

[Current](#) [Archives](#) [About](#) ▾[Home](#) / [Archives](#) / Vol 1 No 1 (2017): Home

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Articles

PERFORMANCE OF ISLAMIC INDICES: RISK ADJUSTED RETURNS OF SHARIA COMPLIANT STOCKS ON JAKARTA ISLAMIC INDEX AND DOW JONES ISLAMIC TURKEY

Ade Banani, Nur Afni Hidayatun

1-18

 PDF

IMPACT OF AUDITOR'S WORK EXPERIENCE, INDEPENDENCE, OBJECTIVITY, INTEGRITY, COMPETENCY AND ACCOUNTIBILITY ON AUDIT QUALITY

Gita Sulistya Ningrum, Linda Kusumaning Wedari

19-33

 PDF

EFFECT OF DESTINATION IMAGE, PERCEIVED QUALITY, PERCEIVED VALUE TO SATISFACTION AND REVISIT INTENTION IN TANJUNG BENOA BALI

Siane Carla, Erna Andajani, Siti Rahayu

34-42

 PDF

PERFORMANCE MANAGEMENT THROUGH COMPENSATION SYSTEM AND CAREER MANAGEMENT: ACCELERATING ORGANIZATIONAL EXCELLENCE SUSTAINABILITY IN PT PJB SURABAYA

Noviaty Kresna Darmasetiawan

43-50

 PDF

ANALYSIS OF DEBT, AMOUNT OUTSTANDING, STOCK PRICE INDEX, AND NOMINAL EXCHANGE RATE STABILITY OF THE FINANCIAL SYSTEM IN INDONESIA

Bobby Radiansyah, Y.B. Suhartoko

51-61

 PDF

ISSN 2549-5860



Publishing Process System

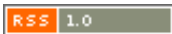
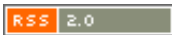


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PERFORMANCE MANAGEMENT THROUGH COMPENSATION SYSTEM AND CAREER MANAGEMENT: ACCELERATING ORGANIZATIONAL EXCELLENCE SUSTAINABILITY IN PT PJB SURABAYA

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ABSTRACT

Performance management is becoming a major requirement for many organizations, due to a good performance management of an organization can make it easier to achieve objectives, further impacts are as an advantage acceleration of sustainable organizations. PT. PJB Surabaya conducts performance management through the creation of a compensation system and employee career management. Compensation system that is applied is in the context of employee performance management is through a system of remuneration and incentives for the employees, while the management system of the careers of employees are done transparently and equitable for every employee to prepare the employees who have integrity and high competence, and professional in carrying out the company's vision and mission. The purpose of this study was to determine how performance management is conducted by PT PJB Surabaya, as well as how is the designs of the compensation system and career management that are conducted by PT PJB Surabaya in order to do the performance management. This research is a study case, which uses primary and secondary data. Primary data were obtained through questionnaires, in-depth interviews and focus group discussions, while secondary data obtained through observation and analysis of documents. The findings obtained from this research is to know about the compensation system and career management that are conducted for performance management of employees, so PT PJB Surabaya is capable of accelerating sustainable organizational excellence.

Keywords: *Performance Management, Compensation Systems, Career Management, Acceleration of Excellence, Sustainable Organization¹*

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1. INTRODUCTION

Many transitions are happening so fast and unpredictable that makes the company currently faces many challenges. Those transitions could be in the fields of economy, technology, market and high competition. Therefore, companies need to change all the habitudes that have been done so far to deal with the high level of competition and to achieve the desired goals. Hence, it requires a new approach in managing the performance of an organization known as performance management.

PT PJB Surabaya currently has 406 active employees, with a composition of 290 male employees and 116 female employees. Most of the employees at PT PJB Surabaya, 40% of them have worked for more than 20 years. Although those employees' skills has growth day by day, but the employees have no sensitivity to face the challenges that have been faced by PT. PJB, and late in responding to that change, moreover, the majority of the employee feel satisfied with their own performance due to the company has no tight rules related with the target performance as well. By recognizing this condition, PT PJB willing to make changes related with the organization's performance management by creating the Key Performance Indicator (KPI), then continues by creating the formulation of the Performance Appraisal System that impact on the formulation of the compensation system and career management for employees.

2. LITERATURE

Dessler (2005) says that the performance assessment needs to be carried out by companies that expect employees to have good performance, it is in order to support the company's goals, especially for employees who feel that potential employees are not developed, lack the ability to compete, no longer as good as first selection. Furthermore, Dessler (2005) define Performance Management as a process of consolidating goal setting, assessment, and development of performance into a jointly single system, which aims to ensure the performance of the employees support the strategic objectives of the company. That definition is supported by Udekusuma (2007) who said that performance management is a management process that is designed to link organizational goals to individual goals, thus both the individual goals in accordance with the objectives of the organization, in consequence, the employee are not only concerned with the achievement of individual goals, but rather on the achievement of organizational goals (in Denny, 2011).

In addition, Armstrong, et al. (2004) in his research concluded that companies conduct performance management with the following objectives:

1. Enable, motivate, and reward employees to do the best they can do. (Armstrong World Industries).
2. Focus employees on the right things and do it right. Linking the personal goals of each employee with the organization's objectives. (Eli Lilly & Co.).
3. Managing proactively, the performance may show the accountability in accordance with the objectives of the organization. (ICI Paints).
4. The systematic approach regarding the performance of organizations associated with individual accountability with targets and activities of the organization. (Royal Berkshire and Battle Hospitals NHS Trust).
5. The alignment between employees' personal objectives with the team, division, and organization. The disclosure of organizational goals by the usage of measuring

- instruments. Controlling the development of performance and further necessary action. (Macmillan Cancer Relief).
6. Process and how to behave which the managers need to organize the performance of the people in order to achieve a high performance organization. (Standard Chartered Bank).
 7. Everyone has the clarity about what they have to achieve and the standards expected, and how to contribute to the success of the organization; receive the fairness of the feedback, proper, and coaching to motivate the employee to achieve the best ability of what they can get. (Marks & Spencer Financial Services).
 8. Optimizing the potential of individuals and teams to bring benefits for their self and for the organization; focuses on achieving goals. (West Bromwich Building Society).

Performance management is how organizations regulate the performance of the organization with a more structured and organized, know how effective and efficient environmental performance, help determine organizational decisions relating to the performance of the organization, the performance of each part of the organization, and individual performance, improve the overall organization with improvements sustainable, encourage employees to work according to the procedure, with courage and productive in order to get the optimal work (Williams, 1998; Armstrong & Baron, 2005; Wibisono, 2006). Performance management, should be followed by the design of the compensation system, and the management system of career management (Aguinis, 2005)

The research question posed in this study are: (1) How is performance management conducted by PT PJB Surabaya? ; (2) How to design a compensation system that performed by PT PJB Surabaya in order to conduct the performance management? ; (3) How to design a career management system conducted by PT PJB Surabaya in order to conduct performance management?

3. RESEARCH METHODS

This research is a case study, which uses primary and secondary data. Primary data were obtained through questionnaires, in-depth interviews and focus group discussions, while secondary data obtained through observation and analysis of documents. Respondents involved in this study were as many as 12 people, consisting of the ranks of upper management, medium, and basic management of the divisions that exist in PT PJB Surabaya, the production division, division development of commerce, finance division, a division of human resources and administration.

Performance management is a process designed to improve the performance of organizations, teams, and personally raised by line managers (Armstrong, 2004); in this case is for PT PJB Surabaya. Added by CIPD, performance management is the idea of helping people to understand the contribution they can make to the organization's strategic goals and ensure that the right skills and efforts are focused on the things that are important to the organization that can impact the performance of the organization.

Furthermore, Armstrong mentioned two criteria for effective performance management, namely (1) the involvement of employees in donating their thoughts on the things that need to be achieved and (2) managing and developing people in ways that allow the goal is reached. In this study explored whether previously PT PJB Surabaya had performance management? If already have performance management, is it affected the

employee performance management, either through compensation and career management of the employees?

4. RESULT AND DISCUSSION

PT PJB Surabaya is engaged in the generation of electricity in East Java and Bali is a subsidiary of PT PLN (Persero) with the status of State-Owned Enterprises (SOEs). The operations are conducted by PT PJB is to provide economical electricity, high quality and reliable, carrying out construction and installation of generators, maintenance, and operation of power plants and other businesses related with the activities of the company in order to utilize with maximum potential. PT PJB apply the international rules when running their business based on three strategic pillars, namely asset management as a core competence of the company (organizational capital), system management HR (human capital), and information technology as a business enabler (information capital readiness), which where the three pillars are translated into 10 best practice systems management, including: asset management, risk management, ISO 9000 quality management, environmental management ISO 14000 and K3 OHSAS 18000, the management of good corporate governance (GCG), information technology management, knowledge management, competency-based human resource management, management Baldrige, 5S management and housekeeping.

PT PJB vision is "to be the leading power company in Indonesia with world class standard," while the mission had: (1) produce electrical power that is reliable and competitive; (2) improve sustainable performance through the implementation of governance and synergy generation business partner and environmentally friendly; (3) develop the capacity and capability of human resources that have technical competence and superior managerial and business insight. According to the results of interviews with top management, it is said that the competitiveness of a company is achieved through the accumulation of individual and corporate competitiveness in the global economy.

PT PJB Surabaya has 460 active employees, with a composition of 290 male employees and 116 female employees. The number of active employees by age and education level are as follows.

Table 1. The Numbers of The Employee Based On The Age

	26- <26	31- 30	36- 35	41- 40	46- 45	51-56 50	51	52	53	54	55	56
16	42	63	52	74	67	21	17	15	20	17	2	

Source : Internal Data PT. PJB Pusat Surabaya, 2015

Table 1 shows that the number of employees is 406 employees with most ranging in age of 41-45 about 74 people. At that age was a productive period of an employee to occupy strategic positions with training to meet the needs of job competency.

Performance Management in PT PJB Surabaya

PT PJP's vision is to accelerate the sustainability of excellence through the performance management. According Harnaningrum, et al. (2012), the current performance of PT PJB in service operation and maintenance of plant, employees feel that the performance of

PT PJB Surabaya already had the advantage. This is due to several factors that are above standards, good cooperation, reliability, resource management, plant operations, and job knowledge.

Employee performance is the result of activity or work performance of employees in the form of quality and quantity in accordance with the duties and authority given. During the measurement of employee performance using a standard DP3, namely from the covers 7 (seven) aspects as follows.

1. Job performance include : proficiency, great skill, hard-working, and good result
2. Responsibilities include: includes job accomplishment, dedication, responsible, and risk-taker
3. Obedience, include: discipline, company order accomplishment, punctuality, and politeness
4. Honesty, include: authorization adoption and work report accomplishment
5. Cooperation, include: tolerance, adaption, considerate, and cooperation ability
6. Creativity, include: planning and initiative, and contribution
7. Leadership, include: job assignment accomplishment, decision making, communicative, organizing job priority, firmness and objective, role model, coordination, understanding the subordinate's skill, motivator.

Although PT PJB Surabaya had the performance appraisal system to evaluate the work performance of employees. However, the indicators contained in the performance appraisal system has not adjusted to the Key Performance Indicator (KPI) owned by PT PJB Surabaya.

Compensation System in PT PJB Surabaya

Compensation is an award to the workers who have contributed to the company. During this time the employees of PT PJB has been given salaries and allowances. Salaries are granted in accordance with the salary scale applied, in accordance with the position, position level / group, and a work that has been adapted to MSEs. In addition to the basic salary, the employees at PT PJB Surabaya also obtained a fixed allowance (functional) and other allowances with appropriate conditions, such as THR, Health Benefits, Annuities, and others.

Compensation system applied in PT PJB Surabaya relevant Performance Assessment System that went into effect there, merely to determine the increase in the level of the position already determined in a period of a maximum of four (4) years, and has not been linked with the job performance as a result of performance management owned by PT PJB.

The relationship between compensation with employee performance create a conducive working environment and provide motivation (Hasibuan, 2002). Furthermore, employees are also expected to maximize the responsibility for the work. The compensation is needed by any company to improve employee performance (Nawawi, 2001), although according to Hima (2015) found no significant relationship between compensation and performance.

Career Management of PT PJB Surabaya

PT PJB Surabaya Employee Career Management has been implemented based on employee Career Coaching System established by PT PJB Surabaya. Career Coaching Employee system is to guide career development of employees which is transparent and equitable for every high integrity and competence employee in carrying out the vision and mission of the company. Appropriate career guidance system are capable of providing direction for employees to develop themselves and to accelerate the achievement of the

organization. Employee career development is the right of every employee and must be implemented by the employee head. A review of employees of PT PJB Surabaya by level of education as follow:

Table 2. Numbers of the Employees Based On Level of Education

Elementary	Junior	Senior	Diploma1	Diploma3	Bachelor	Master	PhD	Total
0	1	84	1	26	237	57	0	406

Source: Internal Data PT. PJB Surabaya 2015

Table 2 shows that the employee with Bachelor Degree education are the highest. Where the Bachelor Degree educational background is supporting an employee’s career.

PT PJB Surabaya manage employee career development that are based on employee career development system that has been set up by the PT PJB Surabaya. Employee career development system is to guide career development of employees transparent and equitable for every employee to prepare the employees who have high integrity and competence, and professional in carrying out the vision and mission of the company. Appropriate career guidance system capable of providing direction for employees to develop themselves and are able to accelerate the achievement of the organization. Employee career development is the right of every employee and employer must be implemented it. Every employee has a term of office, the term of office for an employee refers to two (2) types of positions, such as structural and functional position.

The employees in age 51-56, they should transfer their experience and knowledge to the younger, while they are ready to get pension on age 51-54. During the transfer knowledge, the employees require joining the training with their spouses. During the age 55-56, they are suggested to follow the entrepreneurship training with other employees. This program aims to deliver the insight about adaptation, changes, and new condition of having the pension.

Every employee has positioned either structural or functional as a job position. The Structural is positioned on company organization structure from low to high position. The structural position in PT PJB Surabaya has the highest position as corporate secretary and head; the middle level as senior manager, general manager, head of department, and; the low position is basic management such as manager, which stated on table below:

Tabel 3. Structural Position

Range of Management	Position
Top Management	Corporate Secretary, Head
Middle Management	Senior Manager, General Manager, and Head of Department
Low management	Manager

Source : Internal Data from PT PJB Surabaya, April 2015

Functional position is not stated on organization structure but they are still related to the structure position and urgently required by organization as a whole. Its function in PT PJB Surabaya consists of technical, operation, non-technical, and maintenance. Each of position is

marked as functional I, functional II, functional III, functional IV, functional V, and functional VI.

The employees in PT PJB Surabaya is majorly positioned as Functional IV, as engineer, operator, analyst, and officer, while Functional V is positioned as *Assistant Engineer, Assistant Operator, Assistant Analyst, and Assistant Officer*. Therefore, most of employees with the range age of 51-56 are prepared for the replacement by implementing “*fit and proper*” test which is selected from internal employees, recruitment, and employee rotation. The employee within less than 1 year on pension rate is not be able to be placed to fill structural position, while functional position will be filled by implementing skill test which is from recruitment and rotation. Filled position will be planned from the employee career path. Career path structurally will provide the big chance for the employees to develop their career based on their skill.

Career path implementation is run based on the mutation condition. Mutation consists of promotion, rotation, and demotion. Promotion is development of career path based on the skill with specific requirement. Rotation is the replacement of the job position with the same level, while demotion is position job decreasing. The employee job period on structural is 4 years long on the same function or field and unit within the same units.

The employees that will be on pension stage who positioned as particular level of management will be replaced by middle level. Meanwhile, the employee who is positioned on middle level who will be on the pension staged will be replaced by employee who is on functional I to III. If there were no candidate on functional I to III, the next candidate will be recruited from functional IV and V.

The structural and functional career path will be separated fairly among the organization in order to replace the pension employees. The employees of PT PJB Surabaya will have a clear career path in order to avoid the career blocking.

5. CONCLUSION AND SUGGESTION

According to research, there are some conclusion, such as (1) PT PJB has clearly formulated the vision, mission, and strategy for organization. There were some achievement that had been achieved by organisation, unit, and individually. PT PJB Surabaya will coordinate to develop the continuity (2) compensation plan system, formulated by PT PJB Surabaya, is not optimized and the salary and benefit calculation is not related to the employee award in organization, unit, and individual (3) The career path of PT PJB Surabaya has been well-implemented while only evaluated by scoring the employee work performance

Therefore, there are some suggestions that PT PJB requires to formulate the KPI in the organization, unit, and individually. The KPI will be stated as a basic standard to achieve the organization target, unit, and individual. It is expected that KPI will be formulated to adjust with company performance from work performance evaluation, compensation system, and career system by PT PJB to be intergrated to enhance the company achievement in the future.

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