

## THE QUALITATIVE STUDY OF KEY PERFORMANCE INDICATOR ON PT. JIWASRAYA MANADO

by

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### ABSTRACT

Key Performance Indicator (KPI) is one of the most common tools used by the employees of companies to help manage more effectively and guide their progress. To perceive how far the achievement and the performance of the company, PT. Jiwasraya Manado use the Key Performance Indicator (KPI) to reveal the performance of the company. The objective of this study is to analyze the importance from the implementation of the key performance indicator for the insurance employee. There are several facts that become consideration or reason to conduct this research which are: Theories supporting this research are human resource management, performance, and key performance indicator. The population observed is employees of Jiwasraya manado. This research has identified that the most important implementation of Key Performance Index on Jiwasraya employees in Manado is both sales revenue and training. Because when the sales revenue is high, obviously the self conscious of the employees will surface. Moreover, the on-the-job training is also important for the employees. The training has a purpose to make them better on the performance daily. By getting more knowledge and more experience, the performance of the employees will be better.

**Keywords:** *key performance indicator, employee performance*

### INTRODUCTION

#### Research Background

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. An insurer, or insurance carrier, is a company selling the insurance; the insured, or policyholder, is the person or entity buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice. The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (indemnify) the insured in the case of a financial (personal) loss. The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Key Performance Indicator (KPI) is one of the most common tools used are companies employee to help manage more effectively and guide their progress. This allows for transparency for any "trouble-spots" and provide counseling to potential opportunities. The employee performance would be considered as a backbone for organization. The loyalty of employee relies upon knowledge and awareness of culture that improves behavior of organization. The value and norms of employees' based on management identification that helps in improving employee performance.

Currently the Jiwasraya's network is spread out around Indonesia with head office in Jakarta; 17 regional offices in the provinces level, 72 branch offices in provinces or level 1 administrative territory and 388 area offices at the level 2 administrative territory. These offices are attained to set up a fast and accurate service. Based to experiences all these time, also in accordance with Jiwasraya's new motto "Secure your life", we believe that we can protect you through the life insurance services. Therefore, only a company with a professional, good and experienced management can last over one century to give an excellent service. At this point in time, Jiwasraya Insurance is the only life insurance company that is fully owned by the state, and who offer benefits as follows: (i) Old Age Benefit, (ii) Death Benefit, (iii) Health and Accident Benefit whether individual or group benefit insurance. The single shareholder of Jiwasraya Insurance is the Minister of Finance of Indonesia. The shareholder annual meeting is the representative of the owner who is qualified to decide about the ratification of its work program and the company's budget proposal.

Jiwasraya is one of the biggest company that provides insurance in Manado. Therefore, tools are needed to perceive how far the achievement and the performance of that company. Nowadays, using KPI to reveal the performance of the company is a right footing to use. Performance measurement by using KPI is use for the first time at Jiwasraya manado and the variables that are focused to measure KPI, already can represent all performance of Jiwasraya. By using KPI method, the company can tell the achievements and the success of the company.

### **Research Objectives**

The objectives of this research are to analyze:

1. The importance from the implementation of the key performance indicator for the insurance employee.
2. The performance from the implementation of key performance indicator on employee of insurance in Manado.

## **THEORETICAL REVIEW**

### **Human Resources Management**

Griffin et al (2006:223), Human Resources Management is the set of organization activities in which developing, attracting and maintaining the effective workforce. Dessler (2005:4), Human Resources Management is the policies and practices to carrying the "people" of Human Resources aspect in management position including recruiting, screening, training, rewarding and appraising and compensating employee, and attending to their labour relations, health and safety and fairness concerns.

### **Performance**

Every organization in business should be ready to improve their company performance in way to win a competition. So many definition of performance have developed. Robbins (2005:465), performance is all of these. It's the end result of an activity and whether that activity is hour of intense practice before a concert or race or whether it's carrying out job responsibilities as efficiently and effectively as possible, performance is what results from that activity. Organisation can measure their performance by:

1. Organisation productivity is the overall output of goods and services produced divided by the inputs needed to generate that output. Organisations strive to e productive
2. Organisation effectiveness is a measure of how appropriate organizational goals are and how well an organization is achieving those goals.
3. Industry ranking.

### **Job Performance**

In general, in empirical studies, performance studies often because research object dimensions differ, mainly due to the industrial organizational goals, organizational structure is different, they adopt different

performance objectives. Therefore, performance refers to the organization of a program of action to achieve their goals, and how far to reach a specific target level for a measure (Huang, 2014).

### **Employee Performance**

The employee performance would be considered as a backbone for organization. The loyalty of employee relies upon knowledge and awareness of culture that improves behavior of organization. The value and norms of employees' based on management identification that helps in improving employee performance. The awareness of quality helps in improving organizational and employee development. (Awadh et al, 2013).

### **Previous Research**

Key performance indicators are financial and non financial indicators that organizations use in order to estimate and fortify how successful they are, aiming previously established long lasting goals. Appropriate selection of indicators that will be used for measuring is of a greatest importance. Process organization of business is necessary to be constitute in order to realize such effective and efficient system or performance measuring via KPI. Process organization also implies customer orientation and necessary flexibility in nowadays condition of global competition. Explanation of process organization, the way of KPI selection, and practical example of KPI measuring in Toyota dealerships are presented in this paper. (Dragana, 2010)

Employee engagement is a vast construct that touches almost all parts of human resource management facets we know hitherto. If every part of human resources is not addressed in appropriate manner, employees fail to fully engage themselves in their job in the response to such kind of mismanagement. The construct employee engagement is built on the foundation of earlier concepts like job satisfaction, employee commitment and Organizational citizenship behavior. Though it is related to and encompasses these concepts, employee engagement is broader in scope. Employee engagement is stronger predictor of positive organizational performance clearly showing the two-way relationship between employer and employee compared to the three earlier constructs: job satisfaction, employee commitment and organizational citizenship behavior. Engaged employees are emotionally attached to their organization and highly involved in their job with a great enthusiasm for the success of their employer, going extra mile beyond the employment contractual agreement. (Solomon, 2010)

## **RESEARCH METHOD**

### **Type of Research**

In conducting this research, the researcher used qualitative method to explore the nature of Key Performance Indicator (KPI) in PT. Jiwasraya Manado.

### **Time and Place of Research**

This research was conducted in Manado while the interviews were conducted in separate places according to the location of every informant which is still in Manado. This research was conducted from June to September 2014.

### **Data Collection Method**

This research will use In-Depth Interview as the data collection method to get the data from the participants. In-depth interviews are interviews in which participants are encouraged and prompted to talk in depth about the topic under investigation without the researcher's use of predetermined, focused, short-answer questions (Given, 2008:422).

### **Primary Data**

Sekaran et al (2010:180), is information that gathered first-hand by the researcher. The data needed for this research were gathered through interview and observation in the social situation included actors, places and activities.

### **Secondary data**

Sekaran et al (2010:182) are data gathered through such existing resources. The data is already exist and do not have to be collected by the researcher. Some secondary resources of data are statistical bulletin, government publications, published or unpublished information available from either within or outside the organization. Data is available from the previous research, case studies and library records, online data, company websites, and internet in general.

### **Instrument of Research**

In qualitative research, the researcher is the key instrument. Sugiyono (2007:400) the researcher as instrument could reach any stimulus from environment that must be predicted has meaning or not for the research itself. Furthermore, the researcher could adapt in every condition and collect many types of data. There is no other instrument in the form of test, questionnaire that could be able to gain all situations except human. In any research that employed tests or questionnaires, quantifiable responds are the main matter as it is needed for statistical data, while strange respond or deviation in any data are ignored. With human as instrument, strange responds and deviation could be given more attention. Any strange responds even could be used as points to enhance the credibility and level of understanding about the aspects that are being researched”.

### **Data Validity Method**

Sekaran et al (2010:384), there are two methods that had been developed in enhancing validity of qualitative research:

1. Generalizations by number of events occurring. It can help in addressing concern about the qualitative data reporting.
2. Ensuring that every case is represented and inclusion of contradicted cases.

There are several ways in maximizing data reliability and validity in qualitative research. Triangulation is one of the common ones. The idea behind triangulation is getting the same result from different methods or sources (Sekaran et al, 2010:385). There are several types of triangulation, which are:

1. Method triangulation : Using several different methods in gathering and analyzing data.
2. Data triangulation : Using data that gathered by several different sources and/or at different time.
3. Researcher triangulation: Using several researchers in gathering and analyzing data.
4. Theory triangulation : Using several different theories to analyze and interpreting data.

### **Data Analysis Method**

Sugiyono (2007:427) stated, data analysis is the process of systematically searching and arranging the interview transcripts, field notes, and other materials that you accumulate to increase your own understanding of them and to enable you to present what you have discovered to others. Qualitative data analysis is a typical of inductive which when the data are being gathered, the next step is the data are being developed to find pattern or model or to become hypothesis. After the hypothesis, it needs advance data to draw conclusion using triangulation to become theories.

In this research, the process of data analysis were done before entering the social situation while analysis process was done during collecting the data and after finishing the collecting data in certain period of time. Doing analysis before entering the social situation used secondary data to decide the tentative limitation of the research.

During interview and observation process, analyzing the answers that were given by the informants was done. If the answers or descriptions that were explained by the informants are still unclear, then will continue to ask and find the answer to find credible data.

## RESULT AND DISCUSSION

### Result

The results obtained by the author from interviews with the informants (head of human resources department of PT. Jiwasraya Manado) Mr. Kasful Anwar, SE, AAIJ and Mr. Paulus HB Lowing, SE, AAIJ and Mrs. Lelemboto as Agent who answered the questions above and be explained as follow:

Total premi new business that generated by marketing personnel in 2013 which is 422 agents are Rp.131,312,622,137. From the total of 422 agents PT. Jiwasraya Manado, only 266 considered as active/productive agents, and another 156 considered as less active/unproductive. As for the distribution of active and less active agent/labor is categorized based on the results obtained per-agent. if it reaches or exceeds the predetermined targets of PT. Jiwasraya Manado, it categorized as an active agent. And if it does not achieve the target then it listed as an agent that is not productive. It is also influence the ups and downs of the Company's performance. Each agents recently targeted to reach two millions rupiah every month minimum premi in one year period. If in one year period an agent can't reach the monthly target, that agent will got dismissed as an agent. However, if the agent is willing to work again, Jiwasraya gives a chance to enroll again to be a newly agent. Informant also explains the division of Marketing staff position in PT. Jiwasraya Manado. In the marketing area, there are 6 levels of positions, namely;

1. Agent Latihan Lapangan (ALL)
2. Marketing Associate (MA)
3. Unit Manager (UM)
4. Area Manager (AM)
5. Branch Manager (BM)
6. Regional Manager (RM)

In any marketing positions mentioned above, there are targets that needs to be achieved as determined by PT. Jiwasraya Manado, which is as follows: Agen Latihan Lapangan (ALL) targets to be achieved is Rp.2,000,000; Marketing (MA) targets to be achieved is Rp. 120,000,000; Unit Manager (UM) targets to be achieved is Rp.480,000,000; Area Manager (AM) targets to be achieved is Rp.8,000,000,000; as well as the position of Branch Manager (BM) and the Regional Manager (RM.) The target is determined by PT. Jiwasraya. The author also received information directly from the source, that the profits of PT. Jiwasraya in 2013 is Rp.460,912,000,000. Profit PT. Jiwasraya obtained through premium income, reinsurance premiums, investment, and others income. Profit is meant here is the after-tax profit. Target profit in 2013 is Rp.292,000,000,000.

The total amount of marketing labor costs incurred in 2013 is Rp.5,071,478,238 and total operating cost in 2013 (exclude the cost of insurance) is Rp.11,868,113,641. The funds were used to support activities and events within the office and in the field. Based on these interviews, the authors note that there are two types of employees at PT. Jiwasraya which are agents in the field and the administrative agents. And also the author got the detail information gathered from the sources such as:

1. Total marketing personnel who follow the training in 2013 is 275 people.
2. The total number of on-the-job training is conducted 9 times and will be trained when considered need by the company, in other words there's no schedule and exact numbers for training to be conducted. Company trained the administration employees only when there's a major changes inside the company and because of the unsure schedule causes the least amount of active agent /productive due to lack of training of PT. Jiwasraya.

3. Total module training that completed are 6 modules: Company Profile, Opportunities and Development Business Through Profession Agent, System Compensation and Career Agent, Product Knowledge, Selling Skills & Role Playing, Agency Business Plan
4. Number of protest during 2013 is 0, which means there's no demonstration or complaint that occurred in 2013. It means the employees satisfied with the treatment given by the company. Also maybe there's some internal problem that happening in the company but they don't want to expose it.
5. The level of employees attendance on administration section is 229 days work and late as many as 35 times.
6. Employees that graduated from senior high school are 4 and 12 people graduated as bachelor in administration section.
7. At the beginning of 2013, the number of employee are 18 people and at the end of 2013 as many as 19 people, and there are 2 employees who retired.
8. Two weeks needed to do the recruitment process to fill the vacant position. Categories assessment for promotion position for the agent or the marketing is through the targets, and on administration section is through education and tests that performed to fill a position.

### Discussion

New agents have high acquisition expenses, such as training costs and product licensing. Compared to serving and retaining existing agents, new agents pose a greater risk and can have inferior retention rates, resulting in lower profits. Through agency profitability measurements, the insurer can calculate an agency's probable lifetime value and then allocate resources to the most profitable agent rather than the noisiest. For example high-value agents are given preferential servicing capabilities that often results in higher premium revenue and increased retention rates. The amount of insurance an agent sells has a financial impact on his contribution to the company. Take this factor into consideration, calculating the total value of insurance each employee sells. Figure the employee production growth and calculate productivity per hours on the job, dividing the total sales by the hours worked to determine an amount sold per hour, making your measure more equitable for all employees.

To get a promotion for each employee, it needs to be considered from the results of the performance evaluation. In addition, the time period of employment that the employee passed is the main criteria that determine for employee to get promotion. Besides that, loyalty, discipline, and seriousness also need to be considered. There are times when employees must face an unexpected thing, and employees need to deal with it by follow the regulations that set by the company, it is certainly a plus point for employee to get a promotion, but still need to be reviewed by a supervisor. In addition, honesty is also a key for an employee to get promotion. Study demonstrate that feeling valued by management, two-way communication between management and employees, management's interest in employees' well-being and giving more opportunities for employees to grow are the top drivers of employee engagement.

Jiwasraya understands the compelling need for transformation, and improve critical insurance processes. Insurance is a process and paper-oriented industry. So, it stands to reason that changing the way the insurance industry does business for the better means finding new ways of handling information and revamping manual processes that today push mountains of paper from place to place and department to department. The key is managing the process and the paper optimally to achieve the most effective results. However, equally important are the tools to monitor and alert based on key performance indicators (KPIs). They provide the company executives an eagle's eye view of what is going on inside the business on any given day and the means to proactively improve processes, fully-manage workloads, and meet or exceed production and service goals

## CONCLUSION AND RECOMMENDATION

### Conclusion

This research has identified that the most important implementation of Key Performance Index on Jiwasraya employees in Manado is both sales revenue and training. Because when the sales revenue is high, obviously the self-consciousness of the employees will surface. Therefore, the employees will work more to keep their job and not letting the company down. Moreover, the on-the-job training is also important for the employees. The training has a purpose to make them better on the performance daily. By getting more knowledge and more experience, the performance of the employees will be better. Overall, the performance of employees at PT. Jiwasraya Manado is on good condition. Seen from agent productivity at PT. Jiwasraya Manado and from the number of agents, target in 2013 is reached and surpass the company's target. The key performance indicator can be used in assurance company in Manado to measure the level of performance of the company.

### Recommendation

There are several recommendations suggested to the company:

1. To reach the target sales revenue, on field agents also need to reach their own target. Based on the data gathered, from 422 agents there are only 266 agents that active. It means that not all employees do their jobs and achieving their targets. The writer states that the inactive agents exist because of the lack of trainings that are held by the company. It's because the training are inconsistent and held only when it's needed even though the training of agents are important to increase their performance. Although there are no protests/demonstration for the company in 2013, the company needs to pay more attention and to increase the quality of the company, so that the employees will be satisfied and work accordingly.
2. Company should increase the motivation for the employee to work so they will feel challenged with the new target and evaluate them more so company can find troubles among the workers.

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