

## **How Much Influence Should Subordinates Have In Setting Their Targets?**

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### **Abstract**

This article provides a literature review that focuses on the relationship between human capital and employee performance basically at the enterprise level. This article reviewing the existing literature allows to uncover three main neglected issues: 1) defining and measuring intellectual and human capital, 2) analysis of human capital-employee performance relationship; and 3) human resource management. More and more studies have attempted to demonstrate the relationship between human resources and employee performance.

**Keywords:** Human capital, Employee Performance, Human Resources

### **1. Introduction**

In the current development, companies already have different views on resources, many of them are starting to follow and more referring to the current development, namely knowledge-based management. This can result in competition using the competitive advantage obtained through creative innovations generated by the intellectual capital owned by the company. In this case, increasing the potential of human resources is needed for the progress of a company.

Human capital is one of the important factors in reform, namely how to create quality human resources who have skills and are highly competitive in global competition (Savytska et al., 2021). To create quality human resources, a qualified knowledge base is needed to be more highly creative and have new innovations. Human capital is one of the main components of intangible assets owned by the company.

One of the determinants of the company's success is the performance and productivity of employees. This requires companies to always try to find effective ways to improve employee performance in achieving increased company goals, so that they can compete with other companies (Saragih et al., 2022). Even must be able to be in the top position. Strategy is a form of planning an overall approach related to the implementation of ideas, planning and access to an activity within a certain period of time. Therefore, it is very important for the Company to make the right strategy in order to achieve its goals.

Employees are essentially one of the elements that become resources in the company. Human resources are what carry out daily activities. Employees are living organisms that enable the functioning of a company which is an important element in the company. Each individual has a unique personality and is different from one another. Employees who have high morale will improve the life of the company. Loyalty and enthusiasm for work can be seen from the way they feel happy with their work.

Therefore, considering the large role of HR in the company, the company's management should be more proactive in making HR as human capital that must be given attention and continuous development in accordance with the dynamic changes of the business environment. This paper aims to conduct a brief review both theoretically and empirically on how much influence subordinates should have in setting their targets.

### **2. Literature Review**

#### **2.1. Human Capital**

According to Schermerhon (2005), human capital can be defined as the economic value of human resources related to their abilities, knowledge, ideas, innovation, energy and commitment. According to Malhotra and Bontis (in Rachmawati and Wulani, 2004), Human capital is a combination of knowledge, skills, innovation and a person's ability to carry out their duties so as to create value to achieve goals.

According to Adeleye et al (2022), Human capital was born based on the phenomenon that in the 21st century the awareness of corporate management in managing human resources is getting higher. Based on the opinion above, it can be concluded that human capital is something about humans with all the capabilities they have, so that they can create value for the organization to achieve its goals. Human capital has a dynamic, implicit, non-standard, and contextual definition. These characteristics make human capital difficult to evaluate. The characteristics of human capital that are very important for company performance are the flexibility and creativity of individuals, their ability to develop lifelong skills, and respond to various contexts of situations (Rahmi et al., 2022). They mention that the reference to the theory of human capital is humans and skills, while the reference to the theory of physical capital is factory and equipment.

### **2.1.1. Important Factors of Human Capital**

According to Diebolt&Hippe(2022), the factors that determine the success of a business in viewing humans as capital are:

- a. Experience, skills, innovation and insight.
- b. His ability to understand how to manage human capital for performance and wealth.
- c. Strategies and methods to engage in hiring, developing and retaining top-performing talent.
- d. Training on how to apply capital management principles as a method for business strategy and performance.

### **2.1.2. Human Capital Component**

Mayo (2000) human resources or human capital has five components, namely individual capability, individual motivation, leadership, the organizational climate and workgroup effectiveness. Each component has a different role in creating the company's human capital which ultimately determines the value of a company, the five components include:

- a. Personal capabilities, namely the abilities possessed by a person from within himself, including his appearance, actions, and feelings.
- b. Professional technical know-how, namely the ability to be professional in situations and conditions and the willingness to transfer knowledge from senior to junior.
- c. Experience, namely someone who is competent and has long experience in his field and has an open attitude towards experience.
- d. The network and range of personal contacts, namely a person is said to be competent if he has a wide network or connection with anyone, especially people related to his profession,
- e. The values and attitudes that influence actions, namely values and attitudes will affect their actions at work such as having emotional stability, being friendly, sociable, and assertive.

### **2.1.3. Human Capital Combination Factor**

According to Ballestar et al (2022), in business the term human capital is a combination of a number of factors as follows:

- a. The traits that people bring to their jobs: intelligence, energy, positive general attitude, reliability and commitment.
- b. A person's ability to learn, attitude, imagination, creativity, and what is often called street smart, understand (or how to get things done)
- c. A motivation to share information and knowledge: team spirit and goal orientation.

### **2.1.4. Human Capital Measurement**

Measurement of human capital is intended to determine the impact of HR behavior on organizational processes. This measurement is important to do to determine the effectiveness of the strategy implemented by the company on how much employees contribute to improving employee performance. Measurement of HR is a very important performance management and as a tool for improvement. According to Fitz-Enz (2000), companies that do not measure HR will not be able to:

1. Communicating specific performance expectations
2. Knowing what's really going on in the organization
3. Identify performance gaps that need to be analyzed and eliminated
4. Provide feedback by comparing performance against standards
5. Knowing the performance to be rewarded
6. Support decisions regarding resource allocation, projections, and schedules

### **2.1.5. Relationship between Human Capital and Company Performance**

According to Totanan (2004) a company will produce different performance if managed by different people, meaning that different human resources in managing the same company assets will produce different added value. So it can be concluded that the tangible assets owned by the company are passive without human resources that can manage and create value for a company. Several recent studies have proven the relationship between company performance and the company's HR management process.

The relationship between training and human resource development and company performance was carried out by, among others: Black and Lynch, 1996; Garcia, 2005; and Khatri, 2000. Knowledge and skills of employees through training activities have become important in improving company performance. Preffer (1994) and Upton (1995) state that the success of a company in facing market competition is determined mainly by human capital, not physical capital and therefore companies are recommended to invest in various trainings to increase knowledge resources, skills and abilities of employees better than with competitors. Therefore,

## **2.2. Employee Performance and Productivity**

### **2.2.1. Understanding Employee Performance and Productivity**

According to LijanPoltakSinambela, et al (2011: 136), argues that employee performance is defined as the ability of employees to perform certain skills.

According to Mangkunegara (2000: 67) employee performance (work performance) is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities given to him.

From several definitions that have been stated above, the conclusion of the definition of performance (performance) can be concluded as follows: the work that can be achieved by a person or group of people in an organization both quantitatively and qualitatively, in accordance with the authorities and responsibilities.

Employee productivity is very necessary in companies that produce products in the form of goods and services, because without products it is impossible for companies to achieve the desired results. According to Monga (in Winardi, 2003: 82) productivity means creating wealth through creation, planning, and knowledge so that products and services can be provided that meet the needs of users and that are consistent with the social and economic goals of the community concerned. . Meanwhile, according to Sinungan (2005: 12) puts more emphasis on the level of efficiency in producing goods or services: "Productivity expresses how to properly utilize resources in producing goods".

In essence, employee work productivity shows the relationship between work results and time units, which are connected to produce products from an employee. An employee is considered productive if he is able to produce an output or product that is greater than other employees for the same unit of time, in other words, it can be stated that an employee shows a higher level of productivity if he is able to produce products that comply with the specified standards and quality. company in a shorter time unit compared to other employees (Ravianto, 1985).

### **2.2.2. Factors Affecting Employee Performance Achievement**

Factors that influence the achievement of performance are the ability factor and motivation factor. This is in accordance with the opinion of Keith Davis in Mangkunegara (2000: 67) which formulates that:

$$\begin{aligned} \text{Human Performance} &= \text{Ability} \times \text{Motivation} \\ \text{Motivation} &= \text{Attitude} \times \text{situation} \\ \text{Ability} &= \text{knowledge} \times \text{skills} \end{aligned}$$

1. Ability factor. Psychologically, ability consists of potential ability (IQ) and reality ability (knowledge + skill). This means that leaders and employees who have an IQ above the average (IQ 110-120) let alone a superior, very superior, gifted and genius IQ with adequate education for their position and skilled in doing daily work, it will be easier to achieve maximum performance.

2. Motivation factor. Motivation is defined as an attitude (attitude) of leaders and employees towards the work situation (situation) in their organizational environment. Those who are positive (pro) towards their work situation will show high work motivation and vice versa if they are negative (con) towards their work situation will show low work motivation. The working situation in question includes, among others, work relations, work facilities, work climate, leadership policies, work leadership patterns and working conditions (Mangkunegara 2005:13).

According to A. Dale Timple in Mangkunegara (2007:15) performance factors consists of internal factors and external factors.

1) Internal factors (dispositional) are factors associated with the characteristics of a person's character, for example, a person's performance is good because he has high abilities and a person is a hard worker type, while someone has efforts to improve his abilities.

2) External factors are factors that affect a person's performance originating from the environment. Such as the behavior, attitudes and actions of co-workers, members and leaders, work facilities and organizational climate.

From the explanation above, it can be concluded that the factors that affect the achievement of performance include internal factors and external factors. Internal factors are factors that arise from within the individual himself. For example, work motivation, abilities and knowledge possessed by individuals in completing all forms of tasks that they do. Meanwhile, external factors are factors that are influenced by the work environment, such as organizational climate and patterns of working relationships between members in an institution.

### **2.2.3. Employee Performance Characteristics**

The characteristics of people who have high performance are as follows (Mangkunegara 2002:68)

1. Have a high personal responsibility.
2. Dare to take and take risks.
3. Have realistic goals.
4. Have a thorough work plan and strive to realize its goals.
5. Utilizing concrete feedback in all work activities he does.

6. Looking for opportunities to realize the plans that have been programmed.

#### **2.2.4. Employee Performance Indicator**

There are 6 (six) indicators to measure employee performance individually, namely (Robbins, 2006:260):

1. Quality. The quality of work is measured by employees' perceptions of the quality of the work produced and the perfection of tasks on the skills and abilities of employees.
2. Quantity. Represents the resulting quantity expressed in terms such as number of units, number of completed activity cycles.
3. Punctuality. It is the level of activity completed at the beginning of the stated time, from the point of view of coordinating with the output results and maximizing the time available for other activities.
4. Effectiveness. Is the level of use of organizational resources (manpower, money, technology, raw materials) is maximized with the aim of increasing the results of each unit in the use of resources.
5. Independence. This is the level of an employee who will be able to carry out his work functions.
6. Work commitment. Is a level where employees have a commitment to work with the agency and employee responsibilities to the office.

#### **2.2.5. How to Improve Employee Performance**

Every company must often do many ways to improve the performance of its employees, which aims to increase the company's work productivity, because a company can develop and progress, of course, not only because of capital factors and strong business strategies, but also Human Resources (HR). great one. In this case, HR has the meaning of employees or workers. Here are some steps to improve employee performance:

1. Motivation, when the work motivation of employees has increased, it can automatically create enthusiasm and a sense of optimism in yourself to be able to work harder, harder and produce something for the company as well.
2. Reward, Bonus is a gift in the form of money that is given to an employee after he/she achieves results that exceed the specified target continuously. Therefore, in order to improve the performance and performance of an employee, bonuses or rewards are given.
3. Professional or personal closeness, closeness to foster a sense of togetherness and kinship in one company. With the establishment of a close sense of togetherness and kinship in one company, it can automatically encourage the emergence of enthusiasm to work better and harder.
4. Training, so that it is more credible and has quality, training can also be provided by a company. With the provision of this training, it is hoped that it can grow the motivation and skills of employees which can later be applied when they return to work at the company.
5. Education, Believe it or not, a person's performance is also influenced by the level of education they have. Therefore, if you want good performance from workers, the education factor must also be considered.
6. Facilities and infrastructure owned by a company also affect the performance of employees. So pay attention to simple things, such as providing proper facilities and infrastructure to employees, before demanding good performance and results from them
7. Work Atmosphere, Of course no one will be willing to continue to produce something great, if the conditions of the work atmosphere are not pleasant, uncomfortable and not conducive
8. Free to be Creative, to get good performance from employees, it's better to start freeing workers to be free to be creative, as long as it doesn't make the company lose money. With creativity that can be done freely, it will be easier for someone to express what he wants according to the job desk he has been occupied so far.

#### **2.2.6. Purpose of Employee Performance Measurement**

The main purpose of performance measurement is to motivate employees in achieving targets and in complying with predetermined behavioral standards, in order to produce the desired results and actions (Mulyadi, 2002:420). The benefits of measuring performance (Mulyadi, 2002:416) for the management are to:

1. Manage the organization's operations effectively and efficiently through maximum personnel motivation.
2. Assist in making decisions related to employees, such as promotions, transfers and terminations.
3. Identify employee training and development needs and to provide criteria for selection and evaluation of employee training programs.
4. Provide feedback to employees on how superiors rate them.
5. Provide a basis for award distribution.

### **3. Methods**

The research method used in this research is a qualitative method with a descriptive type. Data collection uses primary and secondary sources. Primary sources are data sources that directly provide data to data collectors, and secondary sources are sources that do not directly provide data to data collectors, for example through documents (Sugiyono, 2011: 225).

#### **4. Result And Discussion**

##### **Implementation of Human Capital Management at PT Y**

PT Y is based on the paradigm that human resources considers humans as resources. Whereas in human capital, humans are considered as company assets. This is supported by the statement of Mrs. Yenny (Senior Vice President of Human Capital & Facilities Management) as the main informant, which stated that:

“PT Y is a service company, so the people who drive this industry are the people. In the factory the assets are machines, in the bank the capital is money. Currently, the people in the company/employees are considered as assets and also as capital because they are the drivers of this industry, not as a resource whose value will be depleted if used continuously.”

This paradigm is also in line with the background of the emergence of human capital which is stated by Larkan (2008: 57) that human capital is born based on the awareness of company management in managing HR which is getting higher. Companies are starting to realize that company performance is not only determined by capital in the form of finance, machinery, technology, and fixed capital, but is mainly influenced by intangible capital, namely human resources (HR).

In the human capital approach, humans have a very important role in addition to capital (money), natural resources, technology and production processes. To develop quality human resources, of course, there are several obstacles that will certainly be faced. The obstacle experienced by PT Y when the paradigm changed to human capital was how to make employees become capital for the company.

Human capital is a unique concept for several reasons. First, as previously mentioned, human capital resides in humans themselves. So, even though the person works for a company, the capital does not necessarily belong to the company, but remains with the person concerned. The company can only encourage these human employees, in this case to contribute their knowledge to the achievement of company or organizational goals. This method is done by providing a fee agreed with the employee.

Second, human capital is influenced by each person's life experience which is of course different from others. Even if two people study at the same school and then work for the same company, the experiences that are formed in both cannot be the same. The experiences and learning experienced by a person form knowledge that is not only explicit, but also tacit. This tacit knowledge is not easily transferred to others.

Third, human capital is difficult to quantify, both in terms of costs and impacts. For example, when someone is assigned by the company where he works to attend a training. He received full financing from his company, amounting to Rp X million. After attending the training, he is certainly expected to apply the knowledge he gains from the training to develop the company. But how to calculate that the Rp X million has been “refunded” by the employee in the form of company development?

Human management in organizations still needs to refer to one thing, namely the achievement of targets. To be able to achieve its goals, human resource management needs to be strategically directed, according to the needs of the organization. This is where performance management is needed which is closely related to strategic human resource management.

#### **5. Conclusion**

Empirical studies related to the relationship between human capital and employee performance in various aspects and company performance have experienced rapid development recently. This paper tries to do a brief review both theoretically and empirically on the relationship between human capital and employee performance, and it is important to do how companies manage HR to support the best performance. The best performance is important for the company to increase the value of the company that can satisfy all parties, especially the stockholders.

With all the limitations, especially the unfinished theoretical review, this paper is expected to provide input for companies in order to prepare more qualified human resources in improving the best employee performance. It's time for company leaders to realize that the company's profits actually come from human capital, don't look at the company's activities more from a business perspective. Corporate leaders should view the company as a unit containing unique knowledge and skills, or a unique set

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