Developing a Strategic Framework for Enhancing Employee Engagement and Retention

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ABSTRACT

Keywords: employee engagement, retention, turnover, dairy industry.

Employee engagement is a critical focus in human resource management, particularly in industries with strategic significance such as the dairy industry in Indonesia. The Indonesian dairy industry plays a vital role in ensuring community nutrition and contributes significantly to the national economy through job creation and improving farmer welfare. As the market leader, PT Indosusu Nasional acknowledges that human resources are its primary asset and key to organizational success while facing intense competition and high employee turnover. This study aims to analyze employee engagement at PT Indosusu Nasional, focusing on factors influencing engagement levels and their impact on employee retention. Data was collected through a survey involving employees from various departments of the company. The results of this study can be recommended to PT Indosusu Nasional as a strategy for retaining its employees is related to the company's reputation in building the company's image and conducting routine training for employees.

Introduction

The dairy industry in Indonesia occupies a crucial role in the national economy, contributing significantly to both nutrition and employment. (Aji, Wijoyo, & Rachmadi, 2024). This sector is experiencing remarkable strategic importance, with strong prospects for growth and expansion. According to data from the Directorate General of Animal Husbandry and Animal Health of the Ministry of Agriculture of the Republic of Indonesia (Ditjen PKH Kementerian Pertanian RI), the demand for milk in Indonesia currently stands at 4.3 million tons per year. However, domestic production meets only approximately 22.7% of this demand, with the remainder fulfilled through imports. This gap between supply and demand represents a substantial opportunity for the domestic fresh milk industry. Additionally, the performance of milk processing companies is heavily influenced by the management of human resources. Employees are one of the most valuable assets in an organization, contributing significantly to its growth and success. (Alana & Sharif, 2023). Their contribution extends beyond mere satisfaction and commitment to achieving the organization's desired effectiveness through engagement.

In this research, comparisons were made between dairy industry companies listed on the IDX. The companies compared with PT Indosusu Nasional include PT Diamond Food Indonesia Tbk (DMND), PT Cisarua Mountain Dairy Tbk (CMRY), and PT Campina Ice Cream Industry Tbk (CAMP) (Bygstad, Munkvold, & Volkoff, 2016). In such a competitive environment, companies must focus on growth, profitability, and market share. Despite its historical market leadership, PT Indosusu Nasional faces contemporary challenges that require thorough research and evaluation to maintain and enhance its position in the competitive dairy industry. (Aprilia & Alfansi, 2024).

Analyzing external factors is crucial for understanding the dynamics that influence a company's performance. (Chang & Yu, 2023). This research conducts a comparative analysis of various companies in the dairy industry to determine PT Indosusu Nasional's competitive standing. The findings indicate that PT Indosusu Nasional outperforms the average of the three other dairy industry companies analyzed. Despite having the fewest employees in 2022, PT Indosusu Nasional achieves higher sales per employee, demonstrating its efficiency and strong performance.

Table I
Sales and Number of Employees Each Company (in Billion Rupiah)

	PT Indosusu Nasional	PT Average	PT Campina	PT Cimory	PT Diamond
Sales	Rp7,656.30	Rp6,378.00	Rp1,129.00	Rp8,461.77	Rp5,906.27
Number of Employees	970	3527	1357	7224	3,269.5
Sales per Employee	7.89	1.81	0.83	1.17	2.93

However, over the past five years, PT Indosusu Nasional has experienced a decline in profit per employee and profit per personnel cost.
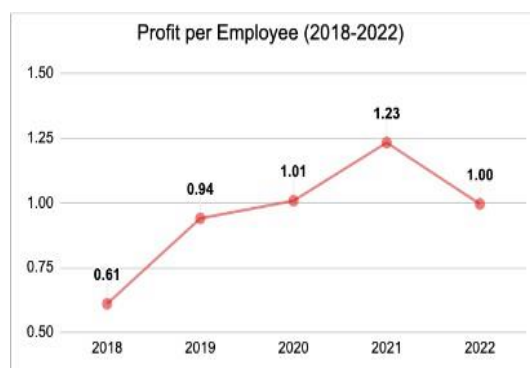

Figure 1
Profit per Employee of PT Indosusu Nasional from 2018-2022

This trend indicates that the company has not fully maximized the efficiency of its workforce in generating profits, as evidenced by the lack of annual increase in profit per employee.

Figure 2

Profit per Personnel Cost of PT Indosusu Nasional from 2018-2022

A declining ratio could suggest that a significant portion of the company's revenue is being devoted to personnel costs, indicating a need to reassess the cost structure or find ways to enhance productivity. This trend signifies that the company is increasingly generating less profit from its personnel expenses over time.

To fully understand and analyze the external factors, it is essential to also investigate the internal factors thoroughly. When examining the decrease in profit per employee and the stagnation of profit relative to personnel costs, it becomes clear that there are underlying issues within the company's human resources domain.

Table 2

Employee Turnover Ratio

Decription	Unit	2022	2021	2020
Employee Turnover Ratio	%	9.46	3.24	5.67

In 2022, the turnover ratio saw a notable increase compared to previous years. High employee turnover can significantly affect both the quality and quantity of production (Wu, 2012). Discussing the importance of turnover is crucial, as it directly relates to organizational performance (Bygstad et al., 2016).

Method

Participants

This research employs a quantitative approach, collecting data by distributing questionnaires to a sample of participants. The study included 100 respondents from various departments within the company.

Measures

This research aims to measure the level of employee engagement with the company across eight dimensions: brand, leadership, performance, the work, the basics, company

practices, business problems, and people problems. Each dimension includes three sub-drivers (indicators) represented by specific questions in the questionnaire. The questionnaire comprises 30 items, each rated on a six-point Likert scale.

Results and Discussion

In this research, measurement models with reflective indicators are evaluated using convergent validity (AVE). An AVE value greater than 0.5 indicates that the variable is ideal, meaning the indicator is valid for measuring the construct it forms. Consistency reliability was assessed using Cronbach's Alpha parameter, with a recommended value greater than 0.7. Composite reliability in PLS is also conducted to measure the consistency of the measuring instrument. A construct is considered reliable if it has a composite reliability value greater than 0.70 (Chang & Yu, 2023). The results demonstrated that the validity and reliability tests met the required standards, indicating that each indicator in this study is valid and reliable for measuring the constructs.

Table 3
Validity and Reliability Test

Variable	AVE	Croncbach's Alpha	CR
Company Brand	0.814	0.886	0.929
Leadership	0.794	0.868	0.920
Performance	0.625	0.875	0.922
The Work	0.672	0.819	0.892
The Basics	0.795	0.797	0.877
Company Practices	0.799	0.872	0.920
External Factors	0.784	0.703	0.833
Internal Factors	0.810	0.758	0.860
Say	0.860	0.725	0.879
Stay	0.705	0.767	0.895
Strive	0.733	0.837	0.925

A higher R-Square value signifies a robust predictive capability of the research model. (Indrawati, 2015), indicating the effectiveness with which the independent variable impacts the dependent variable. As the R-Square value increases, so does the strength of the independent variable's influence on the dependent variable (Puspawati & Febrianta, 2023).

Table 5
R-Square Value for SEM-PLS Model

Models	R-Square
Say	0.553
Stay	0.222
Strive	0.604

In SEM PLS, hypothesis testing is carried out by evaluating the significance value between constructs, t-statistics, and p-values. This study employs the bootstrapping method with a significance level set at 0.05. A positive beta coefficient and a p-value below 0.05 indicate a significant hypothesis (Putra & Hayadi, 2024). Furthermore, if the calculated T value exceeds 1.660 (based on the t-table with degrees of freedom = N-1 and alpha of 5%), the hypothesis is accepted.

Table 6
Hypothetical Testing

Hypothesis	Original sample	Sample mean	R^2	T-Statistic	P-Values	Result
Company Brand ->	0.131	0.131	0.408	1.873	0.031	Influencing
Leadership -> Say	0.222	0.211	0.489	1.789	0.037	Influencing
Performance ->	0.045	0.077	0.490	0.280	0.390	Not Influencing
The Work -> Say	0.307	0.305	0.637	1.918	0.028	Influencing
The Basic -> Say	0.130	0.130	0.510	1.019	0.154	Not Influencing
Company Practices -> Say	(0.093)	(0.083)	0.209	0.928	0.177	Not Influencing
External Factors -> Say	(0.043)	(0.043)	0.204	0.553	0.290	Not Influencing
Internal Factors -> Say Stay	0.240	0.233	0.562	2.067	0.020	Influencing
Company Brand ->	0.276	0.279	0.358	2.617	0.005	Influencing
Leadership -> Stay	(0.075)	(0.076)	0.149	0.639	0.261	Not Influencing
Performance -> Stay	0.150	0.173	0.221	1.053	0.146	Not Influencing
The Work -> Stay	(0.141)	(0.146)	0.219	0.661	0.254	Not Influencing
The Basic -> Stay	0.033	0.012	0.258	0.232	0.408	Not Influencing
Company	0.059	0.059	0.184	0.501	0.308	Not

Practices -						Influencing
External Factors ->	0.152	0.131	0.256	1.094	0.137	Not Influencing
Internal Factors ->	0.219	0.239	0.336	1.233	0.109	Not Influencing
Company Brand ->	0.042	0.039	0.358	0.737	0.231	Influencing
Leadership -> Strive	0.279	0.255	0.523	2.137	0.017	Influencing
Performance -> Strive	(0.077)	(0.065)	0.401	0.542	0.294	Not Influencing
The Work -> Strive	(0.141)	(0.146)	0.219	0.661	0.254	Not Influencing
The Basic -> Strive	0.229	0.242	0.563	2.040	0.021	Influencing
Company Practices - Strive	0.035	0.036	0.343	0.384	0.351	Not Influencing
External Factors -> Strive	0.137	0.143	0.379	1.844	0.033	Influencing
Internal Factors -> Strive	0.280	0.274	0.636	2.826	0.002	Influencing

The bootstrapping test results for this research model show the influence of independent constructs (employee engagement drivers) on the dependent construct (employee engagement behavior). Among the engagement drivers, four engagement drivers were identified as factors influencing "Say" employee engagement behavior, 1 engagement driver was identified as a factor influencing "Stay" employee engagement behavior, and 4 engagement drivers were identified as factors influencing "Strive" employee engagement behavior, while the rest had no effect. (Shiu, Liao, & Tzeng, 2023). For "Say" behavior, the significant variables are Company Brand, Leadership, Work, and Internal Factors. For "Stay" behavior, only the Company Brand variable is significant. For "Strive" behavior, the significant variables are Leadership, Basic, External Factors, and Internal Factors.

The table provides a ranking of employee engagement drivers, emphasizing which drivers should be prioritized for improvement or maintenance. It is crucial to concentrate on the highest-ranked drivers, particularly those with lower scores, to ensure alignment with desired employee behaviors. By mapping these drivers effectively and implementing targeted preventive measures for critical drivers, engagement can be enhanced significantly. (Zhang, Chen, & Zamil, 2023).

Table 7
Engagement Drivers Ranking

Rank	SAY	STAY	STRIVE
1 (Most Influencing)	Internal Factors	Company Brand	Internal Factors
2	The Work		Leadership
3	Company Brand		The Basic
4 (Least Influencing)	Leadership		External Factors

To identify business solutions, data is structured into a matrix known as the matrix of influence and variable score (Fajar, 2017), which correlates current conditions with engagement driver results. This matrix visualizes the relationship between a company's present situation and expected outcomes, where the X-axis reflects the company's current condition derived from average questionnaire scores, and the Y-axis represents the Beta values associated with engagement drivers and their impact on engagement behaviors.
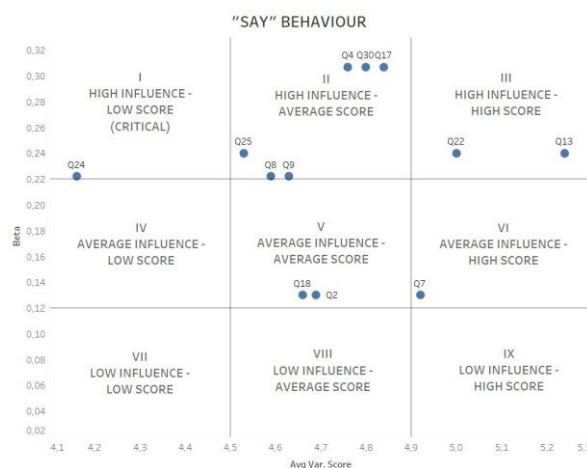
Matrix of "SAY" Engagement Behavior

Figure 3

Matrix of "SAY" Engagement Behavior

According to the "SAY" Engagement Behavior Matrix depicted in Figure 3, one dimension falls within quadrant I, indicating it as the highest priority requiring improvement. The primary sub-driver identified for improvement is leadership coaching, specifically represented by Q24. Therefore, enhancing leadership coaching stands out as the company's top priority to foster a positive environment where employees speak favorably about the company to colleagues, family, and customers.
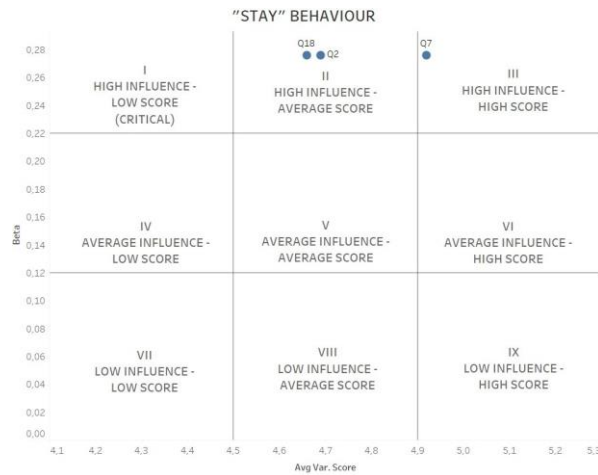
Matrix of "STAY" Engagement Behavior

Figure 4
Matrix of "STAY" Engagement Behavior

According to the "STAY" Engagement Behavior Matrix presented in Figure 4, the company currently does not have urgent needs for immediate improvements as no items fall within quadrant I (crucial). However, several items are situated in quadrant II, indicating high and average influence, which suggests areas for enhancement to bolster employee engagement. The analysis indicates that the company brand is the sole significant factor influencing "Stay" behavior. Specifically, the main sub-drivers requiring improvement are reputation and corporate responsibility, represented by Q18 and Q2. Therefore, focusing on these areas is crucial for cultivating a stronger sense of belonging and commitment among employees.
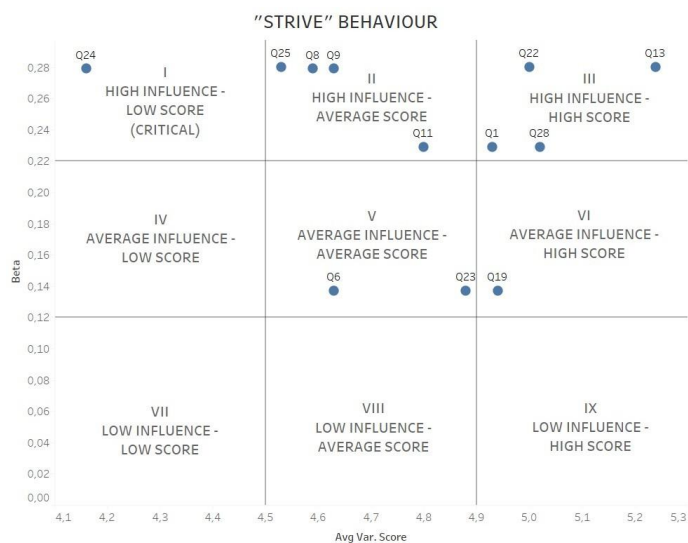
Matrix of "STRIVE" Engagement Behavior

Figure 5
Matrix of "STRIVE" Engagement Behavior

According to the "Strive" Engagement Behavior Matrix depicted in Figure 5, one dimension falls within quadrant I, highlighting it as a top priority requiring improvement. The primary sub-driver identified for enhancement is leadership coaching, specifically represented by Q24. Therefore, improving leadership coaching stands out as the company's foremost priority to motivate employees and foster efforts toward achieving success in their work and for the company.

Conclusion

The research findings indicate that not all engagement drivers equally impact employee engagement behaviors. Internal factors notably influence "Say" and "Strive" behaviors, whereas the company's brand significantly affects "Stay" behavior. Utilizing a business solutions matrix, it was determined that leadership, particularly coaching, requires improvement to enhance "Say" and "Strive" behaviors, while the company's brand, focusing on reputation and corporate responsibility, is critical for fostering "Stay" behavior. Strengthening these areas can yield positive impacts for the company and uphold its leadership in the market. Effective employee engagement and retention, especially among high-performing employees, necessitate strategic human resource management.

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