

Human Capital Development Strategies in Improving the Performance of The General and Financial Bureaus of The Indonesian Quarantine Agency

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Abstract

Human capital is a key resource that plays an important role in organisational performance. Research shows a positive relationship between human capital and organisational performance, such as higher productivity and improved financial performance. Human capital also contributes to competitive advantage, by emphasising the importance of internal resources in organisational strategy. Integrating human capital with organisational strategy through appropriate governance policies and practices can improve individual and organisational performance, and build sustainable competitive advantage. Organisational performance is measured through three dimensions: market, operational and financial performance. Human capital management, rooted in a resource-based view, emphasises the importance of building and managing human capital as a valuable asset. Effective human capital management practices can create knowledge, skills and culture that are difficult to replicate, thus supporting the achievement of organisational goals. In the context of digitalisation, new challenges arise in managing human capital, including the need to change ways of working and upskill employees. Therefore, human capital strategies should focus on employee development, performance management, employee relations, and well-being. As such, human capital management acts as a strategic partner in achieving organisational sustainability and competitiveness in the digital age. Effective integration between human capital strategy and business objectives is key to facing challenges and capitalising on opportunities.

Keywords:

Development Strategy; Human Capital; Performance; Indonesian Quarantine Agency.

1. INTRODUCTION

Human capital is often referred to as a key resource and an important element in organisational performance. Many studies show a positive link between human capital and organisational performance, for example higher productivity and improved financial performance with lower turnover rates (Anwar & Abdullah, 2021). Meanwhile, human capital's contribution to competitive advantage - in much of the strategy literature - suggests a shift in the emphasis of competitive strategy with the balance of competitive advantage away from external positioning in the industry towards a recognition that internal resources are seen as an important aspect for sustainable organisational effectiveness (Nguyen & Kotaskova, 2023). This then further brings to the fore the main rationale of human capital strategic thinking, that integrating human capital with organisational strategy through a specific set of human capital governance policies and practices, supported by innovation strategies, quality improvement strategies, cost reduction strategies, with employees managed more effectively - demonstrated by improved individual and organisational performance - will build organisational competitive advantage.

Therefore, the role of human capital in organisations is seen to become more significant to help organisations perform to achieve their goals. In this context, organisational performance can be described as

the achievement of the organisation's vision and goals (Malik et al, 2020), by translating the company's vision and strategy into a set of performance measures. This organisational performance will be projected from three dimensions, namely market performance, operational performance, and financial performance.

Human capital management or some refer to it as human resources in accordance with Penrose's work, The Theory of the Growth of the Firm published in 1959 is the beginning of the resource-based view (RBV), which is articulated in the view of the importance of organisations building one valuable resource, namely human capital and bringing them together to develop organisational success. This view complements the notion that competitive advantage does not rely solely on fundamentals such as natural resources, technology, or economies of scale, as these resources are increasingly easy to replicate. Competitive advantage should be directed at the rare, valuable, and difficult-to-imitate resources that reside within an organisation, one of which is people.

The competitive advantage of human resources as a strategic factor of the organisation is manifested in human capital that is skilled, highly motivated, productive, high work ethic and positive morale which then becomes the task of human capital management to accommodate and manage it. These assets become valuable intellectual capital for the organisation and reinforce the strategic role of human capital management more significantly. Garcia & Osca (2021) state that the human capital management system is the source of organisational capabilities that enable companies to learn and take advantage of new opportunities.

Human capital management practices in organisations can make a significant contribution to maintaining competitive advantage by creating specialised knowledge, skills and culture within the firm that are difficult to replicate (Gerhart & Feng, 2021). In other words, through the creation of resource diversity (by increasing knowledge and skills) and/or resource mobility, sustainable competitive advantage can be created and maintained. This approach is then adopted for organisational strategic planning, with the fundamental postulate of strategic human capital management that organisational performance is influenced by the integration of a planned set of human capital management practices, tailored to the strategic needs of the organisation to achieve organisational performance and competitive advantage (Guest in Alfawaire & Feng, 2021).



Figure 1. Mapping of Human Capital Strategic Management practices

Research results include studies by Ubeda et al (2021) showing human capital management has a direct impact on outcomes, namely human capital and organisational performance. This is a positive development in human capital strategic management as companies become more aware of the strategic role of human capital management to achieve organisational goals and more serious companies in managing human capital integrated in each of the company's operational functions. Systematically linking the human capital owned by the company with the organisation is to focus on how the employment relationship for all employees can be managed in such a way as to contribute optimally to the achievement of organisational goals (Islam & Amin, 2022).

Referring to the 2017 report on Global Human Capital Trend by Deloitte (2017), human capital has 'the dual challenge of transforming human capital operations on the one hand and transforming the workforce and the way work is done on the other.' The report also refers to the following three areas: (1) digital workforce (designing the talent the organisation needs, hiring employees who have the ability and understanding with digital tools and creating a culture of innovation); (2) digital workplace (enabling productivity through the use of modern communication tools/software), and (3) digital human resources (digital tools and applications to provide solutions in human capital management and innovation).

In any change or transformation, one of the most important challenges is to ensure that employees are aligned with the company's vision and encouraged to contribute to the transformation-even though each employee has different levels of technical ability and adaptability-but are able to unite functions to achieve a successful project. Averbok (2018) mentioned that human capital also needs to look at the mindset, processes, and people involved. Organisations that survive are those that are able to learn, change, innovate, and provide motivated creative impulses that if true can ensure the long-term survival of the organisation. Furthermore, Lasrado & Pereira, (2018) highlighted the importance of innovation, change and creativity and their role in human capital; emphasising the role of motivation in increasing human capital capacity which in turn, alludes to business sustainability outcomes, referring to the long-term survival of the organisation.

Based on the Regulation of the Indonesian Quarantine Agency of the Republic of Indonesia Number 1 of 2023 concerning the Organisation and Work Procedures of the Indonesian Quarantine Agency, it is explained that the Indonesian Quarantine Agency is a Government Institution under and responsible to the President. The Indonesian Quarantine Agency is led by the Head of the Indonesian Quarantine Agency.

The agency, which is a Non-Ministerial Government Institution (LPNK) directly under the President of the Republic of Indonesia, was formed based on Presidential Regulation (Perpres) Number 45 of 2023 concerning the Indonesian Quarantine Agency which is a follow-up to Law Number 21 of 2019 concerning Animal, Fish and Plant Quarantine and Presidential Regulation No. 29 of 2023 concerning Government Regulations on Animal, Fish and Plant Quarantine. The General and Financial Bureau has the task of coordinating and managing financial affairs, state property, as well as implementing administrative affairs, archives, households, protocols, and procurement of goods/services.

Based on this description, in order for the transformation process to run successfully, from the perspective of human capital competitive advantage, companies must integrate human, social, and organisational aspects. Human capital management does not stand alone, but is complemented by human capital and organisational capital to ensure effective utilisation of human capital.

2. RESEARCH METHOD

This research uses a qualitative approach with a literature study method, which aims to analyse and synthesise related articles in the scientific literature relevant to the topic. This approach allows researchers to gain an in-depth understanding of the latest concepts, theories, practices, and findings in the development of Human Capital Management to improve performance. The first step in this method is to identify relevant articles through searching academic databases and digital libraries using keywords that match the research topic. After the relevant articles have been collected, a careful selection process is carried out to select articles that have high quality and relevance to the research objectives.

Next, the selected articles were thoroughly analysed to extract information and findings relevant to the concept and implementation of HRM for stakeholder welfare. This analytical process involves in-depth reading and note-taking of the article content, identification of emerging patterns or findings, and interpretation of their meaning and implications in the research context.

3. RESULTS AND DISCUSSION

Over the past few decades, when talking about human resources, discussions focussed on human resource activities such as staffing, training, competition, and others. But increasingly, we see the focus of human resource work on the value creation of activities more than the activities themselves. The value in question is how human resource performance contributes to the value of investors, customers and society, creating innovative and strategic human resources. The focus on organisational and talent development is also an important aspect for the company. Human capital management is required to continue to create better talent (or increase employee capacity and experience), human capital management must also focus more on organisation and leadership.

'Being digital' is not just having social media to advertise, converting manual systems to computerised or digital, 'less digital previous technologies', meaning media, websites, automation, apps for mobile work, big data and the Internet of Things (IoT). All of which marginalise the importance of the role of HR in business. Indeed, digitalisation is changing roles, structures, governance, services, processes, risk models, policies, lifestyles and culture.

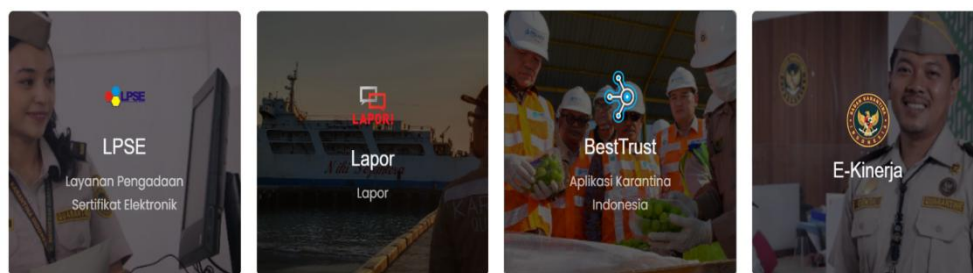


Figure 2. Digitalization of Services at the Indonesian Quarantine Agency

The big task of top management in the field of human capital is to define the meaning of digital in the same framework, that humans are the main motor of business change. Successfully managing human capital will provide one capital to support the company's digital strategy. Therefore, the Human Capital Department must prepare the way for success by taking the role of the centre of cross-sectoral development of the company's digital strategy. This includes efforts to transform new business models in terms of human resources, involving human resources or human capital in the process of designing new business models, mapping risks, business value and measuring productivity.

An equally important human capital strategy is to define the culture, activities and priorities of talent management for the achievement of business goals in the road map in transforming the organisation, operational automation. This is where the central role of human capital becomes the strategic advisor or business partner of the organisation. The scope is quite broad, developing a talent management strategy, creating an ecosystem for employees by providing space for them to demonstrate employee performance, talent and initiative. Human capital management can take the initiative to facilitate the development and new approaches in new performance management including new ways of learning and training employees.

Normatively, Human Capital has the duty and responsibility to support the achievement of organisational goals in the aspect of human/employee management. By developing and implementing an existing human capital strategy and ensuring it is integrated with business strategy, contributing to the development of human capital culture and productivity, ensuring that the organisation has a sufficient pool of talented people for organisational development, and creating a positive working climate and relationship between management and employees.

3.1. Learning and Development

Learning and development strategies and practices aim to ensure that employees in the organisation acquire and develop the knowledge, skills and competencies they need to perform their jobs effectively and advance their careers. This capital certainly brings benefits to the company to meet business needs in the sense that learning and development is a business imperative and supports the achievement of its goals.

In general, Learning and Development within the company is usually divided into several main activities. Learning is the process by which a person builds new knowledge, skills and abilities, while training is one of several organisational responses that can be made to promote learning (Bontis et al., 1999). Within this learning, it usually also involves changes in individual behaviour and attitudes, while training is what the organisation does to individuals, the systematic application of formal processes to impart knowledge and help employees to acquire the necessary skills to do the job. Meanwhile, development is the development or realisation of employees' abilities and potential through the provision of learning and educational experiences. Then education is the development of knowledge, values, and understanding needed in all aspects of life related to a particular field of activity.

Various competency improvement trainings are also provided through the Indonesian Quarantine Agency such as foreign language training, Inhouse DNA Barcoding training, IKH meat and offal assessment training, public relations technique training which shows that human resources are the focus of attention.

At the Indonesian Quarantine Agency, careers are no longer narrowly defined by jobs and skills but through experience and learning agility. Employees and organisations are required to constantly improve capabilities which automatically brings changes in employee preferences, as well as new approaches to learning, job design, performance management and career development. This means that these disruptive changes have implications for workforce needs, namely skills development. These skills programmes are seen as essential to equip them for the projected future employment needs.

Human Capital Management, as the business partner of the organisation, agrees and understands what are the new skills required for future jobs, which of course are much different from what has been done in the past. Identifying these skills can help organisations to plan organisational learning offerings and programmes-from learning infrastructure to employee career planning-to create better and more engaging experiences for today's top talent. The policy taken by the Human Capital Management of the Indonesian Quarantine Agency is to define the balance of internal and external resources to identify learning and development needs, or in the development of competencies for employees; ensure the implementation of

learning and development programmes (be it coaching, mentoring, teaching) for employees; facilitate the availability of coaches and mentors, and administer the information, evaluation and feedback of learning and development programmes that take place.

3.2. Performance and Reward

Human Capital Management has two important roles in the area of Performance and Reward, including being able to nurture and develop the potential of employees, ensuring that support, training and development will maximise the potential of individuals and their ability to perform their jobs optimally and contribute to the achievement of company goals; ensuring effective performance appraisal - including ensuring the ability of line managers to deal with the less pleasant aspects of managing poor performance or not meeting expected standards.

Performance management is the management of employee performance jointly driven by supervisors and subordinates as a natural cycle driven by the company's goals and values of real work results - not just systems, and providing direction for future improvement. Performance management focuses on behavioural change rather than paperwork or administration. The spirit of performance management is employee development, and the success of this system depends on how the organisation is able to instil a positive performance culture in every member of the organisation.

Performance appraisals can differ from the old pattern based on the outcomes produced. The old pattern was related to administrative weight, seniority and status, and professional qualifications. Meanwhile, the new pattern is more characterised by results or output, innovation, impact or value to business, and invention. Employee performance is in line with the demands of the ability to solve problems, build and foster relationships, the ability to take risks, creativity, attitude and adaptability to change.

Formulating the right reward strategy will certainly help organisations to motivate, grow and develop employees, attract and retain employees, and match the acceleration of employee potential and performance with goals.

3.3. Employee Relations and Well-Being

Employee Relations pertains to the management of work relationships and psychological contracts. It encompasses the approaches and methods adopted by employers to engage with employees, either collectively through their unions or individually. This includes providing employees with the right to voice their opinions, express their views, and foster communication between employees and management.

Employee relations have become an increasingly important area because an organization's success in managing employee relationships contributes to higher employee engagement and commitment levels. This is believed to ultimately enhance business outcomes and contribute to employee well-being. This area delves into the significance of the relationship between employees and management in building healthy communication and conflict management, considering the sustainable value of positive employee relations for trade unions, employers, human capital management, and line managers.

Good employee relations are essential at both the collective and individual levels. A positive employee relations climate and high levels of employee engagement have the potential to improve business results as well as promote better health and well-being for employees.

Switching to employee well-being programs, well-being has emerged as a strategic priority. Employee well-being is both a strategy and a responsibility. Robust well-being programs that focus on physical, mental, financial, and spiritual health are corporate responsibilities and strategic initiatives to drive productivity, engagement, and employee retention.

These well-being programs are supported by employee-centered policies driven by Human Capital Management, including designing workspaces, motivational wall decor, rooms for employees to channel their hobbies, consultation spaces, career discussion areas, and contemplation rooms. Essentially, these facilities aim to provide employees with a balance between work and well-being activities.

Employee well-being programs can also be used as a strategy to boost employee engagement, foster positive organizational energy, and improve productivity. There is a growing expectation among prospective talents that employee well-being will be a crucial factor in their decision to join an organization. Employee well-being is also positioned as a strategy for attracting talent and a key component of employer branding initiatives.

3.4. People and Organization

The role of top management in leading transformation cannot be overlooked when steering the course of an organization. Unified and aligned top management is critical for building a strong organizational culture and ensuring the success of sustainable transformation initiatives. These initiatives heavily rely on leadership proficiency in effectively directing human capital and securing a shared commitment to the transformation agenda.

The second aspect is organizational agility. Agility entails moving swiftly and decisively while making precise decisions. In relation to top management, the team must possess the ability to identify stakeholders' interests in the transformation process, accommodate their needs, and establish appropriate prioritization of

projects and human resource allocation. Organizational agility also includes the ability to adeptly navigate the waves of change and turn the challenges of transformation into opportunities.

The third aspect is the organizational environment and culture. Employees spend a significant portion of their working hours in an environment that fundamentally influences their behavior and actions. Organizations should aim to create a conducive climate for transformation. Desired characteristics of the organizational environment include: Collaboration: Working more effectively across functional and divisional boundaries, skills, and eliminating siloed mindsets. This involves encouraging employees to share ideas, interact with different teams, and remove communication barriers. Speed: Encouraging teams to take proactive steps and make decisions that minimize delays in task completion. Transparency: Ensuring openness and clarity in processes and communications throughout the organization.

4. CONCLUSION

The transformation in human resource management (HRM) in the digital era has brought significant changes to the role and focus of human capital management (HCM). The role of HCM now emphasizes creating strategic value rather than merely performing administrative functions. This value is reflected in how HR performance contributes to business value, innovation, and the organization's success in adapting to change. Digitalization impacts all aspects of HR management, from organizational structure and work culture to operational processes, aiming to enhance organizational efficiency and effectiveness.

One of the main pillars of this transformation is the Learning and Development strategy, designed to ensure employees have the knowledge, skills, and competencies aligned with organizational needs. Training, learning, and career development have become strategic investments in building employee capabilities that meet future demands. This process not only strengthens individual performance but also supports the achievement of business goals. Furthermore, Performance and Reward are critical focuses in ensuring optimal employee performance. Performance management systems that prioritize outcomes, innovation, and tangible contributions to organizational goals are replacing traditional approaches that are merely administrative. Effective reward strategies are designed to motivate, retain, and enhance employee potential, enabling them to grow in alignment with the company's vision. Employee Relations and Well-Being have also become strategic priorities, with special attention given to fostering healthy work relationships and employee welfare programs. These programs encompass physical, mental, and emotional aspects, aiming to improve employee engagement, productivity, and retention. Positive work relationships, supported by effective communication between management and employees, form the foundation for creating a conducive work environment.

Finally, the role of People and Organization in transformation requires agile and aligned leadership to build a collaborative, fast, and transparent work culture. Top management is responsible for ensuring that HR strategies are integrated with business objectives, creating an adaptive work environment, and facilitating change management. Cross-functional collaboration, rapid decision-making, and a work culture that fosters innovation are key to the success of organizational transformation. With this strategic role, human capital management becomes not just a support function but also the primary driver of organizational sustainability and competitiveness in the digital era. The effective integration of HR strategies and business objectives enables organizations to grow sustainably amidst ever-changing challenges and opportunities.

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