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# An Integrated Human Resources Model in Manufacturing Companies: A Case of Indonesia

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**Abstract.** The development of manufacturing companies in Indonesia has a significant impact towards job availability for local people. This research analysis the human capital aspect in manufacturing companies. Data collection using questionnaire two manufacturing companies in Cikarang Industrial Area. There are 300 respondents that participated in this research, employees in manufacturing companies. The results found there are significant influences between internal service quality towards employee performances, mediating by employee satisfaction, employee commitment, and employee well-being.

## 1. Introduction

Cikarang industrial area has a very important role to support national economic growth. Indonesia Statistics stated in 2010-2014, Bekasi is a district area with GDP 14.29% in West Java while industrial activity contributes 77.58% (BPS, 2017). The development of Cikarang Industrial Area (CIA) has a direct impact towards social and economic condition for society in surrounding area. The existences of CIA create job opportunity to local people. Manufacturing company in the industrial area tend to hire local people as their employee. The development of the industrial area will open job opportunity for the people in Bekasi district.

The manufacturing company depicts an impressive part in the human, social and financial capital. This research concerned to human capital development in manufacturing company. Developing employee performances related to the employee's motivation, leadership, and discipline. "The organization need to manage decent positive emotion towards employee performances, because employees contribute to valuing the quality of the outcomes" (Frederickson, 2004). Therefore, employee satisfaction will highly affect to employee's performance.

This research based on Sharma, Kong & Kingshott, (2016) framework. In previous research, they stated that industrial company need to provide suitable internal service quality to increase employee satisfaction that lead to the performances. Internal services known as the services provided by employees in specific units or departments within the organization" (Sharma et al, 2016). Internal service quality also affects the satisfaction of the employee (Alam, 2012; Canibano, 2013). Therefore, this research proposed an integrated variables relates on employee performances such as internal service quality, employee well-being, commitment and satisfaction. The novelty of this research is to explore how manufacturing company engages their employee that also part of stakeholder.

## 2. Literature Review

### 2.1 Employee Performance

To improve organizational performance, organizations strive to improve employee performance by involving employees in the process of developing organizational goals. Medina (2015) argue that employee



performance consists of multi-dimensional construction consisting of tasks or work, contextual, adaptive, and counterproductive behavior. Those dimensions are the role and direction for someone in implementing the organization's strategy. Sharma et al (2016) stated that employee performance is an achievement performed by employees in the organization. Good employee performance lead employee towards the organizational good performances. Therefore, it is very important for employees to understand the organization's goals before starting work.

### *2.2 Internal Service Quality*

Internal Service Quality considers the organization to maintain good service within the organization (internal), so they can deliver good service to the external organization such as a customer or supplier. Internal service quality programs develop good communication among workers from a different department. Boshoff (1995) stated that good internal service quality will increase employee satisfaction. An employee will be happy and motivated to do work in effectively and efficiently. The experience of good internal service quality will impact employee loyalty and good employee performances. Therefore, internal service quality could employee's satisfaction, commitment, well-being towards their performance. Employee commitment in this research has three dimensions variables of measurement such as effective (desire) commitment, continuance (need) commitment, and normative (an obligation) commitment (Sharma et al, 2016). Based on these facts, the researcher hypothesized that:

- H1* : Internal Service Quality influences Employee Satisfaction
- H2a* : Internal Service Quality influences Employee Commitment in term of Affective Commitment
- H2b* : Internal Service Quality influences Employee Commitment in term of Continuance Commitment
- H2c* : Internal Service Quality influences Employee Commitment in term of Normative Commitment
- H3* : Internal Service Quality influences Employee Well-being

### *2.3 Employee Satisfaction*

Measuring employee satisfaction is very important for the organization. If the employee satisfied, they would work harder. Also, the employee will be more motivated and had a better personality. Even though, the satisfaction of the employee is very subjective to measure. The level of employee satisfaction was may be different from employee to employee. (Gazzoli et al, 2009). Employee satisfaction is employee psychological aspect to define balancing between ability, skill and work expectation. Employee satisfaction also is known as an emotional attitude that bring happiness and love to employee towards their jobs. Employee satisfaction influenced by internal and external factors such as hygiene, motivation and work environment (Waqas et al, 2014). Based on these facts, the researcher hypothesized that:

- H4* : Employee Satisfaction influences Employee Performance

### *2.4 Employee Commitment*

#### *2.4.1 Affective Commitment*

Employee commitment is "a feeling or attitude that stimulate individual action to do organizational value or target" (Enache, 2013). Affective commitment is an emotional feeling that bond employee to stay with the organization. Nelson (2012) defined affective commitment as a psychological connection that produced loyalty and sense of belonging between employee and organization.

#### *2.4.2 Continuance commitment*

Continuance commitment is defined as a strong feeling to stay in an organization because of continuance needs that relate to career investment and social relationships with co-workers. The most employee will consider the cost of the benefits if they want to leave and seek employment elsewhere. Therefore, time,

location, salary, the social relationship between employee and also involvement in the community and organization become more precious (Jha, 2011; Umoh, 2014).

#### 2.4.3 Normative Commitment

Normative commitment is known as employee feeling to survive in the organization based on norm, value, and belief. Jha (2011) stated as “generalized value of loyalty and duty”. There are a few factors that trigger an employee to stay and be loyal and committed to the organization such as family, marriage, country, religion and employment organization. Based on these facts, the researcher hypothesized that:

*H5a* : Employee Commitment in term of Affective Commitment influences Employee Performance

*H5b* : Employee Commitment in term of Continuance Commitment influences Employee Performance

*H5c* : Employee Commitment in term of Normative Commitment influences Employee Performance

#### 2.5 Employee Well-Being

Employee welfare is related to subjective experiences such as joy, enthusiasm and varying degrees of pleasure and passion experienced by employees in the company. It founds that poor employee welfare can affect the physical and psychological behavior of employees in negatively (Sharma et al., 2016; Sonnentag, 2013). So, in building and improving employee welfare, involvement is related to experience, positive influence, the application of efficient work, employee retention, creativity, and ultimately business results (Simon, 2012). Based on these facts, the researcher hypothesized that:

*H6* : Employee well-being has influences Employee Performance

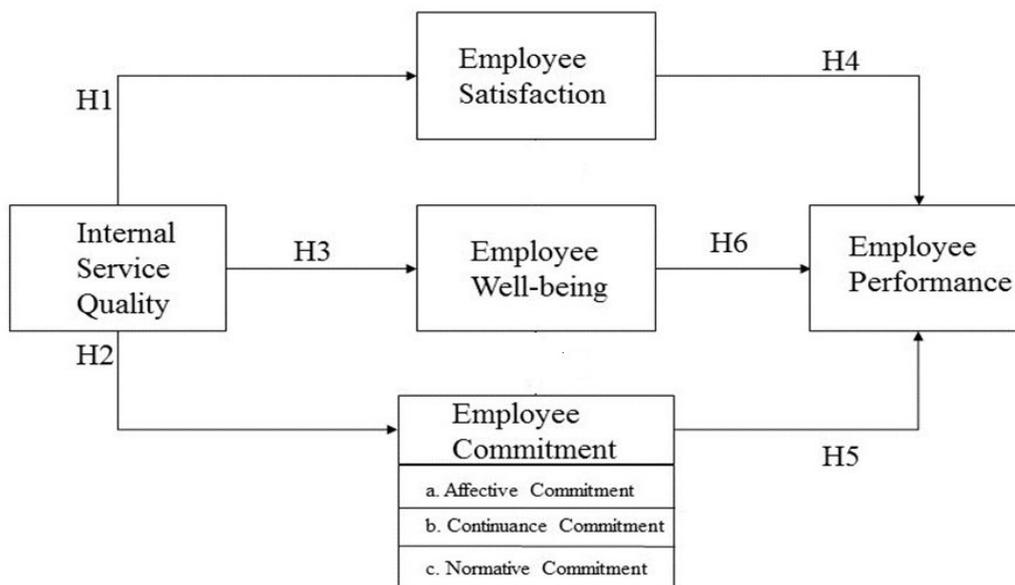


Figure 1. Conceptual Framework for an Integrated Model of Employee Performances

### 3. Research Methods

This study used quantitative research to test the conceptual model. Data collected by questionnaire with Likert scale as the measurement. The scale starts from 1 to 5, which are 1=“Strongly Disagree” and 5=“Strongly Agree”. The population in this research are local employees who work in manufacturing companies in Cikarang Industrial Area. The samples of respondent are local employees that working in two biggest industrial companies in Cikarang Industrial Area. Convenience sampling is used to be the method of sampling. Structural Equation Modelling (SEM) would be used to test the model and significances from the hypothesis.

### 4. Results and Discussion

#### 4.1 Respondent's Profile

Questionnaires were distributed to 300 respondents, but only 263 questionnaires that can be processed. 50.3% respondents were in the age of 21 up to 30. 39.3% respondents were above 30 years old. While 10.3% respondents were below 21 years old. Female respondents were dominated in this research around 64% while 36% of the respondents are male. Data shows that 50.3% of the respondents were married while the other 49.7% of the respondents were single. About 43.3% respondents work more than 4 years (43.3%), 29.3% between 2-3 years and 27.3% have only worked for less than 2 years. Most of the respondents were working in production, marketing, and technical staff.

#### 4.2 Statistical Analysis

##### 4.2.1 Validity and Reliability Test

There are five variables that used in this research. There are Internal Service Quality as an independent variable, Employee Satisfaction, Employee Commitment (Affective Commitment, Continuance Commitment, and Normative Commitment), Employee well-being as mediating variables, and Employee Performance as a dependent variable. The validity and reliability test were conducted using SPSS by Kaiser-Meyer-Olkin (KMO) test and Cronbach's alpha. The results show that all of the items in the questionnaire were valid and reliable (Table 1).

**Table 1.** Validity and Reliability Test

Variables	KMO Test	Cronbach's Alpha
Internal Service Quality	0.883	0.971
Employee Well-being	0.831	0.704
Employee Commitment-AC	0.831	0.795
Employee Commitment-NC	0.831	0.815
Employee Commitment-CC	0.831	0.842
Employee Satisfaction	0.831	0.706
Employee Performance	0.649	0.854

##### 4.2.2 Structural Equation Modelling (SEM) Analysis

The analysis of structural equation modeling was conducted by AMOS Software. Looking at the structural model fit result test (Table 2) the CMIN/DF value is 1.982 which considered as good fit. The IFI, TLI, and CFI are considered as mediocre fit. The IFI has a value is 0.889, TLI is 0.876, and CFI is 0.888. The RMSEA has a value of 0.061 which is a reasonable fit as it is should be  $0.05 \leq RMSEA \leq 0.08$ . From the result of SEM analysis, it is concluded that CMIN/DF, IFI, TLI, CFI, and RMSEA (5 out of 7) criteria are considered

as acceptable. The results show that the conceptual model that had been proposed in this research have a good fit.

**Table 2.** Structural Equation Model Results

Model Fit Criteria	Research Result	Cut of Criteria	Interpretation
Chi-square	.000	0.005	Significant
Root Mean Square Error of Approximation (RMSEA)	0.061	$0.05 \leq RMSEA \leq 0.1$	Good Fit
Tucker Lewis Index (TLI)	0.876	$0 \leq x \leq 1$	Mediocre Fit
Comparative fit Index (CFI)	0.888	$0 \leq x \leq 1$	Mediocre Fit
Inferential Fix Index (IFI)	0.889	$0 \leq x \leq 1$	Mediocre Fit
CMIN/DF	1.982	$2.0 < CMIN/DF \leq 5.00$	Good Fit

#### 4.2.3 Hypothesis Testing

Table 3 shows the number of Critical Ratio (C.R.) of most variables are below 1.96 and passed the standard P-value for significance level  $< 0.05$ . But there are P-value from H5b and H5c that has value  $> 0.05$ , it means the hypothesis was rejected. Squared multiple correlations have the endogenous variables. It is measuring and explaining the indicator of an endogenous variable in SEM.

**Table 3.** Hypothesis Result

Hypothesis	Coefficient	t-value (C.R.)	Sig. P	Conclusion
H1	1.223	5.888	***	Accepted
H2a	1.260	6.320	***	Accepted
H2b	1.427	6.521	***	Accepted
H2c	1.591	6.586	***	Accepted
H3	0.889	3.991	***	Accepted
H4	0.185	3.778	***	Accepted
H5a	0.263	2.589	0.010	Accepted
H5b	-0.032	-0.562	0.574	Rejected
H5c	0.052	0.957	0.339	Rejected
H6	0.135	4.049	***	Accepted

#### 4.3 Discussion and Implication

Based on SEM test results from an integrated model of employee performances shown as a good fit model. The model shows employee performances is increased caused by a good quality of internal service in the organization mediating by employee satisfaction and employee commitment. The relationship showed when internal service quality is good, it will satisfy the employee which lead to employee good performance. A good internal service quality means the employee is being well treated by the others and the employee are appreciated for their work. Sharma et al (2016) also stated that employee satisfaction positively affected by internal service quality". Employee Satisfaction has an influence on employee performance. Sure enough, it is because the feeling of being satisfied will encourage employees' performance in every work they do.

A satisfied employee tends to have more passion and spirit to do their job. It is proved to be accepted by the hypothesis test.

Internal service quality affects employee performance then it will also affect the well-being of the employee. Sharma et al (2016) also focusing research on employee well-being as the factors that influenced by the internal service quality. Therefore, employee well-being is a result of employee satisfaction. The results show that employee well-being as a mediator variable has significantly influence employee performances. Employee well-being is the determinant of employee performance which is the more prosperous employees the more employees feel eager to do their work.

Internal service quality on an industrial organization has a significant influence on employee commitment in terms of continuance, affective and normative commitment. The results also show that internal service quality influences employee commitment in terms of affective, continuance, and normative commitment. Internal service is a factor that makes an employee willing to stay and continue working in the organization. For example, internal service quality drives a normative commitment to the employee, when the internal service is good then employee would feel more committed in terms of normative. Sharma et al (2016) stated that internal service quality has a positive effect on employee commitment. Employee commitment formed when they receive an appreciation, and a good service from other colleagues in the organization. When an employee feels appreciated they will feel more committed to the organization and feels that they have a responsibility.

However, employee commitment has no significance to influence employee performance in term of affective and normative. It is because an employee commitment is not always defined employee performance. For example, some of the employees might be good and some of them might have a bad performance. It shows that the commitment of employee occurs when employee satisfy. Employee Commitment in terms of affective, continuance and normative commitment have no significance on employee performance. Employee commitment is not always attached to employee performances in an organization. Employee commitment to the organization will not always make them feel responsible to do their job correctly and properly. In deciding whether the employee is willing to continue working at the organization, there will be a few considerations. Normative commitment is a relative situation and could be different among employees. Therefore, hypothesis (H5b, and H5c) are rejected.

## **5. Conclusion**

This study shows the significance of integrated model towards employee performances in manufacturing company. Based on the model, internal service quality has significant influences towards employee performance through employee satisfaction, employee well-being and employee commitment in term of affective commitment. This study also developed knowledge and awareness for manufacturing companies regarding internal service quality and the effect towards local employee performances. It is because the higher the quality of internal service in an organization, the more likely the employee would feel satisfied. For the future research, the relationship between employee commitments, employee well-being and employee satisfaction can be considered as aspects to increase a better employee performance.

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