TALENT MANAGEMENT IN INDONESIA'S ORGANIZATION: PERSPECTIVE AND STRATEGY

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War for talent has received remarkably degree of practitioners and academic interest. Developed countries has aware of this issues since midst of 1990, and developing countries are having such a concern as well as this issues already became critical, especially in ASEAN whereby ASEAN Economic Community (AEC) are going to be start on January 2016. This paper are describing the Indonesian’s organization to seek – out and engaged their talent. Literature review is conducted to gain the aspects, factors, and strategy on how Indonesian’s organization manage their talent and addressing their talent acquisition issues to survive in their business sector. The objective of this literature study is to review the perspective of talent management in Indonesian’s organizations, and to know the strategy on how talent management will be implemented effectively in Indonesian’s organization. Author brought out six factors influencing talent management in Indonesia with the impact of each factor, and strategy executions to build the global talent pipeline in Indonesia.

Keywords: Talent, Perspectives, Management, Indonesia, Strategy

1. INTRODUCTION

Since the phrase “war for talent” was coined by McKinsey in 1997 (Michaels, Handfield-Jones and Axelrod 2001), the term “talent management (TM)” has received a remarkable degree of practitioner and academic interest (Berry 2007), and introduced across USA, Europe, Australia, and other countries in Asia (Bennett and Bell 2004; Chugh and Bhatnagar 2006; Kuptsch and Pang 2006; Yeung 2006). Since the environment for most organizations today is global, complex, dynamic, highly competitive and extremely volatile, organizations both locally and globally recognize that they have a critical responsibility to recruit, develop, deploy, manage and retain their most valuable asset—talent (Cappelli 2008). It is also revealed that most CEOs explicitly pointed out that talent management was too important to be left to the Human Resources (HR) alone, therefore CEO share 20% – 50% of their time on talent issues. A Boston Consulting Group (BCG 2007) report identified talent management as one of the five critical challenges for HR in the European context.

Talent management is also a significant HR agenda in the Indonesian’s business context. Leading organizations have established talent management departments and programs. For example, PT Astra International Tbk has a talent management department under the supervision of the Central Office, while PT Pertamina Tbk has established its own business institution (Corporate University) for higher education, Pertamina Learning Center, in order to educate, train and supply its talent pool. A survey in 2014 by researchers of training programs offered by the consulting firms – DDI, and Towers Watson - found that every consulting firm offers various programs involving
talent management for different levels of employees. In addition, in telephone interviews with consultants, most of them stated that many leading Indonesian firms from both public and private sectors are significantly increasing their focuses on talent management such as PT Astra International Tbk, Bank of Indonesia, PT Pertamina Tbk, PT Minamas Gemilang, PT TransCorp, PT Garuda Indonesia, PT Mandiri Tbk, and other Public Company and multinational companies operating in Indonesia like PT Unilever Indonesia Tbk. The main reasons are that: (1) Indonesia is the 4th largest country worldwide with more than 240 million of population; (2) Indonesia is welcoming global competition as one of the World Trade Organization (WTO) members; (3) Trading tax will be abolished in 2015 for all ASEAN members; (4) World Economic Forum (WEF) listed Indonesia on 38th best competitive country worldwide, compare to Russia (64th), India (60th), Brazil (56th); (5) MNCs usually penetrate Indonesian’s market with huge capital, ready to secure top talent to help gain market share and sustain competitive advantages.

Therefore, Indonesian’s organizations need to be alert and prepare for highly organized talent management systems in order to compete. Author searched of the term talent management on Google (accessed on 28 May 2015) revealed only 283,000 appeared in Indonesian’s websites or item out of 48,100,000 global hits or only 0.008%. Most articles found were professional works discussing talent management in terms of definition, concept, system, procedure and perspectives on talent and talent management. Most of them posited their discussions on their consulting experiences and employed international case studies as their references. It is clearly seen that the global conquerors in the knowledge-based economy are those who possess more scientific, concrete information (Collings & Mellahi, 2009; Green, et al. 2006). Similarly, Indonesian’s organizations cannot compete in a highly competitive situation without such information, and thus both professional insights and scientific-based information are needed to empower Indonesian’s organizations to compete in the war for talent. Thus, this study should prove valuable and beneficial to both public and private organizations as well as HR practitioners, academics and policy makers, and the government agencies, in the preparation of policy and planning for competing in the war for talent effectively.

1.1. What is Talent?

Many researchers provided various definitions of the term “talent” in different perspectives. Buckingham and Clifton (2001) points out that talent refers to a natural recurring pattern of thought, feeling or behavior that can be productively applied. Talent naturally exists within people, while skills and knowledge must be acquired. Rath and Conchie (2008) will that natural talents are stable over time and are the key to effectiveness. Morton (2004) defines talent as an individual who has the capability to make a significant difference to the current and future performance of the company. Tansley et al. (2006) state that talent can be considered as a complex combination of employees’ skills, knowledge, cognitive ability and potential. Employees’ values and work preferences are also of major importance. The problem, however, is that everyone could be considered as high potential at different points in time in different organizations. In some organizations, an individual may need to reach a certain level in the organizational hierarchy in order to be considered high potential. For this reason, it is every organization’s interest to make a decision for themselves how and who to label as high potential.

In summary, literature review on the term “talent” suggested that most definition of talent refers to potential, in particular high potentials, which were classified by both practitioners and academic publications into two main definitions: (1) individual potentials and (2) potential people. First, talent is something inherent in people, recurring patterns of thought, feelings and behavior
that are innate in them. Second, talent is defined as people who are in the key position, the team leader and the individual who has a unique capability or makes particular contributions to an organization. On the one hand, a group of employees having above average educational qualification, skill and performance, entitled to be promoted to executive positions, are also defined as talent because they are the best performers in the organization.

1.2. What is Talent Management?

There is no single consistent or concise definition of talent management because the terms “talent management strategy”, “succession planning” and “human resource planning” are often used interchangeably. Lewis and Heckman (2006) identify three perspectives on the concept of talent management. First, talent management is merely a substitute for the label talent management for human resource management. In this perspective, empirical studies often focus on some particular HR practices such as recruitment selection, leadership development and succession planning. Second, talent management is still the rebranding of HRM, but emphasizes on the development of talent pools focusing on projecting staffing needs and managing the progression of employees through positions. Studies in this perspective classically build on earlier research in the succession planning literatures, and providing a degree of differentiation as to what talent management is relative to its HRM counterpart. Last perspective focuses on managing talent according to performance and it is viewed that it as an undifferentiated good that emerges from humanistic and demographic perceptions. Critical to this line of thought is the ability to manage people to their highest potential toward a high performance organization. It includes the development of people and managing that process.

In summary, TM is mainly viewed in three perspectives: (1) traditional HR functions and practices; (2) a new term of succession planning; and (3) the management of people’s natural capability or learned skills that benefit an organization. The first two perspectives are deemed rebranding of HRM which do not advance understanding of the strategic and effective management of talent, while the last perspective is placed in this challenging area that HR practitioners should underline because it involves the development of people and management of the process that requires cooperation and communication among managers at all levels.

2. TALENT MANAGEMENT IMPLEMENTATION IN INDONESIA

2.1. Talent Management in Indonesia?

The performance of Indonesia’s economy and the country overall have been linked to the quality of human capital available. Strategic human resources management (SHRM) philosophies and associated practices are only slowly beginning to emerge in Indonesia, predominantly driven by multinational corporations (MNCs) whose global operations adopt them. A study of SHRM in the Indonesian public service showed that despite government efforts to decentralize many functions in the post Suharto era, the management of human capital continues to be highly centralized. It remains subject to low levels of transparency, a compliance rather than performance focus, and creates an environment in which inequity, nepotism and lethargy are rife.

SHRM requires that the functions associated with talent management (recruitment, performance management, training and development, promotion, succession management and rewards) are integrated. As Indonesia becomes more comfortable in its new democratic skin and increasingly more prominent in global affairs, advanced approaches will gain momentum. But for
now, fully integrated talent management methods are more a concept than a practice and human resources practitioners have some way to go to elevate HR to a strategic level.

A key attraction for MNCs investing in operations in Indonesia has been the cheap supply of labor. This has been a primary consideration for labor intensive industries such as textiles, electronics and motor vehicle manufacturing. Trade unions protect the rights of workers, many of whom are low skilled and poorly educated, but union membership is low at under 7% of the workforce, and has been falling for the past few decades. Indonesia is following the trends of its Asian neighbors with increases to minimum wages and improved working conditions high on the agenda. As a result, MNCs can expect higher production costs associated with higher labor costs, and strategic business investments in Indonesia will need to capitalize on local consumption potential as well as production. There are six factors influencing talent management in Indonesia which will be discussed further on the next subsection.

2.1.1. Education Constrains the Workforce Pipeline

The feeder pool for a country’s workforce is its youth, and despite good advances in the past decade, Indonesia’s education system is still unable to deliver the quantity of quality skills required to meet the country’s needs. The result is a workforce dichotomy, where on the one hand, unemployment is extremely high for graduates of junior and secondary school (as much as 50%), whereas on the other, there is a dearth of college and university graduates. Workforce shortages are already being reflected in the increasing ratio of wages for university graduates compared to primary school educated, rising from 3.8 to 4.4 in the past ten years.

Impact of Indonesia’s education system on talent management are: (1) The mismatch of supply and demand for skilled labor creates a war for talent; (2) The need for corporate sponsorship and implementation of comprehensive training programs is necessary and well received, but requires a significant training and development budget; (3) Speed to competency is reduced and lowers productivity; (4) Advanced technical and specialized skills must be sourced from international markets.

2.1.2. Communication and Religion

Communication can also be a challenge as Indonesians are generally indirect in their approach. They do not necessarily say what they really mean for fear of offending or embarrassing someone. They strive to avoid confrontation or conflict in favor of maintaining harmonious relations. The resulting misunderstandings can leave westerners confused and frustrated.

In the meantime, religion will bring much more complexity of the country. The world’s most populous Muslim country may well present some cultural challenges for multinational corporations with western and predominantly Christian origins. In the business context, Islamic traditions and practices manifest themselves in the following ways: There are five daily prayer sessions Muslims must attend, Ramadan occurs once a year for a period of one month and requires Muslims to fast, Muslims refrain from consuming alcohol, so gifts or celebrations involving alcohol are not appropriate, Women are accepted in business however it is imperative to dress conservatively and in negotiations, women are advised to be accompanied by a man.

Impact of communication and religion on talent management are: (1) The indirect communication style of Indonesians can lead to misunderstandings. An employee that says ‘yes’ to an idea or request may not mean that he agrees with it, only acknowledges it. Indonesians do not like to say ‘no’ and may therefore give the impression they are on board, but then take no action to
fulfill the task; (2) Respecting Indonesian employees religious commitments may require flexibility in the workplace; (3) During Ramadhan, disrupted sleep and eating patterns can take a toll on Muslim employees, reducing punctuality, performance and productivity. Reasonable accommodation of these factors should be exercised.

2.1.3. The “Bapak”

The “Bapak” is expected to take instruction from none other than his superiors. He is a key decision maker and his position commands respect. Senior meetings and negotiations are highly likely to involve a “Bapak” and failing to recognize their status through inappropriate conduct, such as impoliteness, forcefulness or impatience, is considered highly disrespectful in Indonesia.

Expatriates working in MNCs in Indonesia are likely to be senior managers and executives, and as such, are viewed as “Bapak” by their employees. This status brings with it respect and obedience, but the “Bapak” must also honor the paternalistic aspects of their role. Managers that are rude, harsh or offensive bring disharmony to the workplace. Instead they are expected to be disciplined but caring, demanding but supportive.

Impact of the “Bapak” on talent management are: (1) The “Bapak” will hold senior positions (management and leadership) and will be respected for their hierarchical position; (2) Indonesian employees expect their “Bapak” to foster their concerns and provide paternalistic care, as a father would for his children.

2.1.4. Cultural Factors

In addition to language and religion, several other factors underpin Indonesian culture: Hierarchy, Age, Time, Saving face, Relationships, Community, Business etiquette.

Impact of Indonesia’s culture on talent management are: (1) Indonesians will defer to the hierarchy to guide their actions; (2) Older employees and managers will be respected over younger, so youthful emerging leaders must demonstrate skill, tact and patience; (3) The more flexible approach by Indonesians to time may manifest in poor punctuality, meetings that start and finish late, and a perceived lack of urgency in workers.

2.1.5. Changing Mind-Set and Expectations

Winds of change are sweeping across south-east Asia and Indonesia. The Government’s Master Plan identifies and plans for the significant change required to position the country advantageously for the future. The open-minded approach and willingness to learn displayed by most Indonesians primes them positively for change. Many have already endured significant change as the country has shifted from a colonial to a dictatorial to a democratic state. A positive outlook, deep faith and a patriotic belief in their country is evident in this emerging economy.

Impact of changing mindsets & expectations on talent management are: (1) There is a willingness of local and foreign firms to explore, adapt and integrate global best practices, including strategic HR and talent management; (2) Technologies supporting the required changes will be increasingly adopted to fast track and facilitate their implementation.

2.1.6. Technology Uptake

Winds of change Indonesians love technology – especially if it is social and mobile. As at June 2011, mobile phone subscriptions had reached 250 million, representing 105% of the
population, with service providers still anticipating strong growth. Many new phone users have transitioned from no phone directly to cell phone, skipping the landline stage altogether.

The predominant device for access to the Internet is the BlackBerry Smartphone. BlackBerry holds 46% market share in Indonesia (compared to 13% in the U.S.), gaining the country the tag of being a ‘BlackBerry Nation’. Accessibility and affordability have given BlackBerry an enormous edge over their competition.

In the year 2000, there were 2 million Internet subscribers in Indonesia. By the end of 2011 this had grown to 55 million (76% of which are also Facebook users) and still represents only 22% population penetration. Indonesians rank amongst the most prolific social networkers in the world. Indonesia ranked third in the Top 10 of Facebook users in 2011 and also has the highest penetration of Internet users on Twitter in the world (at 20.8%). Indonesia has a very socially interactive culture and social media has been quickly adopted to facilitate these interactions with greater ease than ever before (Water & Stone 2011).

Impact of technology uptake on talent management are: (1) High levels of technology uptake in technology devices and applications prime Indonesians as willing and able adopters of advanced enterprise applications; (2) Mobile device proliferation will accelerate the demand for applications for personal and workplace use High affinity with social media will see this become a key channel for talent management applications.

2.2. Strategy Execution?

The ability of MNCs to realize the potential of the emerging markets depends on their ability to execute global and local strategies. Understanding the critical role that an organization’s talent plays in delivering on strategy requires the short and long term management of human capital resources, ensuring business performance, profitable growth and competitive value propositions.

Effective talent management aligns the human capital required to execute global and local business strategies in the present and the future. There are three (3) strategy execution in Indonesia as followed.

1. Understand the market. Indonesia is a country and economy in transition. Significant political upheaval on the road to fully establishing its democracy means that much of the legal and regulatory frameworks are still evolving and are neither as comprehensive or sophisticated as those of the advanced world. Allowances need to be made that accommodate delays and considerable bureaucracy.

2. Respect the Culture. Indonesians value trusted relationships and these need to be established and nurtured. MNCs must ensure they know the “Bapak” leaders in their field and build sound relationships to ensure cultural obstacles do not occur unnecessarily.

3. Globalize best practices. Indonesians are open-minded and willing to draw from western practices. This should be tempered with adaptations for the local market as well as indigenous implementers of these practices.

2.3. Building Global Talent Pipeline

Global supply and demand for labor is unevenly distributed and shifting demographics, social and educational factors are crystallizing a worldwide shortage of critical skills.
Effective talent management ensures a rich pipeline of technical, managerial and leadership skills to ensure business continuity, including strategies to reduce time to productivity and accelerate high potential.

There are three (3) strategy execution in Indonesia as followed:

1. **Align the talent pipeline with business strategy.** Strategic human resources management is about aligning people and skills with the business goals they are employed to implement.

2. **Identify and develop potential.** With many young leaders emerging in Indonesia, early identification and focused development are critical to ensuring capabilities are fast tracked and quickly transformed from potential to actual performance.

3. **Focus on critical skills.** Pareto’s 80/20 rule applies to an organization’s critical skills. A small percentage of your workforce has the critical skills that drive real business outcomes. Employees with these skills should be actively sourced, nurtured and retained.

### 3. CONCLUSIONS

Unlike many of its neighbors, Indonesia has embraced democracy and although its democratic systems are still immature, they are embedded and endorsed by the nation. The youth of Indonesia are passionate and committed to their prospects and their country, and continued positive growth is expected in the foreseeable future. Talent management is a growing, albeit somewhat new, focus for organizations in Indonesia. Driven by the shift in economic priorities from manufacturing and production to the services sector, new and scarce skills are being sought by more and more organizations, leading to the shortages currently being experienced. Effective talent management is at the heart of reducing human capital risk and enhancing workforce effectiveness. In a country with as promising prospects as Indonesia, now is the time for human resources departments to step up and contribute what can only be described as a critical business function.

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### CITATIONS AND REFERENCES