

ANALYSIS OF EMPLOYEE ENGAGEMENT IN PT KALTIM PRIMA COAL, INDONESIA

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Abstract - PT Kaltim Prima Coal (KPC) is one of largest mining company in the world, which engages in coal mining and sales for both domestic and international industrial customers. In the midst of the global competition climate, Kaltim Prima Coal recognize that it is their employee who have driven company to move forward and distinguished them from other competitors. The purpose of this research is to find out which factor that affect the employee engagement in KPC and in the end will analyze about factors that need more improvements, in order to maintain the employee engagement within employees in KPC. The result shows that there were 3 factors that really affect the employee engagement in D & E level of management in PT KPC, there were quality of work, inspiration value, and tangible rewards.

Keywords: PT KPC, employee engagement, hay model, ASTD

Introduction

Nowadays, there are many mining companies that exist and quite prestigious presence in Indonesia. There are lots of graduates from several reputable university who wants to work there. In addition, the company also opened job vacancies, along with employee turnover each year. Turnover can be defined as the rate at which employees leave the firm. Simple ways to describe it are "how long employees tend to stay" or "the rate of traffic through the revolving door". Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover may be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers.

PT Kaltim Prima Coal is one of largest mining company in the world, which engages in coal mining and sales for both domestic and international industrial customers. Kaltim Prima Coal was established in 1982 and was owned by British Petroleum International Ltd (BP) and Conzinc Rio Tinto of Australia Ltd (Rio Tinto). But currently, the company is owned by PT. Bumi Resources, Tbk. as the major shareholder and also Tata Mauritius, Ltd. Kaltim Prima Coal manages a mining area of 90,938 ha and the total production reaches more than 41 million tons. The company believes that employees are the key to company's success, both now and in the future. In the midst of the global competition climate, Kaltim Prima Coal recognize that it is their employee who have driven company to move forward and distinguished them from other competitors.

Based on the KPC's annual Sustainability Report 2012, the total number of employees who resigned or were dismissed by company is 185 employees. The largest number of employee turnover is due to resignation in the percentage of 40%. From researcher's interview with one of Human Resources

staff at PT KPC, researcher knew that people who resigned from company were mostly in D & E level of management. People who included in those levels are Senior Supervisor, Supervisor, Senior Analyst / Engineer / Specialist / Accountant, and Analyst / Engineer / Specialist / Accountant.

The objectives of this research is mainly to analyze and identify factors, which affect employee engagement inside KPC that is currently occurring. This research is restricted to the employees within PT Kaltim Prima Coal, which is located in KPC Mine Site, Sengata – East Kalimantan and will be focused on D & E level of management only.

Literature Review

An "engaged employee" is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests. An organization with 'high' employee engagement might therefore be expected to outperform those with 'low' employee engagement, all else being equal.

Kahn (1990) provided the first formal definition of employee engagement as "the harnessing of organization members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances."

American Society for Training and Development

The American Society for Training and Development (ASTD) arrange a set of employee engagement theories, including these top 10 indicators of employee engagement.

- § Willingness to contribute effort beyond the job parameter
- § Speak positively about the employer
- § Willingness to recommend the company to others
- § Customer satisfaction scores
- § Apparent enjoyment of work
- § Enthusiasm for learning new skills
- § Willingness to offer suggestions
- § High performance ratings
- § High scores on engagement-related survey question

Hay Model

Hay Group, which has helped dozens of leading international companies and many major public service organizations create sustained performance by engaging their workforce, has identified six motivational drivers that help create an engaged workplace and influence results. They are: Inspiration and Values, Future Growth/Opportunity, Quality of Work, Enabling Environment, Work/Life Balance and Tangible Rewards.



Figure 1. Hay Model Framework

Methodology

From ten indicators of ASTD, only four indicators that will be used as dependent variables, there are: willingness to contribute effort beyond the job parameter, willingness to recommend the company to others, apparent enjoyment of work, and high scores on engagement-related survey question. Meanwhile, all six motivational drivers from Hay Model will be used as independent variables. The questionnaire was made from the combination of these two models.

Since the problem occurred was in D & E level management, the sample will be the employee of PT KPC on that level. To get the number of sample needed, researcher used stratified random sampling and got the proportional number of sample : 222 respondents.

After gathered all data needed, researcher will analyze which factor that affect the employee engagement in KPC using multiple linear regression on SPSS software.

Data Analysis

From 250 questionnaire spread on D & E level of management, 249 has been returned to researcher. The questionnaire collection was done from 13th to 22nd of June 2014.

Multiple Linear Regression

To determine the relationship between each factors and Work Engagement (ASTD) variables, researcher used multiple linear regression.

Table 1. Determination Coefficient

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713 ^a	.508	.496	.49474

a. Predictors: (Constant), Future Growth / Opportunity, Work/Life Balance, Inspiration Values, Tangible Rewards, Quality of Work, Enabling Environment

b. Dependent Variable: Work Engagement (ASTD)

Based on the SPSS results above, the value of the correlation coefficient (R) is 0.713. This indicates that there is a very strong relationship between Quality of Work (X₁), Inspiration Values (X₂), Enabling Environment (X₃), Work/Life Balance (X₄), Tangible Rewards (X₅) and Future Growth / Opportunity (X₆) to Work Engagement (ASTD) (Y).

The influence of six factors from Hay Model with Work Engagement variables (ASTD) can be shown by the coefficient of determination with the following formula:

$$\begin{aligned}
 CD &= R^2 \times 100\% \\
 &= (0,713)^2 \times 100\% \\
 &= 50,8\%
 \end{aligned}$$

The calculation above shows that six factors give the influence to ASTD of 50.8%, while the remaining 49.2% is contributed by other variables.

F-Test

To determine whether significant or not the effect of the independent variables to dependent variable, F-Test will be used.

Table 2: F-Test

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	61.215	6	10.202	41.682	.000 ^a
	Residual	59.234	242	.245		
	Total	120.449	248			

a. Predictors: (Constant), Future Growth / Opportunity, Work/Life Balance, Inspiration Values, Tangible Rewards, Quality of Work, Enabling Environment

b. Dependent Variable: Work Engagement (ASTD)

As seen on table 2, the result of F is 41.682 with probability of 0.000 because the probability is smaller than 0.05, the multiple linear regression model can be used to predict the relationship between dependent variable (employee engagement level) and independent variable (key driver of employee engagement). It is also explained that there is significance influence simultaneously from six factors of Hay Model towards Work Engagement (ASTD).

T-Test

To determine whether significant or not the effect of independent variables on a partially dependent variable, researcher used T-Test.

Table 3: T-Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations
		B	Std. Error	Beta			Zero-order
1	(Constant)	-.270	.276		-.976	.330	
	Quality of Work	.210	.100	.153	2.102	.037	.603
	Inspiration Values	.442	.110	.319	4.008	.000	.653
	Enabling Environment	.127	.094	.100	1.353	.177	.588
	Work/Life Balance	-.008	.084	-.006	-.093	.926	.481
	Tangible Rewards	.181	.071	.174	2.537	.012	.543
	Future Growth / Opportunity	.100	.067	.103	1.494	.136	.562

a. Dependent Variable: Work Engagement (ASTD)

From table 3, only three factors (quality of work, inspiration value, and tangible rewards) that significant because the scores are less than 0.05. While other three factors (enabling environment, work/life balance, future growth/opportunity) are not significant because the scores are more than 0.05. Therefore, these three factors are not included to equation model for the multiple linear regression.

From the multiple linear regression model, the final equation of employee engagement level can be obtained:

$$Y = -0,270 + 0,210 X_1 + 0,442 X_2 + 0,181 X_5$$

With :

Y = Employee Engagement Level (dependent)

X1 = Quality of Work (independent)
 X2 = Inspiration Value (independent)
 X5 = Tangible Rewards (independent)

Summary of Analysis

After completing the multiple linear regression it turns out that three of Hay Model factors are not affecting the dependent variable significantly, and those factors are : enabling environment, work/life balance, and future growth/opportunity.

The factors that the most affected the work engagement variables (ASTD) to the least are : inspiration value, quality of work, and followed by tangible rewards. The figure below shows the actual performance of factors affecting employee engagement at D and E level of management at PT KPC.

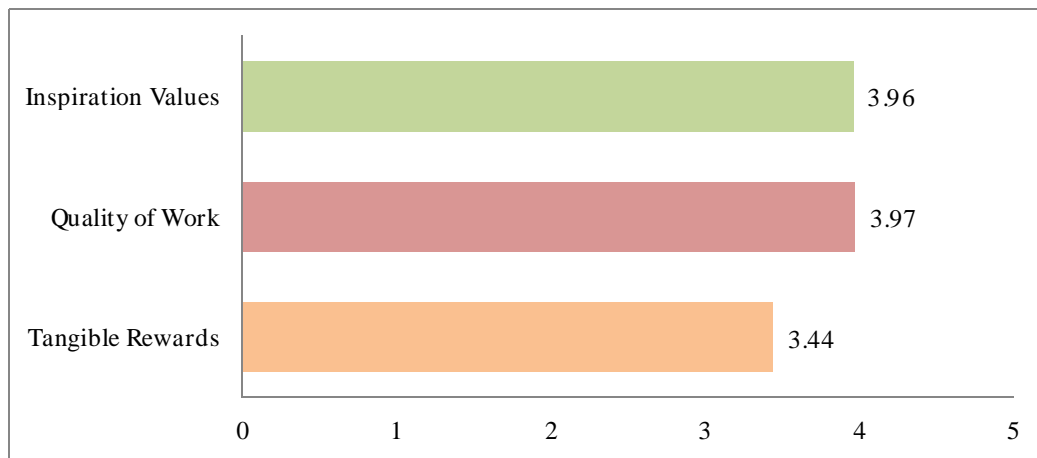


Figure 2. Actual Performance

From table above, factors that obviously affect the employee engagement towards PT KPC's employee is quality of work with the score of 3.97 and followed by inspiration values with the score of 3.96. Meanwhile, other factor, tangible rewards, is below the average number of 3.79, which indicates this factor needs more improvement for the good of company itself, with the score of 3.44.

Variables Analysis

The four factors remain that effect the employee engagement at D & E level of management in PT KPC will be explained and breakdown to each of its consisting variables.

Quality of Work

The first and the most significant factor, Quality of Work, consist of 6 variables, which are : perception of value of work, challenge/interest, achievement, freedom & autonomy, workload, and relationship between the employees and their supervisor.

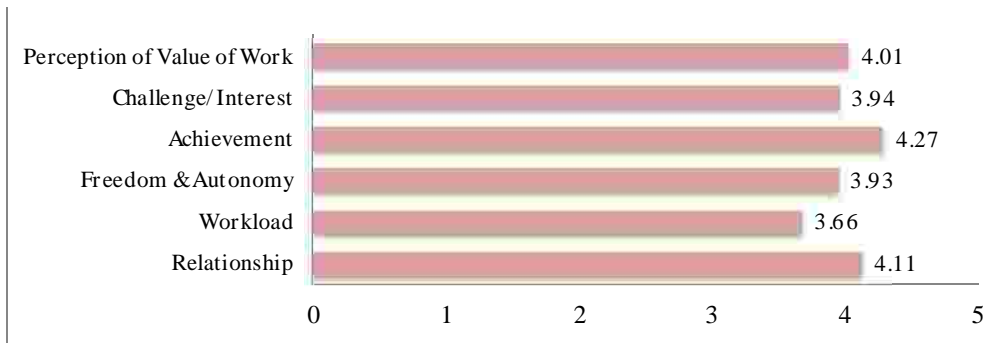


Figure 3. Quality of Work

As seen on figure above, Workload has the lowest score among the others, with the score of 3.66. This means that employees did not feel that the amount of work or workload is essential to the work time given by company.

Inspiration Values

The second most significant factor is Inspiration Values. This factor has six variables, which are : quality of leadership, organizational values and behaviors, reputation of organization, recognition, communication between employee, and the last one is the communication between institution.

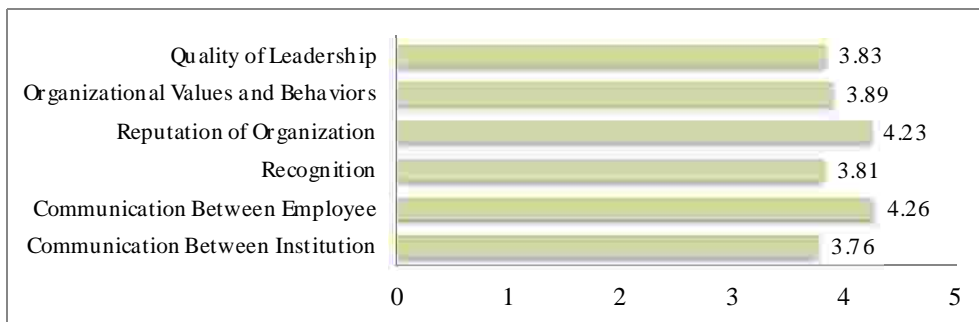


Figure 4. Inspiration Values

From the figure above, it can be seen that communication between institution has the lowest score, with the value of 3.76. This indicates that some employees think that the top level management is not open (transparent) about the current condition of the company.

Tangible Rewards

The third most significant factor is Tangible Rewards, which consists of six variables, which are : competitive pay 1, competitive pay 2, good benefits, incentive for higher performance, recognition awards, and fairness of rewards.

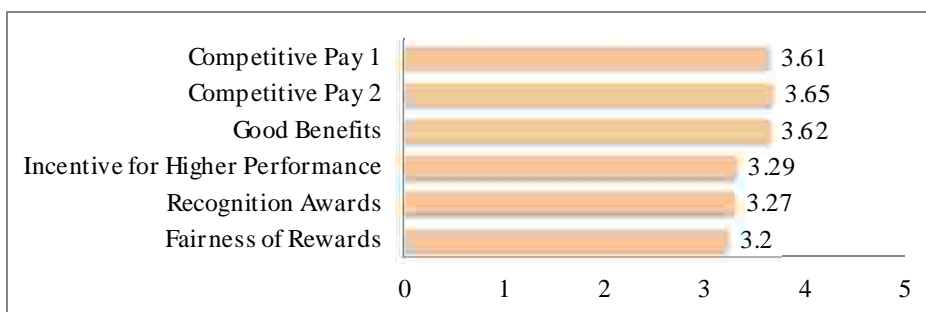


Figure 5. Tangible Rewards

As seen on table 5 above, fairness of rewards got the lowest score of 3.2. Fairness of rewards explains about the fairness in distributing rewards to employees. This indicates that not all employees feel that the compensation, awards, and appreciation have already given fairly by company. This is quite a big issue, since this variable has the least rank on this factor. Fairness of rewards is one of the keys to maintain and keep the spirit of working towards employee. If company does not concern about this issue, sooner or later, employee will not feeling valued of their effort and hard work, which will decrease the level of engagement itself.

Beside the fairness of rewards issue, company should notice about the other two variables that have quite low value, there are recognition awards and incentive for higher performance. Although these two variables are not the lowest, but the score are quite similar to fairness of rewards.

Conclusions and Recommendations

After analyzing data collected and got the results, the conclusions are as follows.

1. From the two models researcher use, Hay Model and ASTD, come 7 variables for the new conceptual model, which are : quality of work, inspiration values, enabling environment, work/life balance, tangible rewards, future growth / opportunity, and work engagement from ASTD.
2. The result from multiple linear regression is that only 3 factors from Hay Model that really affecting employee engagement in D & E level of management at PT KPC, which are : quality of work, inspiration values, and tangible rewards, while the rest of it are not affecting the work engagement variable significantly. The most affecting factor to employee engagement from the most to the least are : inspiration values, quality of work, and tangible rewards.
3. After broke down the most affecting factor to its consisting variables, researcher found out that PT KPC needs to improve these following issues, which are: the workload given by the company, the communication and transparency about current condition of the company by top level management, and the last one is the unfairness in distributing rewards to employee.

What company needs to do is to look back for all the little things that potentially to be a problem for employee and be responsive to all of it. And also to provide facilities that can support employee comfort and enjoyment in working and living in an area that is actually far from the crowds of downtown. Thereafter, it is about how company can form the mindset and make the employee always enjoy to work with the company. If employee feels comfortable and enjoy their work, it would be less likely for them to move to another company.

As for recommendation for future research, researcher recommends to fully understand about the concept of employee engagement and the conceptual model used. It is important to choose the right models that can suit perfectly with the internal condition within company. It is also good to maximize the research scope, so that the research will be in much larger size. Another data collection method should consider to be used to collect more data for a better analysis.

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