulation • HR Selection & Training • Full year curriculum development	• Competency based grading system • Process management improvement • Regular climate survey	• Integrated management system • Global orientation & capablities
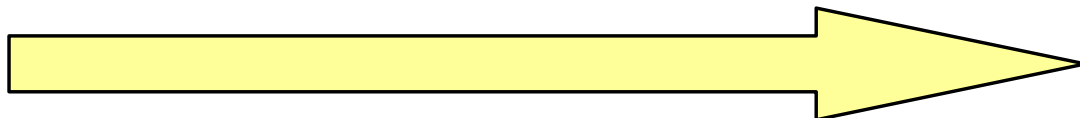
World Class Knowledge Enabler

Short Term Recommendations

Short term recommendations are actions with low complexity and high degree of urgency. Short term strategy should be started by Q4 2005 and completed by end of Q4 2006.

The recommendations included in this phase are:

• Project Based Performance Management: urgency to have structured performance management. Due to nature of the business being project-based, we suggest that it would be appropriate to develop performance management based on projects.

- Clear annual planning and budgeting process, well-translated into strategic functions in the organization. Each function must be accountable for the achievement of the company's goal.
- Clear structure of sales process and Standard operating Procedures (SOP) will aid each function in performing their tasks.
- An important finding of our employee survey was the ambiguity of company regulations. In this case, we suggest that it is imperative that ASABA formalize or document company regulations and communicate them to all employees.
- Qualified IT human resources are scarce; ASABA needs to structure its recruitment selection & induction process.
- The rapid change of IT practices and business processes forces continuous improvement in ASABA's human resource capabilities over time. Full year curriculum, based on employee capabilities and potential development, could be a priority for the short term.

Mid Term Recommendations

Mid term recommendations have a higher degree of complexity and require adequate preparation to implement. The time frame that we suggest is completion of all recommendations by the end of 2008.

The recommendations included in this phase are:

- Competency based grading
- Continuous process management improvement. In the mid term, under fierce competition, we suggest that ASABA needs to improvise or to invent new and better ways of process management. This process should be continuously improved.
- Regular employee and working climate survey to obtain continuous feedback for competitive working environment.

Long Term Recommendations

The time frame definition that we suggest for Asaba is realization of global competitiveness by 2010.

The recommendations that are included in this phase are:

1. Solid integrated management system within ASABA. We suggest that if ASABA is selling integrated IT management systems (i.e. SAP & Oracle system), then it

should at least have implemented the same applications that ASABA offer to its customers.

2. Ability to compete globally should be the ultimate goal of ASABA. Thus, the human resources must also be prepared for this challenge. Global orientation and capabilities could be improved through foreign market expansion and improving competitive advantage in Indonesian market as well as international markets.

IV.1 Project Management Based Incentive System

The first priority of improvements is the Compensation & Rewards system, along with the area of Performance Management implementation. It is also recommended to implement a Project Management Based Incentive system, as follows:

Parameters:

Specific, Measurable, Agreed, Reasonable (SMART) Target Setting

*   Project Stages & Parties Involved
    a. Selling Process – Project Signed Off
    b. Project Implementation – Project Go-Live
    c. System Maintenance

*   Project Values

*   Terms of Project Payment

*   % allocated budget for Project Incentives, taken from @ Project – Gross Profit

*   % total annual income composition (fix + variable)

Project Management Stages

	1	**2**	**3**
Stages % bonus PIC	**Selling** 25% **Director** **Account Mgr** **Front-liners**	**Implementation** 70% **Director** **Account Mgr** **System Analyst** **Developer**	**Maintenance** 5% **Account Mgr** **System Analyst** **Developer**

Project Incentive scheme may also be budgeted & allocated based on projected Project Gross Profit with the following scheme. % incentive allocations need to be further discussed internally among ASABA Management Team

IV.2 Formalized Annual Planning and Budgeting

Our recommendation to formalized the company's objectives and communicate them clearly to all employees are based on our recommendation to improve performance management at ASABA.

Clear target setting, clear job accountability, regular assessment on achievement, evaluation on achievement discrepancies, and corrective action plans need to be in place for an effective performance management process at ASABA.

The model below explains into more visual detail:

```
                        ┌──────────────────────┐
                        │  2005 Business Plan  │
                        │  Sales Volume Target │
                        │  Profit Before Tax   │
                        │        Target        │
                        └──────────┬───────────┘
          ┌────────────────┬───────┴────────┬────────────────┐
┌─────────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│    Target by    │ │   Target by  │ │   Target by  │ │   Target by  │
│ Type of Customer│ │ Type of      │ │  Geographic  │ │    Period    │
│    Industry     │ │   Service    │ │  Locations   │ │(i.e. monthly,│
│                 │ │              │ │              │ │  quarterly)  │
└────────┬────────┘ └──────┬───────┘ └──────┬───────┘ └──────┬───────┘
┌─────────────────┐ ┌──────────────┐ ┌──────────────┐ ┌──────────────┐
│ Person in Charge│ │Person in     │ │Person in     │ │Person in     │
│                 │ │  Charge      │ │  Charge      │ │  Charge      │
└─────────────────┘ └──────────────┘ └──────────────┘ └──────────────┘
        ⬆                ⬆                ⬆                ⬆
┌──────────────────────────────────────────────────────────────────┐
│       Monitoring System on Performance Achievement                │
└──────────────────────────────────────────────────────────────────┘
┌──────────────────────────────────────────────────────────────────┐
│ Gap Analysis & Corrective Action (through training, coaching,     │
│                      mentoring, support)                          │
└──────────────────────────────────────────────────────────────────┘
┌──────────────────────────────────────────────────────────────────┐
│       Performance Appraisal Based on Achievement                  │
└──────────────────────────────────────────────────────────────────┘
```

The model above clearly explains:

- Company's objective should be clearly communicated to strategic levels of employees.

- The objective should be allocated into respective clusters / groups depending on how the company segments the market.

- Employee job role should also capture responsibilities based on the segmentation of accountability.

- Strategy on how to achieve those objectives should also be explained to respective employees.

- Ultimately, individual employee performance can be monitored when each individual receives specific job targets based on overall company objective. KPI for each function should also be well-defined to have clear monitoring.

- The assessment of the performance achievement will lead to gap analysis. Regardless of whether the gap is negative or positive, the management should have a corrective action plan. Reward or promotion could be the solution for positive gaps. Training, coaching, more management support / attention could be the solution for negative gaps.

IV.3 Formalize Sales Process SOP

Clarity on the process and speed of delivering services will improve ASABA competitiveness. Because the nature of the business is services, customer relationship and services becoming an important factor in ASABA business model. The process should support that business model.

The clear job allocation and process as follow will help ASABA achieve its objective:

	Sales Management	IT Services Management	Project Offer	Account Management
Sales Representative	Sales Call		Project Value Offering	Account Development
IT Service Designer		Tailor-Made IT Services		Service Provider
Hardware / Software Principal			Influence the Project Value	

Sales process in ASABA can be described as follows:

1. <u>Sales Management</u>. Initial sales process to prospective customer is done by a sales representative. On initial sales call, probing customer needs and requirements could be a key discussion. If it is a very high profile project, ASABA management could also lead on the initial sales process.

2. <u>IT Services Management</u>. With the help of IT service designer, ASABA customizes IT service offering to this prospective customer.

3. <u>Project Offering</u>. After ASABA is comfortable with the service offerings, the next step is to bid the project to this prospective customer. The value of the

offer will also depend on the software / hardware companies which are ASABA's principal. Sales representative will bid the prospective customer. High level management could be involved in this stage if the project is considered strategic and requires high level exposure.

4. <u>Account Management</u>. Once the project deal is closed, sales representative will be the key contact person for this particular customer. He or she will be the account management together and with the help of IT service designer, they will manage the after sales service and customer relationship management.

V. APPENDIX

Appendix 1 - ASABA Computer Centre Vision, Mission and Value

Our **Vision** is to establish ASABA Computer Centre as a world class knowledge enabler in every interaction with our customers, while maintaining our uncompromising values as we grow.

Our **Mission** is to develop solutions and transform them into knowledge that simplifies and answers the complexities of our customer's problems under the guidance of our principles on Customer Satisfaction, Integrity, Teamwork and Excellence.

The followings are our **Values**:

Customer Satisfaction

Focusing primarily on our customer's needs and committed towards their satisfaction in doing business with us.

Integrity

Decide and act based on respect and dignity towards people, ethic, and diversity.

Teamwork

Embrace teamwork internally and with our customers as an essential component in the way we do business.

Excellence

Apply the highest standard of excellence to every processes of delivering solutions to our customers.

They will be our guiding principles, helping us in making our decisions and keeping them aligned with our Vision.

These Vision, Mission and Values are the foundations of our strategy and action.

Appendix 2 - ASABA Organization Structure
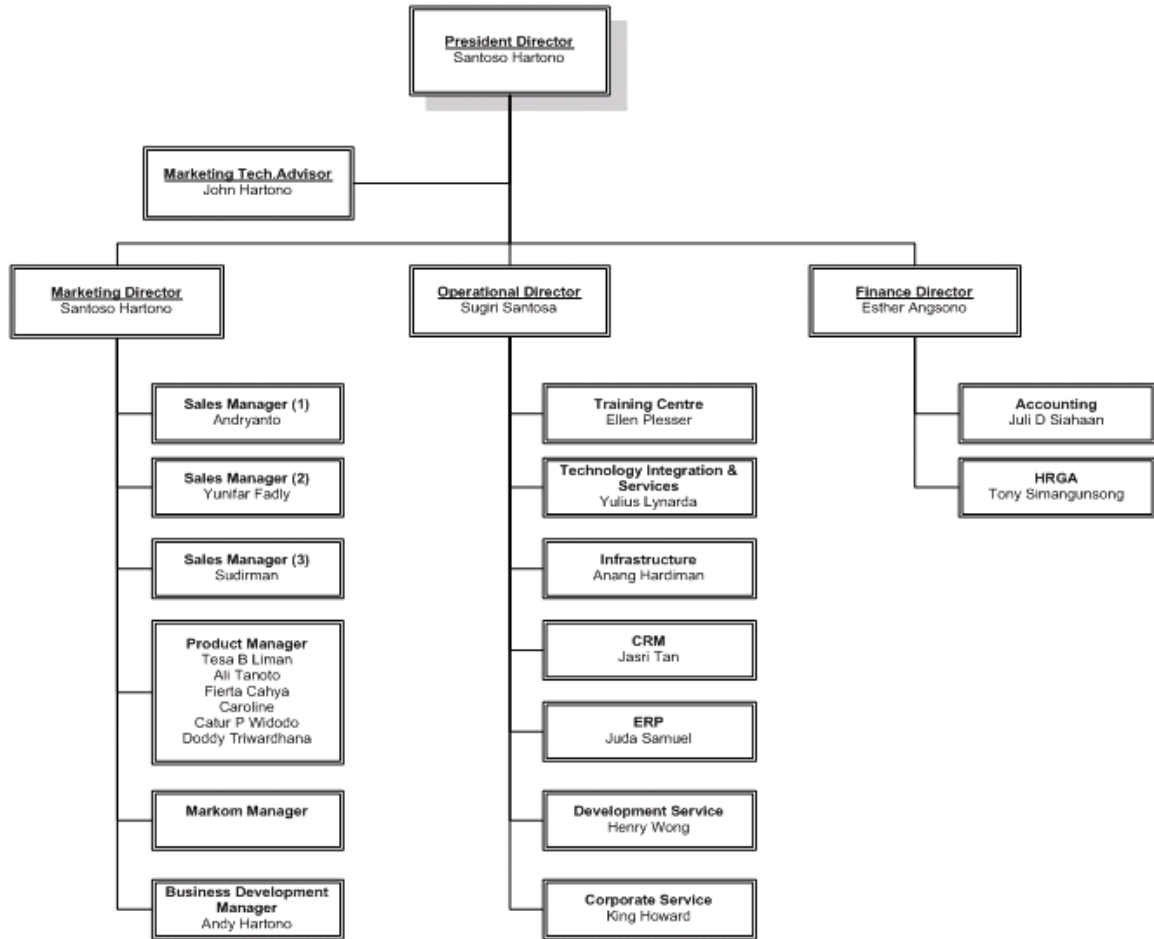
Appendix 3 - Sales Department Demography

Sex

Legend: L, P

Age

Legend: 20 - 30, 30 - 40, 40 - 50, 50 - 55

Length of Work

Legend: 0 - 2, 3 -5, 6 -10, 11 - 15

Education

Legend: S1, D3

Position

Legend: Sales Manager, Sales Executive, Account Manager, Account Executive, Telesales, Product Manager

Position Level

Legend: Senior Manager, Manager, Staff
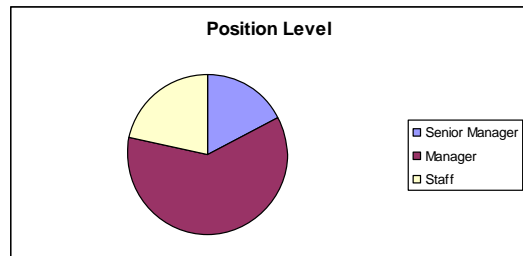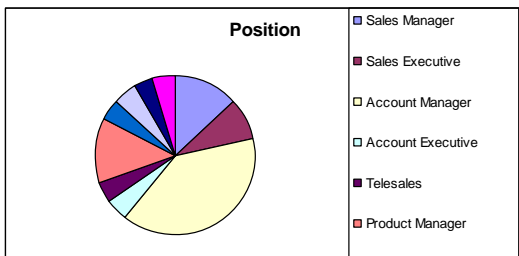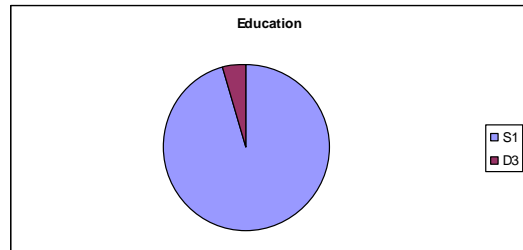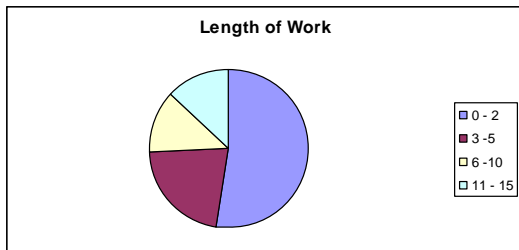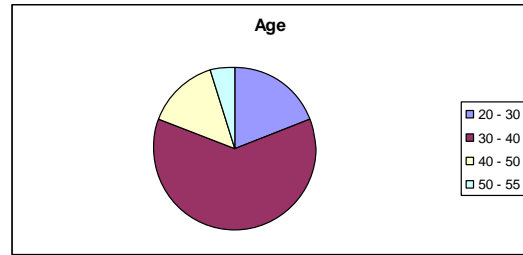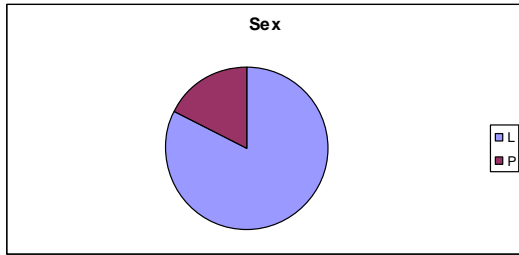
SURVEY PENGEMBANGAN ORGANISASI

Petunjuk :

1. Angket ini terdiri dari **28 atribut**. Setiap atribut terdiri dari **1-6** pernyataan
2. Bacalah pernyataan-pertanyaan tersebut dengan cermat , anda diminta memilih jawaban dengan cara memberi **tanda silang (x)** pada nomor yang tersedia pada masing2 pernyataan. Hanya **satu pilihan** yang diperlukan untuk masing-masing pernyataan.
3. **Tidak ada** jawaban yang **SALAH** maupun **BENAR**. Anda diminta memberi jawaban untuk **setiap pernyataan** yang ada.
4. Anda **TIDAK PERLU** menuliskan **nama** dan posisi anda pada angket ini.
5. Survey ini dilaksanakan sebagai bagian dari rencana pengembangan organisasi yang berkesinambungan.Partisipasi anda dalam survey ini akan sangat kami hargai.

Bagaimana anda melihat perusahaan tempat anda bekerja sekarang dalam hal :

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
1	**Orientasi kepada hasil**					
	Orientasi pada hasil	1	2	3	4	5
	Orientasi pada keuntungan	1	2	3	4	5
	Orientasi pada kinerja	1	2	3	4	5
2	**Transparansi dalam Komunikasi dan pengambilan keputusan.**					
	Efisiensi komunikasi internal	1	2	3	4	5
	Efektifitas penyampaian komunikasi	1	2	3	4	5
	Transparansi dalam penerapan peraturan dan kebijakan perusahaan	1	2	3	4	5
	Transparansi dalam pengambilan keputuasan	1	2	3	4	5
	Adil dalam penerapan peraturan/kebijakan perusahaan	1	2	3	4	5
3	**Mengoptimalkan pertumbuhan**					
	Kemampuan mengoptimalkan pertumbuhan bisnis	1	2	3	4	5
	Fokus pada pertumbuhan jangka panjang dan memberi nilai tambah	1	2	3	4	5
	Penggunaan teknologi mutakhir	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
4	**Memberi nilai tambah pada pelanggan**					
	Fokus pada kualitas dan pelayanan	1	2	3	4	5
	Orientasi struktur organisasi terhadap pelayanan kepada pelanggan	1	2	3	4	5
	Kejelasan visi, misi, dan strategi	1	2	3	4	5
	Memberi nilai tambah pada pelanggan	1	2	3	4	5
5	**Memberi nilai tambah pada karyawan**					
	Percaya kepada personel internal	1	2	3	4	5
	Komitmen top management pada pengembangan karyawan	1	2	3	4	5
	Mempertahankan standard kerja professional	1	2	3	4	5
6	**Orientasi terhadap tindakan, lugas**					
	Lugas , penuh tuntutan pada karyawan	1	2	3	4	5
	Berorientasi pada tindakan kongkret	1	2	3	4	5
7	**Orientasi External**					
	Kemampuan mengembangkan kemitraan dengan pelanggan / prinsipal	1	2	3	4	5
	Kesediaan untuk menjadi bagian dari jaringan kerja yang lebih luas	1	2	3	4	5
8	**Inisiatif Karyawan**					
	Semangat kewira-usahaan/ salesmanship	1	2	3	4	5
	Mendorong karyawan untuk berinisiatif	1	2	3	4	5
	Menginspirasi komitmen pada perusahaan	1	2	3	4	5
9	**Meritokrasi**					
	Rewards berdasarkan target yang spesifik dan disetujui bersama.	1	2	3	4	5
	Rewards dan penghargaan berdasarkan prestasi	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
10	**Adaptif dan terbuka terhadap perubahan**					
	Mendorong proses inovasi	1	2	3	4	5
	Dinamis dan adaptif terhadap perubahan	1	2	3	4	5
	Menghargai perbedaan antar individu	1	2	3	4	5
11	**Pemain industri yang dinamis**					
	Sebagai pemenang	1	2	3	4	5
	Sebagai perusahaan yang inovatif	1	2	3	4	5
	Sebagai perusahaan yang berkembang pesat	1	2	3	4	5
	Sebagai pengembang merk untuk pelayanan pelanggan	1	2	3	4	5
	Sebagai pemimpin dalam teknologi	1	2	3	4	5
12	**Tempat bekerja yang atraktif**					
	Tempat bekerja yang menyenangkan	1	2	3	4	5
	Mempekerjakan kaum professional yang berbakat	1	2	3	4	5
	Perusahaan yang baik untuk bekerja	1	2	3	4	5
	Mampu menarik calon karyawan yang terbaik	1	2	3	4	5
13	**Atasan anda sebagai pemimpin**					
	Kompeten dalam pekerjaan nya	1	2	3	4	5
	Memiliki pengetahuan tentang pekerjaannya	1	2	3	4	5
	Memiliki arah kerja yang jelas	1	2	3	4	5
14	**Atasan anda sebagai pelatih (coach)**					
	Memotivasi dan membimbing dalam mencapai kinerja	1	2	3	4	5
	Memacu prestasi	1	2	3	4	5
	Menantang untuk berpikir lebih	1	2	3	4	5
	Mampu memobilisasi orang	1	2	3	4	5
	Mampu memotivasi untuk mencapai yang terbaik	1	2	3	4	5
	Memberi kesempatan untuk berdiskusi mengenai kinerja dan pencapaian target.	1	2	3	4	5
	Memberi makna dan kebanggaan dalam bekerja	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
15	**Atasan anda sebagai figur yang berpengaruh**					
	Berpengaruh dalam perusahaan.	1	2	3	4	5
	Mempunyai akses kepada pengambil keputusan	1	2	3	4	5
	Bekerja secara independent	1	2	3	4	5
	Persuasif	1	2	3	4	5
16	**Atasan anda sebagai "people person"**					
	Komunikator yang efektif	1	2	3	4	5
	Mempunyai empati	1	2	3	4	5
	Jujur dan terbuka	1	2	3	4	5
	Memiliki gaya manajemen yang partisipatif.	1	2	3	4	5
17	**Atasan anda sebagai figur yang dapat dipercaya dan suportif**					
	Memberi penghargaan terhadap kinerja saya.	1	2	3	4	5
	Memberi penghargaan terhadap kontribusi saya	1	2	3	4	5
	Memperjuangkan keinginan saya.	1	2	3	4	5
18	**Kebebasan bertindak**					
	Memberi saya kebebasan beraktivitas dan menentukan arah kerja.	1	2	3	4	5
	Memberi kebebasan untuk mengambil keputusan yang tidak bersifat rutin.	1	2	3	4	5
	Memberi kebasan untuk berinovasi dan mengambil resiko dalam beraktivitas.	1	2	3	4	5
19	**Tantangan maksimum**					
	Menggunakan potensi diri saya secara maksimum.	1	2	3	4	5
	Menyediakan kesempatan pengembangang pengetahuan dan kompetensi secara optimal.	1	2	3	4	5
	Menuntut penggunaan segenap pengetahuan dan keahlian saya	1	2	3	4	5
	Memberi berbagai penugasan yang menantang dan fleksibel.	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
20	**Akses terhadap pengetahuan**					
	Memiliki kapasitas untuk membagi pengetahuan dan pengalaman kepada karyawan.	1	2	3	4	5
	Mendorong kolaborasi dan komunikasi lintas fungsi yang efektif.	1	2	3	4	5
	Memberi kesempatan alih-kemampuan yang (transfer of expertise)	1	2	3	4	5
	Mendorong terjadinya pertukaran pengetahuan.	1	2	3	4	5
21	**Dukungan penuh**					
	Memberi saya akses kepada sumber daya yang penting.	1	2	3	4	5
	Memberi saya kesempatan untuk memobilisasi sumber daya yang ada.	1	2	3	4	5
	Memberi akses pada "customized support"	1	2	3	4	5
	Memberi saya wawasan mengenai sumber daya external yang diperlukan untuk menjalankan tugas saya.	1	2	3	4	5
22	**Mobilisasi Personil**					
	Memberi saya kesempatan untuk memilih anggota tim saya.	1	2	3	4	5
	Memberi fleksibilitas untuk mendaya gunakan personil di dalam organisasi.	1	2	3	4	5
	Memberi kesempatan pada saya untuk memberi perhatian yang cukup kepada anak buah.	1	2	3	4	5
	Membuat saya berpengaruh dalam pengembangan karir anak buah saya.	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
23	**Pengembangan Profesional**					
	Memberi kesempatan untuk mendapatkan pengetahuan dan ketrampilan yang penting bagi diri saya.	1	2	3	4	5
	Memberi kesempatan untuk pengembangan diri sesuai dengan kebutuhan diri saya.	1	2	3	4	5
	Memungkinkan saya untuk menjadi sangat professional dalam bidang kerja saya.	1	2	3	4	5
	Memberi saya gambaran yang jelas mengenai pengembangan dalam profesi saya.	1	2	3	4	5
24	**Rasa memiliki terhadap karir**					
	Membuat saya mampu mendefinisikan karir saya di dalam organisasi.	1	2	3	4	5
	Memberi peluang yang cukup untuk mendapatkan promosi.	1	2	3	4	5
	Memberi saya kesempatan untuk memperoleh pengetahuan dan ketrampikan yang berkaitan dengan pekerjaan.	1	2	3	4	5
25	**Penilaian dan umpan balik**					
	Membantu saya untuk melakukan penilaian pribadi.	1	2	3	4	5
	Seringkali memberi saya penilaian terhadap aktivitas-aktivitas saya.	1	2	3	4	5
	Sering kali memberikan supervisi dan konseling.	1	2	3	4	5
26	**Kompensasi berdasarkan kontribusi**					
	Memberikan penghargaan berdasarkan prestasi dan kontribusi.	1	2	3	4	5
	Tidak memberikan penghargaan berdasakan status dan jabatan.	1	2	3	4	5
	Memberi kesempatan untuk mendiskusikan target setting dan bagaimana mencapainya.	1	2	3	4	5

No	Atribut	Tidak dapat diterima	Perlu perbaikan	Sesuai Harapan	Lebih dari Harapan	Istimewa
27	**Paket kompensasi finansial yang baik**					
	Memberi besaran kenaikan gaji yang cukup.	1	2	3	4	5
	Memberi frekuensi kenaikan gaji yang cukup.	1	2	3	4	5
	Memberi saya perspektif kemampuan finansial jangka panjang.	1	2	3	4	5
	Memberi jaminan kesejahteraan yang lengkap (kesehatan / tabungan)	1	2	3	4	5
	Memberi paket remunerasi (gaji) yang kompetitif.	1	2	3	4	5
28	**Keseimbangan antara kerja dan kehidupan pribadi**					
	Memungkinkan saya memberi perhatian yang cukup pada kehidupan pribadi saya.	1	2	3	4	5
	Memungkinkan saya untuk tidak masuk kerja jika saya memerlukannya	1	2	3	4	5
	Memungkinkan saya untuk membuat kontrak kerja yang sesuai dengan kebutuhan saya.	1	2	3	4	5

Saran anda kepada Tim Manajemen/ Perusahaan:

Appendix 5 - Project Based Incentive System

PIC % vs Projected Gross Profit (US$ 000)	< 100	101 - 500	501- 1000	1000-5000	5000 >
Directors					
Account Mgr		To be discussed internally			
Sales - Frontliner					
Back Office / Operation					

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