

Factors Affecting Employee Performance: A Case Study in Marketing and Trading Directorate, Pertamina Ltd.

Saptiadi Nugroho, A. Nur Muhamad Afif

Abstract—Understanding factors that influence employee performance is very important. By finding the significant factors, organization could intervene to improve the employee performance that simultaneously will affect organization itself. In this research, four aspects consist of PCCD training, education level, corrective action, and work location were tested to identify their influence on employee performance. By using correlation analysis and T-Test, it was found that employee performance significantly influenced by PCCD training, work location, and corrective action. Meanwhile the education level did not influence employee performance.

Keywords—Training, employee development, performance management system.

I. INTRODUCTION

IN order to win the high competition, uncertain economic condition, high volatility, and global economic changes, employee performance becomes one of the significant factors for a company to survive and generate profits.

Pertamina Ltd. is a state owned oil and gas company of Indonesia. The company was established in 1967. With the open market of oil and gas sectors in Indonesia since a few years ago, Pertamina Ltd. is not the only player in oil and gas sectors. Big players such as Exxon, Shell, and Petronas have operated in Indonesia. Those big companies are strong competitors. Therefore, one of the significant factors that influence success or failure of the company is employee performance. As [6] found that employee performance strongly affects corporate performance.

There are some researches that have been done to reveal factors that affect employee performance. In Indonesian government office, it was found that employee performance was influenced by individual appraisal, employee needs for achievement, and responsibility for others [2].

Personnel performance in retail marketing industry in Ankara, Turkey was affected by personal, corporate, and environmental factors. Among these factors, personnel factor was the strongest factor in influencing personnel performance. In this research, personnel factor consist of some elements such as physical properties, psychological properties, psychological-sociological properties, worker needs, motivation and stress [6].

Performance of hospital nurses in Riyadh Region, Saudi

Saptiadi Nugroho and A. Nur Muhamad Afif are with the Human Resources, Pertamina Ltd. Indonesia (e-mail: saptiadi@pertamina.com, nurmuhamad.afif@pertamina.com).

Arabia was affected by some factors such as organizational commitment, job satisfaction, and personal & professional variables. Job satisfaction and organizational commitment were the strong predictors in this research [7].

A study about relationship between leader punishment behaviours and subordinate performance was conducted in one of non-profit organization located in western part of United States. The study showed that contingent punishment from leader or organization had no effects on subordinate performance [9].

To understand comprehensively employee performance in Pertamina Ltd, we conducted this research. Our research was held in Marketing and Trading Directorate. As one of the Directorate in Pertamina Ltd, the responsibility of Marketing and Trading Directorate is distributing and marketing final product (such as gasoline, gas, solar, avtur, and kerosene) to all around Indonesia. The total employees of Marketing & Trading Directorate are about 4500 employees. These employees are spread over Indonesian island.

Based on previous research that many factors could affect performance, characteristic of the organization that already established many decades and employee demographics, we studied 4 factors as independents variables consist of PCCD training, work location, corrective action and education level.

II. PERTAMINA HUMAN RESOURCES PROCESS CYCLE

Employees are the most valuable assets for an organization. Every employee has a contribution in the success or failure of organization. So they must be managed and retained in the right way.

Pertamina Ltd. develops Human Resources Process Cycle as a human resources management system. This approach consists of manpower planning and hiring, employee development, and compensation and benefit. In order to achieve harmonic industrial relation and ensure policy & rules were implemented correctly, Pertamina Ltd. periodically conducts HR audit and promote industrial relation management.

There are three sub-areas in manpower planning and hiring; organization need analysis, manpower planning, and recruitment-selection-placement. Meanwhile employee development area consists of performance management system, learning & development, and career management. And the last, compensation and benefit area consists of reward and recognition, compensation & benefit, and employee well-being management.

Encouraging employees to acquire new skill or upgrade the existing knowledge by providing training program is one of the methods that can be applied. The training program will strengthen organization ability not only employee development. The productivity and effectiveness of the organization will increase accordingly.

The main purpose of training program is what employees would attain after experiencing the program [1]. Identifying the competency gap between employee and job requirement is the important task. Without knowing the gap, the learning and training program is meaningless for employees and organization.

In order to sustain in the long run, every organization needs regeneration for its future leaders. Therefore organization must develop their employees skill, knowledge and ability. Leadership development program becomes critical area in employee development. Leadership development program is a highly effective program which should be planned and implemented by organization to increase employee skills and performance that in turns increase collective performance and organization productivity [10].

In Pertamina Ltd., particularly at Marketing and Trading Directorate, the organization have develop a prerequisite training program for employees who will be promoted to be Operation Head. The training program is called Program Capability and Competency Development (PCCD). PCCD consist of technical knowledge that must be mastered. Duration of training is about two weeks. At the end training, there is a Post Test to check the participants understanding.

Corrective action is an approach used by company to remind and motivate employee to work according to the company regulation and rules. By corrective action, employees are directed to align his behavior with company's values and ethics. The types of corrective action starting from the lowest to the highest are as follows: oral warning, warning letter, and termination. Corrective action also related with communication quality between company and employees. If the employees feel that communication with their company is effective, it can increase job satisfaction and commitment to the organisation [8].

Some researchers have studied the relationship between employee performance and education level. It is expected that higher education level will results better performance and productivity. In Riyadh Region Saudi Arabia, performance of hospital nurses was negatively correlated with education level [7]. It indicates that the nurses with higher education level have worse performance. This finding is contrary with the result of other researches where education level has a positive influence on employee performance. In Taiwan, it was found that employee performance is related with the employee competencies, then education are essential for improving employee performance [5].

Pertamina Ltd. has a wide work location that spread throughout Indonesian island starting from Papua and Maluku Islands in the east to Sumatra Island in the west. There are various types of work location such as in a big city, in the middle of the jungle, offshore and remote area. Assigning

employee to some different types of work location periodically is one of the methods in developing employee. By giving assignment in various work place, the organization wants employee maturity, knowledge and ability developed very well.

For the last 5 years, People Review has been implemented as the performance management system. The cycle of People Review starts from January and ends in December. Every 3 months, there is a Performance Dialogue forum to check whether employee performance achievement is above, below, or on the targets. At the end of the cycle, performance achievement will be assessed and employee get performance rating. The rating starts from 1 to 8, where 1 is the lowest and 8 is the highest. The performance assessment consists of two factors which are soft competency known as Leadership Behavior Survey and Key Performance Indicator Achievement. After performance assessment, the supervisor will inform the employee. This activity known as Dialog Day where supervisor and subordinate meet and discuss employee performance rating. In this activity, the supervisors will coach subordinates and help them to identify weaknesses and potential development.

III. RESEARCH METHODOLOGY

This is a non-experimental research where variables are not controlled by the researchers. The objective of this research is to study some factors that affect employee performance. The population of the research is about 300 employees while the number of participants is 30 employees. The average age of participants is 48 years old while the average service period is 26 years.

Researchers defined employee performance as dependent variable and the independent variables are PCCD training, education level, corrective action, and work location.

Employee performance data that used in this research is performance rating of the employees, specifically performance rating in 2012 and 2013. PCCD training variable is described as the score when the participants follow PCCD training. The score is the average pre-test, case study, and post-test. Meanwhile the education level, corrective action, and work location were derived from the personnel data on the employee database system. In education level variable, the participants was divided into three groups: those who are graduate from high school, academy, and university. About 15% of the participants graduated from high school, 44% graduated from academy, and the rest 41%, graduated from university. In corrective action variable, the participants was divided into two categories. The first category is participants who ever have corrective action. The second category is never have corrective action. About 15% of the participants ever have corrective action. The work locations also divided into two categories which are remote and non-remote area. A work location is defined as remote area if there is a minimum medical facility, minimum education facility, limited communication access, minimum transportation and far away from city. About 63% of the participants work in remote area and the rest, which is 37%, work in non-remote area.

TABLE I
 PEARSON'S CORRELATION MATRIX

Variables	Y	X ₁	X ₂	X ₃	X ₄	X ₅
Employee Performance (Y)	1	0.538*	-0.275	-0.076	0.495*	0.471
PCCD Training (X ₁)	0.538*	1	-0.146	-0.094	0.212	0.229
Education Level – 1 (X ₂)	-0.275	-0.146	1	-0.320	-0.154	0.053
Education Level – 2 (X ₃)	-0.076	-0.094	-0.320	1	0.080	0.165
Corrective Action (X ₄)	0.495*	0.212	-0.154	0.080	1	0.251
Work Location (X ₅)	-0.471*	-0.229	-0.053	0.165	-0.251	1

*Correlation is significant at the 0.01 level (2-tailed).

IBM SPSS Statistics was used to analyze the data and evaluate the results. Pearson's Correlation was used to study the direction of relationship between independent and dependent variables. T-Test was used to analyze the existence of significant influence between independent and dependent variables.

The hypothesis of the research as follows:

- H1. There is a significant influence of PCCD training on employee performance.
- H2. There is a significant influence of education level on employee performance.
- H3. There is a significant influence of corrective action on employee performance.
- H4. There is a significant influence of work location on employee performance.

IV. OUTCOMES AND DISCUSSION

Table I represents the Pearson's Correlation Matrix between dependent variable which is employee performance and independent variables which are PCCD training, education level, corrective action, and work location. While Table II represents the results of T-Test, which demonstrates the significant level of the influence of the independent variables on dependent variable.

The matrix indicates that PCCD training has a positive relationship ($r=0.538$) with employee performance which means that employees with higher score in PCCD training have better performance. The Table II shows that the T Score of PCCD training is 2.513. Since the T Score is greater than +2.080, it can be concluded that PCCD training has significance influence on employee performance. It means that PCCD training has successfully improved knowledge and skill of the employees. This finding supports [3] who explained that training program is a good predictor of employee performance, which means that training program has significant influence on employee performance. The training should be designed on the basis of company specific needs and objectives [1]. In the future, the company may improve the training material by identify business demand and employee competency development.

The results show that education level has a negative relationship ($r_1=-0.275$ and $r_2=-0.076$) with employee performance, but the T Score of education level is -1.487 and -0.593. These T Scores are between -2.080 and +2.080. It

means that education level does not have significant influence on employee performance. This finding is similar with [7] who argued that education level did not influence employee performance. This finding consistent with [4] who stated that higher education level may not guarantee higher job performance. In this research, employee performance did not influenced by education level. We found this finding may be because the learning and education program that implemented have successfully developed employees. So, the employee performance is not differentiated by education level. Besides that, job exposure and long work experiences may also contribute in improving employee knowledge, skill, and leadership. Further research is needed to explore the argumentation deeply.

TABLE II
 RESULTS OF T-TEST

Variables	Standardized Coefficients (Beta)	t	Sig.	Results
(Constant)	-	0.524	0.605	-
PCCD Training	0.361	2.513	0.019	H1 accepted
Education Level – 1	-0.218	-1.487	0.150	H2 rejected
Education Level – 2	-0.087	-0.593	0.559	H2 rejected
Corrective Action	0.315	2.187	0.039	H3 accepted
Work Location	-0.307	-2.120	0.045	H4 accepted

Using $\alpha=0.05$, T-Table Value = 2.080.

We also find result that shows positive and significant relation between corrective action and employee performance ($r=0.495$ and T Score=2.187). Employees who got corrective action tends to have higher performance. It indicates that by reminding employee to work according to the rules & regulation, internalize company values and ethics and engage the employees, their performance will be better. Corrective action also related with communication aspect between company and their employees. Pertamina Ltd has established a good communication with its employees. Effective communication between company and employees will increase job satisfaction and commitment to the organization [8].

We also found that work location has a negative relationship ($r=-0.471$) with employee performance. The T Score, which is -2.120, shows that work location has a significant influence on employee performance. This finding indicates that employees who work in remote area have a worse performance. Working in remote area is differ from non-remote area. Employees who work in remote area may feel stress and under pressure because there are minimum facility, limited communication access, and far distance from big city. These condition may decrease employee motivation. Reference [6] argued that personal factors, which consist of some factors such as stress, motivation, etc., have strong effect on personnel performance. These conditions affect employees in remote area to demonstrate a lower performance. To anticipate this finding, the company should arrange a periodic employee rotation/movement program. Assignment to remote area is part of exposure and leadership development program

and to be arranged for maximum 3 years. In addition, company could make a policy for employees who demonstrate excellent performance in consequently 2 years, they could be promoted faster to non-remote work location.

V. CONCLUSION

Some findings extend the understanding factors that affect employee performance. It was found that employee performance significantly influenced by PCCD training. The results show that company has successfully developed employees through PCCD training. In the future, company may improve PCCD training material by identify business demand and employee development.

Corrective action has a significant positive relation with employee performance. By reminding employee to work according to the rules & regulation, internalize the values & ethics and promote good communication between company and employee will generate better performance.

This research also indicates that work location has a significant negative influence on employee performance. It is very important for company to know this finding. For company like Pertamina Ltd. who operates in wide spread work locations consist of remote and non-remote areas, arrange a periodic employee rotation program as a part of career development is necessary. To increase motivation, for employee in remote-are who has outstanding performance in two years consequently should be prioritized to be promoted to non-remote work location.

Unlike the other independent variables, education level does not have a significant influence on employee performance. The argumentation of this finding is like this; the learning and education programme that held by the company have successfully developed employees' skill, knowledge, and ability. So it does not matter with their education background, the employee performance is not different.

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