



## Developing a Strategic Framework for Enhancing Employee Engagement and Retention

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**Abstract** 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 in this study can be recommended to PT Indosusu Nasional as a strategy in retaining its employees are related to the company's reputation in building the company's image and conducting routine training for employees.

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

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### Introduction

The dairy industry in Indonesia holds a strategic position in the national economy, contributing to both nutrition and employment. The dairy industry in Indonesia is witnessing significant strategic importance, poised for substantial 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 current demand for milk in Indonesia reaches 4.3 million tons per year. However, domestic milk production is far from sufficient, as about 22.7% of the national milk demand is met from local sources, while the rest is met through imports. This discrepancy between supply and demand presents a significant opportunity for the fresh milk-producing industry in Indonesia.

Furthermore, one of the things that affects the high and low sales of products, especially in milk processing companies, is the management of human resources. Employees are one of the most important assets of an organization as they contribute to the growth and success of the organization (Danish & Usman, 2010). This contribution is made through engagement and will go beyond satisfaction and commitment to the desired effectiveness of the organization.

In this research, comparisons were made between dairy industries companies listed on IDX. Companies that are compared with PT Indosusu Nasional are PT Diamond Food Indonesia Tbk (DMND), PT Cisarua Mountain Dairy Tbk (CMRY), PT Campina Ice Cream Industry Tbk (CAMP). In such a competitive environment, it is crucial for companies to focus on growth, profitability, and market share. Despite its historical market leadership, the company faces contemporary challenges requiring thorough research and evaluation to maintain and enhance its position in the competitive dairy industry.

Analyzing external factors is crucial for understanding the dynamics that influence a company's performance. This research conducts a comparative analysis of various companies in the dairy industry to determine PT Indosusu Nasional's competitive standing. PT Indosusu Nasional demonstrates superior performance compared to the average of three other dairy industry companies analyzed. Despite having the fewest employees among them in 2022, PT Indosusu Nasional achieves high sales per employee.

**Table 1. Sales and Number of Employee Each Companies**

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

Data, PT Indosusu Nasional has experienced decrease in profit per employee profit per personnel cost.

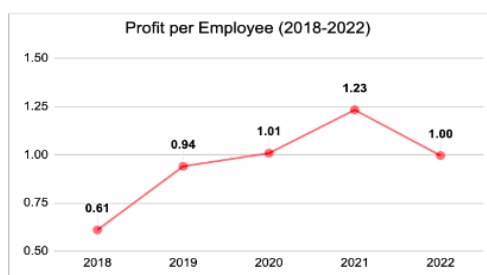


Figure 1. Profit per Employee of PT Indosusu Nasional from 2018-2022

This indicates that the company has not maximized the efficiency of its workforce in generating profits because there is no increase in profit per employee per year.

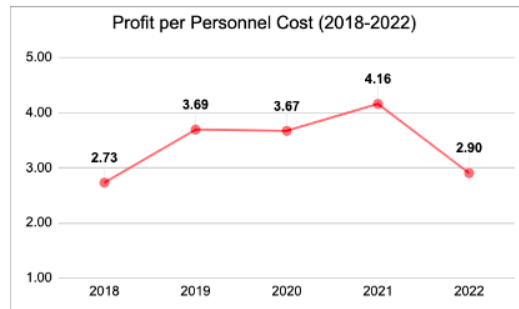


Figure 2. Profit per Personnel Cost of PT Indosusu Nasional from 2018-2022

A declining ratio may imply that a large portion of the company's revenue is allocated to personnel costs, necessitating a review of the cost structure or exploration of ways to improve productivity. This indicates that the company is generating less profit relative to personnel costs over time.

In order to comprehending and analyzing external factors, investigating into internal factors is crucial for thorough examination. When analyzing the decline in profit per employee and stagnant profit per personnel cost, it becomes evident 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

Particularly in 2022, there was a significant increase in the turnover ratio compared to previous years. High employee turnover has an impact on the quality and quantity of production (Wu, 2012). It is important to discuss turnover importance because it has a relationship with the organizational performance (Ingersoll, 2001).

## Methods

### *Participants*

This research uses a quantitative approach in which data collection is carried out by distributing questionnaires to research samples. The number of participants in this study was 100 respondents consisting of several departments in the company.

### *Measures*

This research wants to measure how much the level of employee engagement with the company is seen from several dimensions, where there are 8 dimensions that will be identified in this study. Where 8 dimensions consist of brand, leadership,

performance, the work, the basic, company practices, business problems, people problems. Each of these dimensions consists of three sub-drivers (indicators) which are represented in the questionnaire questions. The number of items on the questionnaire is 30 items with 6 possible ratings using Likert-scale.

### Results and Discussion

In this research, measurement models with reflective indicators are evaluated by convergent validity (AVE). AVE value > 0.5, the variable is said to be ideal, meaning that the indicator is valid to measure the construct it forms. The Cronbach's Alpha parameter was used in this study for consistency reliability testing, with a recommended value greater than 0.7. Composite reliability in PLS is carried out to test or measure how consistent the measuring instrument used is. A construct can be declared reliable if it has a composite reliability value > 0.70 (Ghozali, 2017). The results showed that the validity and reliability tests had met the requirements, which means that in this study each indicator is valid and reliable to measure the constructs formed.

**Table 4. Validity and Reliability Test**

Variable	AVE	Cronbach'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 indicates a strong predictive ability of the research model (Indrawati, 2015), showing how well the independent variable affects the dependent variable. The greater the R-Square value, the stronger the influence of the independent variable on the dependent variable.

Models	R-Square
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Say	0.553
Stay	0.222
Strive	0.604

Table 5. R-Square Value for SEM-PLS Model

Hypothesis testing in SEM PLS is conducted by examining the significance value between constructs, t-statistics, and p-values. This study uses the bootstrapping method with a significance level of 0.05. A positive beta coefficient and a p-value less than 0.05 indicate a significant hypothesis. Additionally, if the calculated T value is greater than 1.660 (based on the t-table with df = N-1 and alpha 5%), the hypothesis is accepted.

Table 6. Hypothetical Testing

Hypothesis	Original Sample	Sample Mean	R <sup>2</sup>	T-Statistic	P-Values	Result
Company Brand -> Say	0.130	0.131	0.408	1.873	0.031	Influencing
Leadership -> Say	0.222	0.211	0.489	1.789	0.037	Influencing
Performance -> Say	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)	(0.034)	0.204	0.553	0.290	Not Influencing
Internal Factors -> Say	0.240	0.233	0.562	2.067	0.020	Influencing
Company Brand -> Stay	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 Practices -> Stay	0.059	0.059	0.184	0.501	0.308	Not Influencing
External Factors -> Stay	0.152	0.131	0.256	1.094	0.137	Not Influencing
Internal Factors -> Stay	0.219	0.239	0.336	1.233	0.109	Not Influencing
Company Brand -> Strive	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	0.178	0.170	0.586	1.080	0.140	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. 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.

### Discussion

The table below presents the ranking of employee engagement drivers, highlighting which drivers should be prioritized for improvement or maintenance. It is important to focus on the top-ranked drivers, especially those with lower scores, to ensure that they align with ideal employee behavior. Proper mapping of these

drivers and implementation of appropriate preventive measures for critical drivers will lead to improved engagement.

**Table 7. Engagement Drivers Ranking**

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

To identify business solutions, data is mapped into a matrix correlating the current condition with engagement driver results, known as the matrix of influence and variable score (Fajar, 2017). This matrix illustrates the relationship between a company's current and anticipated conditions, with the X-axis representing the company's current condition based on average questionnaire scores, and the Y-axis representing the Beta values for each engagement driver based on engagement behaviors.

**“SAY” Engagement Behavior Matrix**

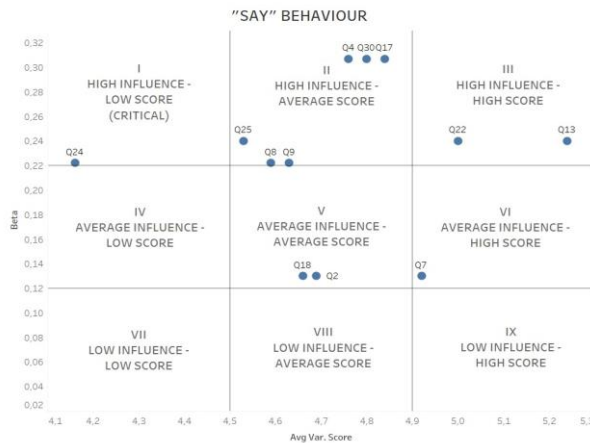


Figure 3. “SAY” Engagement Behavior Matrix

Based on the “Say” Engagement Behavior Matrix shown in Figure 3, it can be seen that there is one dimension in quadrant I, the dimension is the top priority (crucial) that need to be improved. The main sub-driver that needs to be improved is coaching of leadership drivers, which is represented by Q24. Hence, it is the company's top priority in improving the company with the aim of motivating employees to speak positively about the company to coworkers, relatives and customers.

### “STAY” Engagement Behavior Matrix

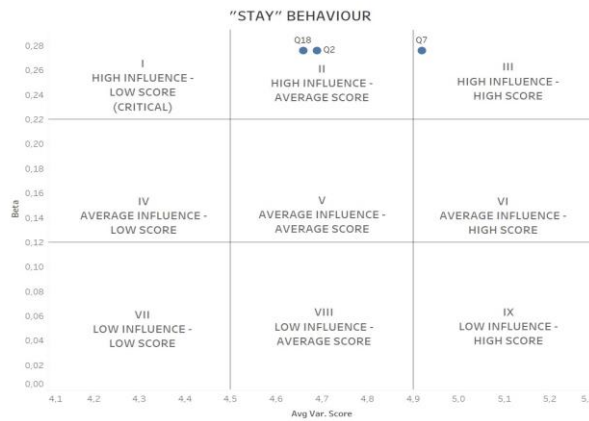


Figure 4. “STAY” Engagement Behavior Matrix

Based on the “STAY” Engagement Behavior Matrix shown in Figure 4, the company does not face an urgent need for immediate improvements since there are no items in quadrant I (crucial). However, several items are in quadrant II, indicating high and average influence, and suggesting areas for improvement to enhance employee engagement. Data processing results show that the company brand is the only significant factor influencing "Stay" behavior. The main sub-drivers needing improvement are reputation and corporate responsibility, represented by Q18 and Q2. Thus, the company should focus on these areas to foster a stronger sense of belonging and commitment among employees.

### “STRIVE” Engagement Behavior Matrix

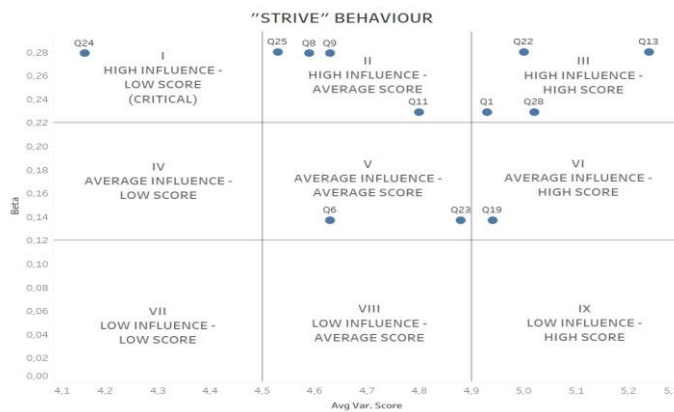


Figure 5. “STRIVE” Engagement Behavior Matrix

Based on the "Strive" Engagement Behavior Matrix shown in Figure 5, it can be seen that there is one dimension that is in quadrant I, the dimension is a top priority (crucial) that needs to be improved. The main sub-driver that needs to be improved is coaching of leadership drivers represented by Q24. Hence, it is the company's top priority in improving the company so that employees are motivated and exert effort to achieve success in their work and for the company.

## Conclusion

This research concludes that not all engagement drivers have a significant impact on employee engagement behaviors. Internal factors significantly influence "Say" and "Strive" behaviors, while the company brand impacts "Stay" behavior. Using a business solutions matrix, it was determined that leadership, specifically coaching, needs improvement for "Say" and "Strive" behaviors, and the company brand, including reputation and corporate responsibility, is crucial for "Stay" behavior. Enhancing these areas can positively impact the company and maintain its market leadership. Effective employee engagement and retention are vital, especially for high-performing employees, and require strategic human resource management.

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Developing a Strategic Framework for Enhancing Employee Engagement and Retention

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