

WorkAsia™ Country Report: Indonesia

Introduction

For years, employee satisfaction was accepted as the key objective of organizations, which logically link to job performance. However, satisfied employees do not seem to be necessarily performing their best. For the last few years, the paradigm has slowly changed. The term 'employee engagement' has increasingly come to the fore and believed to be directly linked to the employees' performance. It is customer satisfaction that will also get the effect from the good performance shown by engaged employees. At the further end, the result from the good business with customers will bring value to all stakeholders: employers, shareholders and also employees themselves.

WorkIndonesia™ shows that the top driver for employee engagement in Indonesia is the Customer Focus. Indonesian employees believe that a company will be successful if it can focus all effort and resources to its customers, by giving them the high quality products and services appreciated by the market. Through this, employees will be proud in presenting products or services and be part of the company. The second critical point that drives employee engagement is Communication. Frequent communication with direct supervisors, subordinates and colleagues is an imperative. Employees need to know any information about the company properly and in a timely manner. Especially information that will impact employees' personal interest, they will even more eager to know and to respond. Compensation & Benefits is the third critical driver. Key talents are getting more market awareness and increase their value fast, that companies need to do effective reward practices.

Indonesia economic and labor market data

At the third quarter of 2007, Indonesian GDP has grown for about 3.9% compares to the second quarter of 2007, which mainly supported by the 10.2% growth in the farming sector. Compares to the same quarter last year, Indonesian GDP has grown for about 6.5%, supported by the high growth in the transportation & communication sector (12.5%). After reaching its highest level last month, the inflation level for October 2007 is 6.88% (year on year, compares to October 2006), while the inflation growth for January 2007 to October 2007 is 5.24%. Up to this day, the Central Bank is still maintaining the interest rate of 8.25%. Meanwhile, the number of open unemployment in 2007 is 4.7% (March'07, decreasing 5% compared to 2006). Turnover rate across industries is averaging 6.5% in managerial post and 7.12% for staff level. Salary increase in 2007 is averaging 12.49%.

Hot issues in Indonesia nowadays is the scarcity of highly qualified workforce in oil & mining industry, information technology, banking (especially syariah, and related to the government's Banking Architecture which will limit the number of banks), and consumer goods. Tremendous amount of salary were offered to the key talents in those industry, and this is where employee engagement holds its important role in a company.

Key drivers of engagement

	Indonesia	Asia-Pacific
Top Driver	Customer Focus	Customer Focus
2nd Driver	Communication	Compensation and Benefits
3rd Driver	Compensation and Benefits	Communication

Customer focus items

Customer Focus is the first key driver of employee engagement in Indonesia. Employees are more engaged in companies with true commitment to deliver what is best for their customers, in term of high quality products or services. This will give a good sense of achievement and visible result of their work. Engagement also enhanced by clear accountability for the quality of products or services employees delivers. Although they are less favorable to the level of decision making authority given to employees to meet customers' demands, they still could see their day to day activities have significant impact to the external customers. Companies that still in the effort of strengthening employee engagement, they should give more attention to customer satisfaction, by starting to communicate the importance of achieving 100% customer satisfaction, evaluating product and service delivery processes, and clear accountability to achieve this.

Communication items

Best practice of communication is not only top-down, but also bottom-up. All elements in a company, management teams or staffs, should actively involved in creating effective communication within the company: strategic directions, business plans, change management or suggestions from down the line for process improvement. Employees will be more engaged to the company, if the company considers employees' well-being when making important decisions. Engagement will also be stronger if senior management is actively involved in communicating to the employees. In that way, employees feel that the company and senior management team have genuine concern about them. Engagement will also improved if employees feel free to speak their mind and raising concerns, as they will feel more comfortable within the company's culture.

Compensation and Benefits Items

A clear, fair, competitive-to-the-market reward system will result in highly engaged employees. When the reward package is seen as fair, employees will less likely to think of leaving the company. In Indonesia, appropriate performance based rewards also have significant contribution in increasing employees' engagement. Hence, companies in Indonesia need to provide a well defined compensation and benefit package by adjusting it to their business nature and their typical employees' needs and lifestyle, and to communicate it properly to all employees.

Figure 1 | % Favorable of Each Drivers

Drivers	High Engagement % Favorable	Low Engagement % Favorable
Customer Focus		
Management at the company demonstrates a commitment to customer service.	98%	39%
People are held accountable for the quality of products/services provided to customers.	97%	60%
Customer satisfaction a company's top priority.	96%	45%
Communication		
The company considers the well-being of employees when making important decisions.	84%	9%
Senior management takes an active, visible role in communicating to employees.	80%	14%
Employees feel free to speak their mind in the company.	75%	10%
Compensation and Benefit		
Overall, how satisfied are you with your pay (relative to your job responsibilities)	71%	10%
High performing employees in my company are rewarded appropriately for their performance.	71%	9%
Overall, I think I am paid fairly compared with other people in my company who hold similar jobs	72%	11%
Overall, I think I am paid fairly compared with people in other companies who hold similar jobs	73%	13%
Overall, how do you think the value of your "total compensation" package compares to that offered for similar positions in other companies?	43%	8%

Norms: relative ranking of favorable attitudes by category

The drivers of engagement are most important because the research shows that improvements in these drivers are associated with improvements in business performance. This helps organizations focus and prioritize their change and business improvement programs.

However, it is also useful to understand employees' views of their workplace culture, by reviewing the relative rankings of key categories of workplace culture.

Line of Sight, Respect in the Workplace and Customer Focus are the most positively rated categories by Indonesian employees. Understanding the company's goals and also understanding of his/her roles within the company is important for Indonesian employees as to create a feeling of being part of business success. Being able to give opinion and feedback, and mutual respect, is the other things that are significant to employees.

It is important for Indonesian employees to have clear accountability on products or services quality.

In the other hand, Indonesian employees have least favorable attitude towards their companies' Communication and Compensation & Benefits package. It is important for employees to have information about things happening within the organization and have opportunity to express their thoughts especially for things that may affect their personal interests.

Reward system still needs improvement, that is: the design, market competitiveness, and implementation, to ensure clear link between performance and pay. Communicating the reward policies is also critical. It is common that employees see this area as a "black box" and very subjective. The impact of this condition is significant turn over rate in companies, driven also by market competition and globalization of businesses.

Figure 2 | Relative rankings results of WorkAsia™ categories in Asia Pacific and in Indonesia

Category	Indonesia	Asia Pacific
Line of Sight	1	1
Respect in the workplace	2	2
Customer Focus	3	4
Enablement	4	9
Engagement	5	3
Performance Management	6	6
Integrity	7	5
Work Environment & Teamwork	8	8
Process Improvement & Innovation	9	7
Supervisor	10	10
Commitment	11	11
Hiring & Advancement	12	12
Training & Development	13	13
Strategic Leadership & Direction	14	16
Communication	15	15
Compensation & Benefits	16	14

Conclusion

Watson Wyatt's WorkIndonesia™ study is a key diagnostic tool that helps businesses in two important ways. Firstly it analyses the top drivers of employee engagement. Engagement levels have been repeatedly linked to business financial performance, so this information enables the organization to take targeted action to increase its competitiveness in the marketplace.

Secondly it analyses key categories of workplace culture, so that the organization can develop an employer brand that is compelling and competitive in the labor market.

Finally, one of the most important things Watson Wyatt research shows is that there is a gap between the design of programs and how well those programs are implemented. By measuring engagement over time, organizations can leverage their own data to design programs that have real impact on engagement. They can also pinpoint differences among employee groups, business units and locations so they can better tailor and target these programs. The results of this measurement process is an enhanced ability to design human capital programs that achieve desired results and deliver a solid return on investment.

If you are interested in conducting an Employee Opinion Survey at your organization, please feel free to contact our Consultants at Watson Wyatt Indonesia.

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