

## THE ROLE OF EMPLOYEE INVOLVEMENT TOWARDS CORPORATE PERFORMANCE AT PT. TATA GRAHA STABAT ASRI STABAT

By

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### Abstract

Employee involvement is a vital aspect of total quality management solutions, and also in the success of any business. The need to both grow and succeed in an increasingly competitive marketplace has seen the implementation of various quality initiatives in different companies and organizations. Problem-solving and process improvements are crucial to the company's quality initiatives, and demonstrate proactive actions are being taken to prevent problems. By involving workers in the decision making process in areas that affect their jobs, employee involvement programs aspire to give workers more control over how they perform their jobs, which leads to greater motivation and job commitment by the employee. PT. Tata Graha Stabat Asri Stabat is one of property company. Nowadays, PT. Tata Graha Stabat Asri Stabat face the decreasing in sales. Although the company have a good and price valuable in product, but cannot increased sales. Therefore, the objective of this research is to know if employee involvement has effect towards corporate performance at PT. Tata Graha Stabat Asri Stabat. This research design is using conclusive research. Conclusive research is in two types: Casual and Descriptive. Casual is concerning cause and effect (casual) relationships and descriptive research uses different verity of data collection methods like secondary data analyzed quantitatively. From data analyzed, it found that there is high positive correlation for Employee Involvement and Corporate Performance. The result of determination Analysis is 0,725. It means that, Employee Involvement have a high relationship on Corporate Performance as much as 72.5% and the rest, 27.5% is influenced by other factors.

**Keywords:** Employee Involvement, Corporate Performance

### INTRODUCTION

Employee involvement is very important in any TQM initiative, as it is a system wherein employees are encouraged to use their expertise and knowledge to suggest methods for improvements in their work areas. These suggestions could relate to improvements in the job, the product, the work atmosphere or the company as a whole. Many companies have ventured into a participation-style of management by involving employees in the problem solving and decision making processes.

Some of the most successful companies are those that have achieved a close relationship between workers and the

managers. The policies in these companies fostered teamwork, participation, continuous learning and flexibility.

Employee involvement is a vital aspect of total quality management solutions, and also in the success of any business. The need to both more control over how they perform their jobs, which leads to greater motivation and job commitment by the employee.

PT. Tata Graha Stabat Asri Stabat is one of property company. Nowadays, PT. Tata Graha Stabat Asri Stabat face the decreasing in sales. Although the company have a good and price valuable in product, but cannot increased sales. After the writer do observation with employees, the writer found that the problem

is not because customer do not like or do not interested in product, but because, customer always disappointed with this company because sales person do not have quality to deal and win the purchasing. This happened to James, as a sales person, he was almost deal with customer who interested in houses, and have to change ceramic to granite. The other case, also happened when customer asked to add electricity of the house from 1300watt to 4400watt. But James do not have power to make a decision. According to James, one of sales person in this company, he cannot make a deal because he do not have power to make any decision. All decision controlled by director. When director does not approve with the price that customer's offer, sales person can not do anything than just following the decision. This is the weaknesses of PT. Tata Graha Stabat Asri Stabat. Although the company give best material in the houses but the lack of involvement of employees in decision-making, make customer satisfaction cannot be achieved by the company. This weaknesses will impact to company performance in future.

## **THEORETICAL BACKGROUND**

### **Employee Involvement**

Much has been spoken about the term "employee involvement" and it is often used interchangeably with "employee participation" (Ferne and Metcalf, 2005, p.379). Though there exists a school of thought that points out to a thin line of difference between the two, it has been understood and used interchangeably in the essay while substantiating arguments.

The most cited definition of "employee involvement" is by Lawler and Benson (2008) which defines it as 'providing lower-level employees with opportunities to make decisions concerning the conduct of their jobs and to participate in the business as a whole' (Wall and Wood, 2007, p.1336).

According to Heathfield (2012), "Employee involvement is a philosophy practiced by companies that gives their

employees stake in decisions that directly affect their jobs."

Wall and Wood (2007, p.1336) stated, the two distinct forms of involvement

1. The former, job-level involvement is associated with work enrichment and the decentralization of decision making; while the latter, organizational. The job level involvement forms the first framework while the Organizational level involvement or the employee voice mechanism is further broken down four fold for ease of analysis into 'representative participation, consultative, substantive and ownership participation'. The first dimension of job level involvement is characterized by Job enrichment which is associated with job design to confirm with the Hackman and Oldham's Job Characteristics Model. The theories substantiate the role it plays in 'increasing motivation and job satisfaction, and how this can in turn enhance individual and collective performance
2. level involvement is often treated synonymous with employee voice.

The term 'Voice' first coined 'encompasses the involvement of employees, either directly or through representatives, in decision making within the wider enterprise. The first aspect of it, namely "Representative participation" is often called indirect, formal or collective. It comprises of trade unions and non union employee representations such as work councils, board representatives, joint consultation committees etc. There is hardly any research on the 'impact of representative participation on performance and satisfaction. Tracing research and empirical studies over the years show a change in perceived impact. For instance viewed trade union as having positive effects on organizational performance' (Wall and Wood, 2007, p.1336). In fact 'unions may simultaneously raise performance through beneficial effects on voice, but reduce

profits by bargaining for a larger share of surplus.

Substantive involvement framework could comprise 'empowerment, self-directed teams, employee autonomy and decentralized or participative decision making' (Marsden and Canibano, 2009, p.13). Employee involvement can be used to 'produce superior organizational performance ;through providing opportunities for employee involvement in substantive 'shop floor' decisions' (Appelbaum et al., 2000, 26) as cited in (Wall and Wood, 2007, p.1340). Despite concerns pertaining to a possible positive bias about self-directed teams, most of the research evidences has been comparatively positive. Out of 15 studies under this category reviewed, 11 of them reported increase in performance, while only 1 found a decrease.

Most of the case studies and case studies reviews or quasi experiments reviewed indicate that self directed teams could have positive effects but not necessarily always. It is perhaps an effective way to improve productivity and employee attitudes. The other dimension of self-directed teams is that they produce 'a form of control more powerful, less apparent and more difficult to resist than that of the former bureaucracy. (Marchington, 2007, p. 236).

In addition to employee involvement, **employee empowerment** is another management concept – the basic theme of which is to give employees the means for making important decisions, and making those decisions the "right" ones. When done right, the results are heightened productivity and a better quality of work life. While the actual practice of employee empowerment varies across organizations, empowerment is based on the fundamental concepts of job enlargement and job enrichment. Job enlargement involves changing the scope of the job to include a greater portion of the horizontal process. Job enrichment involves increasing the depth of the job to include responsibilities that have traditionally been

carried out at higher levels of the organization.

## 2.2. Corporate Performance

Performance is optimal result done by somebody or group or company. Traditional performance measurement is oriented to financial and profitability. A good company's performances are looked by the profit it's achieved compared to amount specified before.

According to Govindarajan, & V Fisher (2007, p : 259) defines Company performance as : "One way is to distinguish the outcomes of organizational activities and the means by which these outcomes are reached."

There are 4(four) perspectives of company's performance, that are:

1. Financial Perspective, consist of: income growth, productivity growth, cost efficiency and as-set utilizing;
2. Internal business process perspective, consist of: improving innovation, operation process, service of post sell;
3. Client perspective, consist of: client satisfaction, client acquisition (how far the company can draw client), client retention, potential market, client profitability;
4. Learning growth perspective, consist of: improving personnel capability, improving information system capability and also motivation, development and compatibility

Organizational performance has become a recurrent theme in strategic management research. It is important from three perspectives. Theoretically because effectiveness of strategies is tested by the level of performance cause, empirically because there are many constructs that have been employed to capture performance, and managerially as a measure of quality of decisions that managers make on a day to day basis. Measurement of performance gives indication as to the effectiveness of an organization, which is also a function of an organization's response to changes in the external and internal environment.

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. As stated above, the business environment is multifaceted, complex, and dynamic in nature and has a far-reaching impact on the survival and growth of the business. To be more specific, proper understanding of the social, political, legal and economic environment helps the business in the following ways:

1. **Determining Opportunities and Threats:** The interaction between the business and its environment would identify opportunities for and threats to the business. It helps the business enterprises for meeting the challenges successfully.
2. **Giving Direction for Growth:** The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of the activities.
3. **Continuous Learning:** Environmental analysis makes the task of managers easier in dealing with business challenges. The managers are motivated to continuously update knowledge, understanding and skills to meet the predicted changes in realm of business.
4. **Image Building:** Environmental understanding helps the business organizations in improving their image by showing the sensitivity to the environment within which are working.
5. **Meeting Competition:** It helps the firms to analyze the competitors' strategies and formulate the own strategies accordingly.
6. **Identifying Firm's Strength and Weakness:** Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments.

## RESEARCH METHOD

### Research Design

Design of research is a plan and structure of investigation so conceived as to obtain the answer of the research question. The plan is the overall scheme or program of research. A research design will express both the structure problem and the plant of the investigation used to obtain empirical evidence on relation of the problem.

In conducting the research, writer has chosen the deductive approach, in which writer develops a hypothesis, studies related theories and designs a research strategy to test the hypothesis. In research design, content about how the writer collects the data. Writer will use correlation research and the descriptive method. Writer tries to use Correlation design by gathering necessary information as interviews and observations. Interviewing and observing employees and the supervisors will allow for the most up to date, valid information possible. Correlation study is undertaken in order to certain and be able to correlate the characteristics of the variables of interest in a situation. Descriptive method is the method that describes and talks about the nature something in a detail from of result. In which this method briefly Show the situation, problem inside the situation and the way to solve, and handle the problem occur.

### The Relationship of Employee Involvement in Corporate Performance

The importance of employee involvement in company performance can be seen from the positive impact of the results by employees who will provide support to the smooth and success of company performance. The relationship of Employees involvement in the company performance is the result of employees' ability to compete like creativity and innovation also the work motivation in decision making.

According to Heathfield (2012):

“Organizational performance is the result of the combined efforts of the individual

employees. Therefore, the involvement from one employee to another will increase company performance.”

1. Employees’ competitive ability can grow in the presence of employee involvement in the work. Because of involve employees perform better. Bakker and Demerouti (2010: p. 215) present four reasons why involve employees perform better than non-involve counterparts. Positive emotions

Some researchers describe engagement as “a positive, fulfilling, work-related state of mind”. With this state of mind, employees more often experience positive emotions, such as happiness, joy and enthusiasm. Happy people may be more open to opportunities at work, more helpful to others, exert more confidence and be generally more optimistic. According to the broaden-and-build theory, positive emotions, such as joy, interest and contentment, can help people “build personal resources (ranging from physical and intellectual resources to social and psychological resources).”

2. Good health

Some researchers present an idea that involvement positively influences an employees’ health, which means that the health condition of involve employees allows them to perform better than non-involved employees. involve workers suffer less from self-reported headaches, cardiovascular problems, and stomach aches.

3. Ability to mobilize resources

Another reason why involve employees are more productive, could be that involve employees are also more successful in mobilizing their job resources, as they have a better working environment, and more pleasant colleagues to work with, and are better at creating their own resources. The momentary experience of positive emotions can build enduring psychological resources and, in addition, it can trigger upward spirals

toward enhanced emotional well-being. This means that positive emotions make people feel good in the present, but also through influence on broadened thinking, positive emotions increase the possibility that people will feel good in the future.

4. Transfer of involvement

Organizational performance is the result of the combined efforts of the individual employees. Therefore, it is possible to assume that the transfer of involvement from one employee to another will increase company performance. Crossover can be defined as the transfer of positive or negative emotions and experiences from one person to another.

Some researchers found evidence of emotional transferability, the results of these research show that:

- a. A positive mood of the leader is transferred to the employees, resulting in less effort needed to complete the task and more coordination.
- b. A team members’ positive mood spreads among other team members

### Research Object

Population taken is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed. The total population of employees who work at PT. Tata Graha Stabat Asri is about 30 employees. Sample is selected part of population that is taken to be representative of the whole population, In determining the number of sample, the writer will use the theory of Arikunto.

According to Arikunto (2006),” *Apabila subjek penelitian kurang dari 100 orang, lebih baik diambil semua, sehingga penelitian ini merupakan penelitian populasi, Selanjutnya, jika subjeknya besar maka dapat diambil sample 10% - 15% atau 20% - 25% atau lebih.*”

“If the sample of the research is less than 100 people, it is better to apply the entire sample so that the research is a sample research. Then, if the sample is large, the

sample used is 10% - 15% or 20% - 25% or more.”

## Data Analysis Methods

### a. Validity

Validity is the second major requirement for a test. Validity tells whether the test (or yardstick) is measuring what its think supposed to be measuring.

$X_n$  = the value of question number from each respondent

$Y$  = the total value of question from each respondent

The interpretation of the  $r$  value is:

- 0.00 – 0.20 = low in validity of question
- 0.21 – 0.40 = low but sure in validity of question
- 0.41 – 0.60 = moderate in validity of question
- 0.61 – 0.80 = high in validity of question
- 0.81 – 1.00 = very high in validity of question

### b. Reliability

Reliability is a test's first major requirement and refers to its consistency. A reliable test is one that yields consistent scores when a person takes two alternate forms of the test or when he or she takes the same test on two or more different occasions.

### c. Normality Test

Normality test is done in order to figure out whether the sample of the data is normal (have normal distribution). The Kolmogorov–Smirnov test can be modified to serve as a goodness of fit test. In the special case of testing for normality of the distribution, samples are standardized and compared with a standard normal distribution. This is

### d. Determination Coefficient Analysis

After the coefficient of the correlation being formulated, to find out the effect or influence of the independent variable (variable X) toward dependent variable (variable Y), the writer will use the formula below:

$$D = r^2 \cdot 100\%$$

Where  $D$  = Determination of Coefficient  
 $r$  = correlation coefficient of variable X and variable Y

The higher percentage of this determination, it means that the greater the variable X influence Variable Y.

### e. Regression Equation

Regression analysis is a statistical technique that analyzes the linear relationships between two variables by estimating coefficients for an equation for a equivalent to setting the mean and variance of the reference distribution equal to the sample estimates, and it is known that using these to define the specific reference distribution changes the null distribution of the test statistic.

$$H_0: \mu_1 = \mu_2 \quad \text{OR} \quad H_a: \mu_1 \neq \mu_2$$

- If the Z test yields a significance level of less ( $<$ ) than 0.05, it means that the distribution is NOT normal.
- If the Z test yields a significance level of more ( $>$ ) than 0.05, it means that the distribution is normal.

straight line. One variable is designated as a dependent variable and the other is called an independent or predictor variable.

$$y = a + bx$$

where as:

- $x$  = independent Variable (Employee Involvement)  
 $y$  = Dependent Variable (Corporate Performance)

## RESULT AND ANALYSIS

### Coefficient of Correlation

Coefficient of Correlation is to find out the correlation between Independent Variable (Variable X) and Dependent Variable (Variable Y) the correlation coefficient by using the Pearson's Product Moment.

The result of coefficient of correlation for this study is:

Table 4.31. Coefficient of Correlation

Correlations			
		Employee Involvement	Corporate Performance
Employee Involvement	Pearson Correlation	1	.852**
	Sig. (2-tailed)		.000
	N	30	30
Corporate Performance	Pearson Correlation	.852**	1
	Sig. (2-tailed)	.000	
	N	30	30

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

Source: SPSS.20.00

Analysis: If the result shows on the range of:

+ 0,70 ≤ rxy ≤ +0,99 = strong positive correlation

rx : + 1 = perfect positive correlation

From the SPSS 20 system, coefficient of correlation result above shows that: there is 0.852. This means that: there is strong positive correlation for Employee Involvement with Corporate Performance. In here, if there is an increase on Employee Involvement, it will also increase on corporate Performance.

### Determination Analysis

With determination, it is able to identify how large the portion of variable Y will be determined by the variable X is. The closer of determinant coefficient approach to 100% the greater influence of variable X contribution to the value of variable Y.

Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852 <sup>a</sup>	.725	.721	4.400

a. Predictors: (Constant), Employee Involvement

b. Dependent Variable: Corporate Performance

Source: SPSS 20

The result of Determination Coefficient Analysis is 0.725. It means that, Employee Involvement will impact on Corporate Performance as much as 72.5% and the rest, 27.5% is influence by others factor.

1. The calculation of validity test for variable X and Y is 0.634 – 0.917 has proven that the questions at the questionnaire are valid and acceptable to be used at the next test of data quality.
2. The reliability result for Variable X, Employee Involvement Variable Y, Corporate Performance are 0,762 and

0,753. This result show that, there are high data reliability for Variable X and Variable Y

3. The relationship between employee involvement and corporate Performance at PT. Tata Graha Stabat Asri according to analysis of correlation Coefficient is 0.852, Which means there is a Strong Positive Relationship between variable X and variable Y. It's mean, employee involvement really effect to corporate performance.
4. This Simple Regression table shows that:  $Y = 3,614 + 0,607X$  that means, with Employee Involvement, will influence on each time while this Employee Involvement implemented, this will effect as much as 60,7 unit of Corporate performance at PT. Tata Graha Stabat Asri
5. According to the determination test, which show the result of 72.5%, means that the variable X, employee involvement contributed as much as 72.5% which influenced corporate performance.
6. According to the result of hypothesis, the value of t – counted is 8.65 on the area of refusing  $H_0$  and accepted  $H_A$ . So, it is true that employee involvement have positive effect to corporate performance

### CONCLUSIONS

In this section, the writer will summarize the entire data based on the problem identification above which is do employee involvement effect to corporate performance at PT. Tata Graha Stabat Asri Langkat. Based on determination result, which show the result of 72.5%, means that the variable X, employee involvement contributed as much as 72.5% which effect corporate performance, so this is means that employee involvement can effect towards corporate performance by giving employees the freedom and power to make and follow up decision without micromanaging them.

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