



Being Responsible: Case Study of Managing Performance and Change

Hariyanto

Binus Business School, Jakarta, Indonesia

Email: hariyanto.intraca@gmail.com

Relin Novita¹

Binus Business School, Jakarta, Indonesia

Email: relinnovita@gmail.com

Gabriel

Binus Business School, Jakarta, Indonesia

Email: Gabrielnatama15@gmail.com

Abstract

This article presents the work experience of a General Manager of a plywood factory named Rusdi. *The plywood factory is located in Kalimantan - Indonesia, where the raw material for production is obtained from timber plantations from industrial plantations, owned by the company. Rusdi was promoted to the position of General Manager of the factory after previously successfully managing the forestry sector that one of the raw material supplier to the factory from industrial forestry in an island near Borneo, Indonesia. During Rusdi's position as General Manager of the forestry, the flow of raw material production was considered to be smoother and better quality, compared to the previous management period, which often encountered obstacles in the field / factory in the form of a crisis in the supply of raw materials for production, thus disrupting the production process. The opportunity that was obtained at the same time was a challenge for Rusdi because in the past five years, the company had suffered losses and the management demanded him to bring the company into profit without being given an injection of working capital. The revitalization that becomes main strategy is the efficiency of the company where there were 3,500 employees producing only 50% of total installed capacity. On the other hand, management's policy to only manage raw materials from the owned forest itself becomes a challenge because it must control from upstream to downstream of production by not being able to buy raw materials from outside. As a result, the production team must anticipate the possibility of not being able to produce as the installed capacity due to the lack of raw materials. Cutting some of the numbers of production employees, then recruiting contract employees are one of several policy proposals from Rusdi implemented by management, in an effort to improve employee performance and production performance. This strategy caused turmoil in the field.*

Keywords: *Work Motivation, Work-Discipline, Demotivation, Employee Productivity*

¹ Corresponding Author

INTRODUCTION

The previous experiences of Rusdi in Forestry department are entirely different from his new tasks. In forestry, the number of employees is not numerous as in his new place. Furthermore, most of the employees come from third parties, which make the worker-management more comfortable to handle. Meanwhile, his new assignment is to manage the larger scale of a plywood factory that has a labor-intensive worker. The factory has 2000 permanent employees who have been working for almost 30 years since the company established. Nowadays, most of the employees have entered retirement age, lack of spirit, and healthy drop condition are the main reasons why those workers become less productive.

The plywood company has been established since 1989 as a manufacturing company that has a Forest Management Permit issued by Indonesia Government. The vision of the company is to become a company that excels in managing forests with sustainable way, Managing forest resources with still pay attention to the principles of sustainable forest management and maintain a balance of production functions, environmental functions and social functions, Create employment and business opportunities for the community, Develop forestry research and use of forests more broadly, Make a positive contribution to regional and national forestry development, Supplying the needs of industrial raw materials in order to get higher added value through integrated processing that is efficient and well-organized in the use of raw materials, and Obtaining recognition of sustainable management of forests nationally (LEI) and internationally (FSC). However, due to the age factor of the company, where many of its production employees have entered retirement age, it creates a demotivation phenomenon in the production field.

It has been found that self-discipline between employees has achieved a low level, which makes demotivation phenomena that result in factory's stumpy productivity rate. Based on the work discipline theory expressed by Koopmans et al. (2014), discipline is the main capital to gain targeted goals. Hence, the discipline itself is an inevitable attitude for an organization to execute its work programs in order to achieve the target. Kantiandagho et al. (2014) have proved that the productivity of a worker is affected by the discipline of their colleague. Apalia (2017) also mentioned that discipline is a key which spread positive impacts to work productivity.

Here are some steps what Rusdi has done to change the culture of his new place, firstly he learn the work situation in the factory by observing production flow and work habit of employees in the production line. It was found that from nine production stage, the frontline stage is considered as a fallow production because less productive regarding the productivity of the employee is very low. This circumstance makes material streamline to the next production step is not smooth and disturbing the production target. For example, if the front line was getting slow of providing raw materials, the backline will be automatically was not able to produce things. For this problem, Rusdi advised decreasing the number of employees on the backline when the raw material is not maximal. With this reduction, the machines themselves did not to be on the active mode at the same time. Additionally, it was captured that from 3 shift available in production, the third shift with

the work hour from 00.00 to 08.00 am always has fewer results than any other shift. Secondly, Rusdi investigated log supply for the last ten year, and it gave a surprising fact. For all this time, log supply is only sufficient to support 50% production from the installed capacity, yet the production was run by full-size three-shift of employees that planned to produce 100% factory capacity. This was a great inefficiency.

According to the facts he found on-site, Rusdi proposed a policy to improve the production process, but it could raise upheaval among the worker. He propositioned to cut production shift from three into two shift. Furthermore, the production is run without overtime, and maintenance of the machine itself will be done on the third shift that already cut without having to wait on Sunday that usually need overtime. The machine will be maintained one by one on the third shift every day when the machine is not running. The impact of this policy is that most of the employees need to be decreased, notably the ones who have less productivity. Some employees that have been classified entering retirement age were fired with proper benefit based on applicable law. Then, the other ones who are unproductive were being laid off after the time of work agreement ends. However, at the beginning of the implementation of the policy led to extraordinary turmoil among worker in the form of actions of solidarity rejecting layoffs, rejection of overtime reduction that could decrease employee income, as well as some other resistance from the workers through the labor union. In the end, the protest could be overcome through peaceful dialogue between the management team headed by Rusdi and the labor union that represented the voice of rejection from production employees. Rusdi emphasized the discussion with the promise that the policy was taken in order to save the company and give better benefit to all worker.

Additionally, Rusdi substituted all employees on the front production line such as Rotary and Dryer to contract worker with specific ages below 25 years old. It aimed to accelerate the production front line optimally; hence, the production flow after front could be automatically boosted up. With all these people management strategies, Rusdi planned to achieve an optimal point in three years period with a maximum amount of production line employee about 1500 people. When this policy started to be implemented, the rejection came from permanent employees, especially the new system of dismissing overtime. For all this time before Rusdi came in, the overtime culture is a way for the employees to get additional earning or income. On the other side, senior employees have a mindset that they have more experiences in running the factory. Hence, the mindset makes them feel powered.

After implementing the new policies for three years, it can be concluded that the replacement of permanent employee on the production front line with the contract ones has increased productivity. Furthermore, the high productivity of the front line team has influenced people in the middle and the backline of production. The production target was achieved that 6000 M3 productions were accomplished with only 1228 employees in two-shift without overtime.

One of the motivations of hired contract employees in working passionately is because they are still young and they hope that if they work well, one day they will be considered

appointed as permanent employees. Meanwhile, the opposite conditions occurred for existing permanent employees who feel they will soon retire plus some conditions employee health that arises due to many age factors, so they become less productive. In addition, the old employees experienced demotivation because they felt the company has been degrading in profit, hence it had an impact on the benefit they received.

Management gradually gave evidence that the implementation of these new policies is not an effort to dismiss permanent employees. The policies mean to create positive synergy between employee and company with progressively. On the other side, management also puts special attention to repair housing, sport, praying, health, and meal facilities. Hence, this can push the employee to be more productive in work since the positive impact of the factory (profit) will also give significant effect to their benefit. Based on Abraham Maslow in Rivai (2011:838), work motivation could trigger employees to work optimally to achieve the target. It will influence employee productivity that can give a positive impact on the company. Sharma (2006) has stated that work motivation is moving force or a strong will to create spirit for a person to make them produce the effort to gain the targeted goal that has been set by the company.

This policies replacement have been supported by the middle manager on the production line since they will get more comfortable in supervising contract employees with higher discipline than the previous situation where contract employees have not been recruited yet. In the end, the effort to boost up work productivity bring positive impacts which reflected from the financial report that shows a profit when Rusdi sits on the General Manager position.

Key Reasons of Why Top Managers Think Outsourcing Would Affect Productivity

This case illustrates how management began to reform, which began with efforts to achieve production targets by gradually recruiting contract workers, starting with recruitment as a substitute for permanent workers who retired or resigned. Provided incentives based on the amount of production output applied to contract workers. Also, then implementing the efficiency policy by cutting one team from the third shift of production schedule. This decision made pros and cons inside the company since it has a consequence that one-third of production employees must be laid off. On the other hand, those two policies were made by the management to motivate and encourage their spirit of effectiveness to work discipline in conducting production activities.

The recruitment of contract workers is focused on being placed in the production section, where the plywood factory has an entire production staff of 1,228 people, divided into two work shifts, there are the morning shift (08.00-16.00) and the night shift (16.00 - 24.00). Each shift has eight working hours, including 1-hour break. The production target set by the company is 6,000 M³/month, with an average of 25 working days per month so that the production target is 240 M³ or 120 M³/shift. Production activities are divided into 9 (nine) lines/sections based on the production stages (according to the order of production machines), there are: Rotary (stripping wood); Dryer (Drying); Core Veneer (Making core

layers); Face / Back Veneer (make the top layer down); Assembly (Combining veneer composition); Finishing (gluing process until sanded); Waste Utilization Veneer (Utilization of veneer waste); Inspection (Examination of finished goods for grade categorization based on quality).

Proposition for the next management strategy from Rusdi is the placement of contract work teams in two front lines from nine production lines. This strategy was implemented due to the front line production worker is not productive regarding work undisciplined and indolent. This circumstance cause lack of material that supplied to back end and caused all production line to become unproductive. From the results of observations of the trial strategy, new situations and the scenery began to form for supervisors and production controllers, wherefrom line 1 - 9 all workers actively engaged in processing production materials. Starting from the two front lines that were occupied by contract worker teams that carry out the effectiveness of production movements, the materials flow smoothly with reasonable quantities to the next line. So that the next line is naturally affected, they are required to follow the rhythm of the current material flow. Because if not, there will be a buildup of material on the line and the supervisor can easily detect which line is constrained, using a build-up of material as a reference, so that the supervisor or controller can directly use his authorization to seek solutions to the obstacles that appear in the line. Seeing the development of the situation, Rusdi felt like finding a knot to be able to elaborate on the problem of the minimum achievement of production targets. From those who previously had to issue approval to soften production employees, in order to be able to pursue the achievement of production targets, now that is no longer needed. Approval of the overtime will be issued if there are special orders or outside the normal production target.

CONCLUSION

The management sees that employee discipline, which is regulated through company provisions, needs to be supported by employee work motivation. Disciplinary enforcement aims to improve employee performance, which in addition to increasing production quantity, also ensures the quality of products produced according to established standards. Researchers perceive that it is necessary to give a firm reward and punishment so that all employees feel treated equally in terms of disciplinary enforcement. Policy practice taken by Rusdi as the General Manager to recruit contract workers with the application of wage systems based on production output and assessing the acquisition of rewards in the form of incentives has successfully encouraged the level of enthusiasm and motivation of workers to work with discipline based on good work ethic. The results of the study as suggestions and input for management is to ensure that the regeneration process in the company needs to be run smoothly. Retaining employees who have entered retirement age could indirectly make young employees feel they have lost the opportunity to rise to the top position. This condition is undoubtedly not good for organizational wheels. Last but not least, the incentives system based on output & quality results also need to be improved so that employees are increasingly motivated to perform better to achieve production targets.

DISCUSSION QUESTIONS

1. What are the impacts of contract employee recruitment on employee performance and production performance?
2. What are the impacts of the cut policy on one production work team which resulted in one-third of layoffs from the number of production employees?
3. Is the improvement of worker facility could overcome demotivating phenomena in senior employees who are already senior?
4. Based on current understanding, what is the managerial perspective on the factors that support the production of employee performance?

REFERENCES

Apalia. (2017). *Effects Of Discipline management On Employee Organization: The Case Of County Education Office* (Vol. 2). Turkana County: International Academic Journal of Human Resource and Business Administration.

Katiandagho, C. M. (2014). Pengaruh Disiplin Kerja Kepemimpinan Dan Motivasi Terhadap Kinerja Pegawai Pada PT. PLN (PERSERO) Wilayah Suluttenggo Area Manado, 1592–1602.

Koopmans, e. a. (2014). *Improving the individual work performance questionnaire using rasch analysis*. J Appl Meas.

Rivai, Veithzal. 2011. *Manajemen Sumber Daya Manusia untuk Perusahaan : Dari Teori ke Praktik*. Jakarta : Raja Grafindo Persada

Sharma, S. (2006, July 25). *The right way to motivate employees and win their hearts*. Retrieved from <http://www.bpmwatch.com/research/winheart.html>

Zameer, H. &. (2014). *The Impact of the Motivation on the Employee's Performance in Beverage Industry of Pakistan*.