

Proposed Competency-Based Job Evaluation System at Telkom Foundation

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Abstract

The merger of Yayasan Pendidikan Telkom (YPT) and Yayasan Sandhykara Putra Telkom (YSPT) become Telkom Foundation has evolved to be one of the best foundation in educational services. Telkom Foundation currently manages 44 schools, Kindergarten, Elementary, Junior, and Senior High School, Vocational School, as well as four higher education Institutions (Telkom University, Sekolah Tinggi Teknologi Telematika Telkom (ST4), Sandhy Putra Tourism Academy Bandung & Telkom Academy Jakarta. Moreover, Telkom Foundation also manages Telkom Professional Development Center (Telkom PDC), with the total as many as 23000 students. To achieve the goal that has been design, Telkom Foundation has to support their employee with knowledge, personal character and skill that needed for its employee. Remembering that Telkom Foundation is not the only one foundation that engage in educational service, make it should compete with other foundation to provide the best educational facilities. One of aspect in human capital management that can be implemented is competency-based compensation which considering skill and competency to accommodate internal equity among its employee. In this research will design a compensation system trough job evaluation method. The analysis step of compensation system that will be proposed is by determining compensable factor to generate job value, which reflect in core competency, functional competency, managerial competency, and technical competency. The result from this research is competency based job evaluation can accommodate internal equity criteria to calculate job value with more fairness for all jobs.

Keywords: compensation system; job evaluation; competency-based

1. Introduction

PT. Telekomunikasi Indonesia (Telkom) that engaged in the field of telecommunications products and services, has a commitment to consistently contribute in the embodiment of Corporate Social Responsibility (CSR) in the field of education. To realize these objectives, Telkom Foundation should support their employee by implement human capital management in all aspect including the compensation system. An ideal compensation system should consider the compensable factor that would determine the value that should be paid by the employer. Compensable factors are those characteristic in the work that the organization values, which help it pursue its strategy and achieve its objectives (Milkovich and Newman, 2011). Compensable factors should be representative of the internal alignment or internal equity. The stronger the link between skills, experience, and organization's objective, the more pay those skills will command.

Company must have to set up internally equitable compensation system. Internal pay structure is also has a challenge to design structures that will engage people to help achieve organization objectives (Noe, 2010). Therefore the company must start to concern about internal factors that could be affect to the employee motivation to achieve the goals of the company. Telkom Foundation's vision is to be the foundation for quality education with international standards, to form an excellent human character, in building civilization. Besides, below is the Core Values at the organization:

- Integrity: Keeping the moral values and codes of conduct consistently.
- Harmony: The harmony and solidity of units, and personal in the move and worked as an effort to achieve its mission, vision and goals of the organization.
- Excellent: Paradigm and orientation to be the best and achieve the best results to the purpose of the organization.

2. Business Issue

To become international educational institution with a World Class level, Telkom Foundation has realize that the quality of human capital holds the key role on the successfulness of some organization. One of the most important aspects that should be concerned by the organization is about Compensation. An ideal pay system should consider internal equity as fairness principal. An internal equity becomes very important remind the relative worth of individual jobs to an organization (Cascio, 2006). In Telkom Foundation, based on the historical data and interviewed that has conducted in directorate General Affairs and Directorate Primary & Secondary Education, the compensation management that operates by Telkom Foundation has not considered the internal equity that carried by employee.

As stated before Telkom Foundation is the merge of Yayasan Pendidikan Telkom (YPT) and Yayasan Sandhykara Putra Telkom (YSPT). One of effect that occurs because of the merger by the two foundation is there has been no evaluation of the employee's job description. The lack evaluation is causing the inappropriate complexity of job among directorates in the Telkom Foundation. The need of doing Job Evaluation is become critical relate to the current compensation system that still not based on competence. The unbalance complexity of job from each directorate inflicts to the envies for employee and become the internal inequity issue.

3. Research Methodology

Figure 1 is the methodology research which contains a steps of analysis from general issue until problem solution.

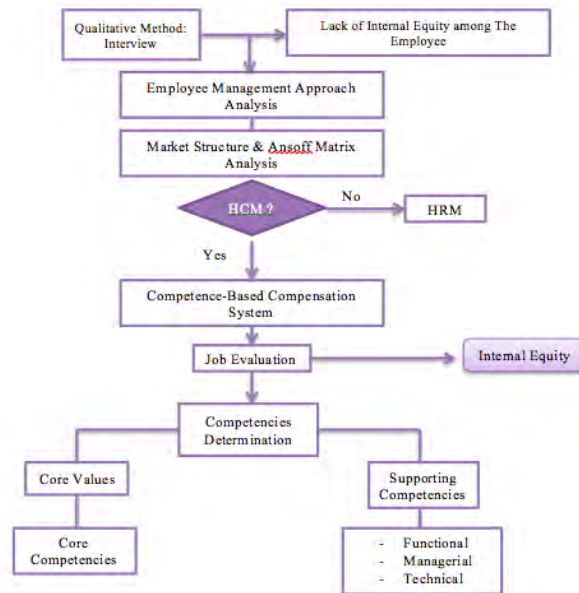


Figure 2 Research Methodology

Figure 1 shows that this research use qualitative method starts from preliminary studies about the existing problems by interview; compile sources of data and literature review. The internal inequity that has complained, refer to compensation management as a theory. The first step that should be done is to decide people management approach. This approach is used to determine the compensation system that should implement by Telkom Foundation. People management approach contains of market structure analysis and Ansoff matrix analysis.

Market structure has a sense classification manufacturer to some form market, based on several characteristics such as the type of product produced, the number of enterprises in the industry and the barrier to entering the industry. Economics mapping to distinguish the structure of the market into 4 types; Perfect Competition Market, Monopoly Market, Monopolistic Competition Market, and Oligopoly Market. In each type of market has a characteristic that determine its business strategy. (Elmer G, Wiens).

While Ansoff matrix is a framework to help organization to take a strategic decision in business development, by considering whether the organization develop its business with existing or new products in the existing or new market. Below is the 4 combination product/market in ansoff matrix that result 4 choices of business strategy (Tom Spencer, 2015):

- Market Penetration: Existing products – Existing market
- Product Development: Existing Market – New Products
- Market Development: Existing Products – New Market
- Diversification: New Market – New Products

3.1 Compensation System

Milkovich & Newman (2011), compensation system is defined as all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship. It divided into two different approached namely Job-based structure and Person-Based Structure. A job-based structure is a structure of salary payments that is built on compensable factors determined by the job. It is based on a hierarchical organizational structure, so employee will paid based on the position they occupied. It usually does not reward people directly for their knowledge, abilities and individual strength. Job evaluation is the technique to design job-based structure. It starts from conduct the job analysis, job description, until determine compensable factors, and the weighting process. The methods of job evaluation process can be ranking, classification, and point method.

Like a job-based structure, developing a person based pay structure also requires an understanding of the tasks and responsibilities of jobs in a business. Similarly the development of the structure requires job analysis and job descriptions. The

difference is that it compensates the job incumbent (person) in terms of his knowledge, competencies and skills. Milkovich & Newman (2011) also stated that the heart of the person-based plan is that employees get paid for the relevant skills or competencies they process. The process of using competency is to address the need for internal alignment by creating a competency-based structure. The purpose of this research is to design a mix method from job-based structure and competency-based structure. It called as a mix method because it put the competency elements in determining compensable factor, and also for the weighting of the compensable factors.

4. Data and Analysis

From the analysis of employee management approach, Telkom Foundation in is placed on the Market Penetration at first, because on the Development, Telkom School has providing an institutional education start from kindergarten until high school since 1980. To increase the revenue in the existing product and market, Telkom School should do several strategies such increase the school’s accreditation, always updating teacher’s certification, upgrading the school’s facility, and always maintain the customer satisfaction. Figure 2 explain where the business strategy of Telkom Foundation in each quadrant.

Market Penetration Strategy <ul style="list-style-type: none"> • Increase the school’s accreditation • Updating teachers certification • Upgrading school’s facility • Increase customer satisfaction 	Product Development Strategy <ul style="list-style-type: none"> • Product improvement • Product line extension • New product for same markets
Market Development Strategy <ul style="list-style-type: none"> • Expand markets for existing products / services • Geographic expansion • Target new segments 	Diversification Strategy <ul style="list-style-type: none"> • Diversification into related business • Diversification into unrelated business

Figure 2 Telkom Foundation’s Business Strategy

Telkom Foundation is in the monopolistic competition market and in the market development quadrant. In the monopolistic competition market, it remind that Telkom Foundation in its business development is not the only one foundation who’s provide an educational institution. In this business, Telkom Foundation should also compete with another foundation to provide the best educational services. Because it located in the monopolistic competition market, one criterion that required is they certainly have a different characteristic of the product or services they’ve provided. A different characteristic is reflecting as the uniqueness of the organization. As an organization, Telkom Foundation have to support their employee with several capability include creative and innovative behavior which aim to achieve the uniqueness of the organization. Human capital is the relevant knowledge, skills, experience and learning capacity of the people available to the organization (Ingham, 2007). Therefore, in this research, the implementation of Human Capital that relate to the business issue is to implement competency-based compensation system by conducting job evaluation process. The figure 3 below is the steps that should be taken to conduct job evaluation process. The next each steps will explain sequentially.



Figure 3 Design Process of Job Evaluation

a) Compensable Factor Determinations

Compensable Factor should represent the internal equity of employee. The internal equity that felt by employee is about the unbalance of complexity of duties or job that carried by employee in the same level of position. The complexity of jobs refers to the degree of autonomy and the scope of responsibilities (Kumar, 2008). List below is the compensable factors that should consider in determining job value for each position in Telkom Foundation:

- Core Competency
- Functional Competency
- Managerial Competency
- Technical Competency



Table 1 Spencer Competency Dictionary

Competencies	Code
Achievement Orientation	ACH
Concern for Quality & Order	CO
Initiative	INT
Interpersonal Understanding	IU
Information Seeking	INFO
Customer Service Orientation	CSO
Impact & Influence	IMP
Organizational Awareness	OA
Relationship Building	RB
Developing Others	DEV
Directiveness	DIR
Teamwork	TW
Team Leadership	TL
Analytical Thinking	AT
Conceptual Thinking	CT
Expertise	EXP
Self Control	SCT
Self Confidence	SCF
Flexibility	FLX
Organizational Commitment	OC

The four competencies consists of sub factors or sub competencies that taken from Spencer Dictionary. Core competency was taken from Telkom Foundation’s core values namely Integrity, Harmony, and Excellent as stated in previous chapter. Then the rest of sub competencies distributed to the Functional, Managerial, and Technical Competency. Based on the discussion and analysis, figure 4 shows the content on each Compensable Factor which refer to Spencer Competencies Dictionary.

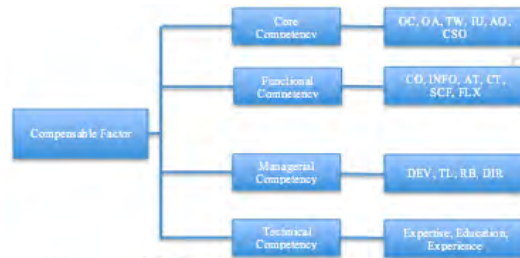


Figure 4 Telkom Foundation’s Compensable Factor

b) Job Analysis

Job analysis is the process of analysing jobs from which job descriptions are developed. The method that used is by doing an interview, analysis and compares the content of each job description provided. By doing the Job Analysis, that makes us understand about task, responsibility, complexity of duties and key performance indicator that carried by each employee. Those analysis indicate that the complexity of jobs are not always the same even those on the same level position. It is very depend on the content of their job description. The unbalance in complexity of duties, become one of the factor that affect to the determination of level sub factor or competencies. It become very important in the making of job evaluation because by analysing it, we would see the different value of each level that could affect to the calculation of the total job value.

c) Weighting Compensable Factor

Determining the weight of factors and sub factors is used to job value distribution. The weighting was conducted to determine the extent to which factors and sub-factors affect the job value distribution. The weighting determination is using expert choice software, however to make it suitable with the company focused-group discussion is also involved.

Expert choice software is one of tools that use to conduct the Analytical Hierarchy Process (AHP). AHP helps decision makers to find one that best suits their goals, and their understanding of the problem (Goodwin, 2005). In this research, the goal is to make a decision, which compensable factor that most influential to the job evaluation process. To review the consistency of the ratings given to each variable, the inconsistency indicator should not be more than 0,1. Figure 5 is an example of weighting process in compensable factor.

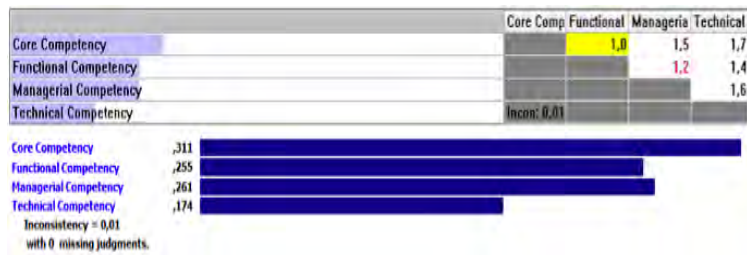


Figure 5 Compensable Factor Weighted

The figure above describes priority on compensable factors that have been determined. As we see that the most important or influential to the job evaluation calculation is the core competency, and the least influential is technical competency. So, on this compensable factor distribution, core competency has a value for 31.1% and the least one, technical competency, has only 17.4% of the overall distribution. Core competency becomes the most influential in compensable factors because core competency is derivative from Telkom Foundation core value. As we know that core value has a very important influence because it consists of values that the organization holds that underlie the employee behaviour to act and reach the organization's goals. The weighting is also conducted in every factor such as core, functional, managerial, and technical competency. Figure 6 below shows us the distribution of compensable factors that generated from expert choice software.

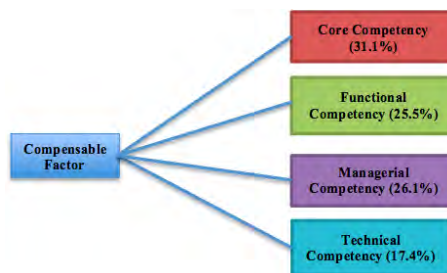


Figure 6 Compensable Factor Distribution

d) Developing Job Value Table

After weighting and distributing factors and sub-factors using expert choice software, the next step to complete job evaluation is to calculate the job value for each compensable factor. To get job value, we should multiply the weight of each compensable factor with the maximum job value. To simplify the calculation, the maximum job value is set at 1 million. Table 2 below shows the job value for each compensable factor.

Table 2 Maximum Job Value Compensable Factor

Factor	Weight	Maximum Job Value
Core Competency	31.10%	311000
Functional Competency	25.50%	255000
Managerial Competency	26%	260000
Technical Competency	17.4%	174000
Total	100%	1000000

e) Calculation of The Total Job Value

The last step that will complete the job evaluation process is by calculating the total job value in every position. The determination of Sub Factor level is conducted by doing job analysis or analyzing the task and responsibility that is carried by each level position and adjusted with the level that is provided in Spencer Competencies Dictionary. By determining the level, it would show the differences between the levels of competencies even if it was on the same position. The difference of level would affect the job value calculation, as shown in Table 2.



Table 2 Summary of Job Value Calculation at Telkom Foundation

Position	Job Title	Core Competency						Functional Competency						Managerial Competency						Technical Competency			Total Job Value	
		OC	OA	TW	IU	ACH	CSO	CO	INFO	AT	CT	SCF	FLX	DEV	TL	RR	DIR	IMP	SCT	INT	EXP	EDU		Experience
Chairman	Chairman	52093	54425	29485	35454	69042	44409	49470	20655	52275	77775	28475	20655	51740	23140	16225	67347	45500	14040	23053	49394	50982	20400	896034
	PSE	41674	45688	29485	35454	61037	44409	42403	14754	43563	67450	22780	17713	40242	19834	13938	51760	34125	12117	19760	42161	50982	20400	771729
Director	Higher Education	41674	45688	29485	35454	53032	44409	42403	14754	43563	67450	22780	17713	34493	19834	13938	51760	34125	12117	19760	42161	50982	20400	757975
	GA & Logistic	41674	45688	29485	35454	61037	38779	49470	14754	43563	67450	22780	17713	40242	19834	13938	51760	34125	12117	19760	42161	50982	20400	773166
	BDE	41674	45688	29485	35454	61037	44409	42403	14754	43563	57125	22780	17713	34493	19834	13938	51760	34125	12117	19760	42161	50982	20400	755655
	EPE	41674	45688	25071	28363	53032	38779	28269	11803	26138	46800	22780	14770	22996	13223	11650	43967	22750	12117	13173	42161	50982	20400	636586
VP	Edu & Perf Measurement	41674	45688	25071	28363	45026	38779	28269	11803	26138	36475	22780	14770	22996	13223	13938	43967	22750	12117	13173	42161	50982	20400	620543
	Finance	41674	45688	20657	28363	45026	27520	42403	11803	34850	46800	22780	14770	22996	13223	13938	36173	22750	12117	16467	42161	50982	20400	633541
	HC & Logistic	41674	45688	25071	28363	45026	33149	35336	11803	34850	57125	22780	14770	28744	13223	11650	43967	22750	12117	13173	34929	35321	20400	631909
	BD	41674	45688	25071	28363	45026	38779	21201	11803	34850	46800	22780	14770	22996	13223	13938	36173	22750	12117	16467	42161	50982	20400	628012
AVP	Operation EPE	31256	28213	25071	21272	45026	27520	28269	8852	26138	46800	22780	14770	17247	9917	11650	28380	22750	10193	13173	34929	35321	12700	522227
	Accounting	31256	28213	20657	21272	37021	21890	35336	8852	26138	46800	22780	14770	17247	9917	9363	28380	22750	10193	13173	34929	35321	20400	516658
	HC Dev	31256	28213	20657	28363	45026	21890	35336	8852	26138	46800	22780	14770	22996	13223	9363	28380	22750	10193	13173	34929	35321	20400	540809
	Procurement	31256	28213	20657	21272	37021	21890	21201	8852	26138	46800	22780	14770	17247	13223	9363	28380	22750	8270	13173	34929	35321	20400	503906
Officer	Strategic Dev	31256	19475	16242	14182	21010	16260	21201	8852	17425	26150	5695	8885	11498	6611	7075	5000	5688	6347	6587	34929	35321	12700	338389
	EPD	31256	19475	16242	14182	21010	16260	21201	8852	17425	26150	11390	8885	11498	6611	7075	5000	5688	6347	6587	34929	35321	12700	344084
	Budgeting	31256	19475	16242	14182	21010	10630	28269	8852	17425	26150	11390	8885	11498	6611	4788	12793	11375	6347	6587	34929	35321	12700	356715
	HC Service	31256	19475	16242	14182	21010	10630	21201	8852	17425	26150	11390	8885	11498	6611	7075	12793	11375	6347	6587	34929	35321	12700	351934
	Entrepreneurship	31256	19475	16242	14182	21010	16260	21201	8852	17425	26150	11390	8885	11498	6611	7075	5000	5688	4423	6587	34929	35321	12700	342160
Staff	Secretary HE	20837	10738	7414	14182	5000	5000	14134	2951	8713	15825	5695	8885	5749	3306	4788	5000	5688	6347	3293	20465	35321	5000	214331
	Budgeting	20837	19475	11828	14182	13005	5000	21201	5901	8713	15825	5695	8885	5749	6611	4788	5000	5688	6347	3293	27697	35321	5000	256041
	HC Dev	20837	19475	11828	14182	13005	5000	14134	5901	8713	15825	5695	8885	5749	6611	4788	5000	5688	6347	3293	27697	35321	5000	248974
	Procurement	20837	19475	11828	14182	13005	5000	7067	2951	8713	15825	5695	8885	5749	6611	4788	5000	5688	6347	3293	27697	35321	5000	238957

Table 2 shown that although some jobs were in the same grade but not necessarily have the same of total job value. This is support by the analysis that competency level required for each position would be difference, even though on the same job level position. The differences of level affect by the unbalance of complexity of job that carried by each position as analysis that has been conduct. This is the reason that the basic salary of employee possible to be difference even on the same level position.

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