

AN INVESTIGATION INTO STRATEGIC HUMAN
RESOURCE MANAGEMENT IN INDONESIA:
A GROUNDED RESEARCH APPROACH

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This thesis is presented for the degree of
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DECLARATION

I declare that this thesis is my own account of my research and contains as its main content work which has not previously been submitted for a degree at any tertiary education institution

Perth, 7th October 2010

Arif Hartono

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In the name of Allah, The Most Gracious, The Most Merciful

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DEDICATION

To My Loving Family:

Wife: Lilis Umami Fa'iezah

Sons: Muh. Luthfi Taufik Dzulfikar and Muh. Fakhri Taufik Ghiffari

"I can never accomplished this without your unconditional love and support"

In Loving Memories:

Mother: Hj. Mutiatun

Father-in-law: H Ismakoen

With Love and Respect:

Father: H. Badarudin Mawardi

Mother-in-law: Hj. Umi Mudawamah Solikhah

My entire family

ABSTRACT

This thesis reports on a study investigating the role of strategic human resource management (SHRM) within the Indonesian context. This study is significant for two important reasons. The first is that the link between strategy and HR management in Indonesia appears to have excited little interest from researchers, despite that SHRM has a great deal to offer in assisting organizations manage one of their most valuable assets. The second is that greater understanding of this relationship will enable more strategic formulation and implementation of SHRM. The research has three main foci. The first is to examine how Indonesian organizations align their human resource management (HRM) practices to the business or organizational strategies. Second is to explore the factors that link the HR department to the strategic decision process. The third is to identify key determinants of successful implementation of HR strategy.

No apparent studies so far provide a clear picture of how strategic HR management is implemented in Indonesian organizations; therefore, a grounded theory methodology was used. Data was collected by interviewing sixty-three HR managers from the industry sectors of hotels, hospitals, agriculture and textile manufacturing. Participants were drawn from eight states across Indonesia. Consistent with grounded research principles, data was analyzed using five stages of coding procedure; –open coding, axial coding, selective coding, conditional matrix, theoretical proposition, as described by Strauss & Corbin (1998).

The findings of the study fall into three themes. First, is the approach Indonesian organizations use to align HRM to business or organizational strategies, which usually follows one of two approaches; a best practice or universalistic approach, or a best fit or contingency approach. The best practice perspective confirms a general pattern for managing Indonesian employees and this relates to organizations working within the three following conditions: the organizational process is simple; they have a captive market; and the organization is in a mature life stage. The best fit or contingency domain is adopted by organizations when business or competitive strategy is the major variable for determining the HR strategy. Other factors influencing HR strategy include

internal (organizational) and external (environmental) factors such as the organization's size, structure, life cycle, access to capital, market competition, technological changes, government rules, global changes, economic condition, culture, and the unions. The interactions among these influence HR strategy, either directly or indirectly by influencing the business strategy.

In addition, SHRM occurs through an integrative or two-way linkage. The integrative linkage is where the HR department is involved throughout the whole process and included in formulating strategy, decision-making and implementing strategy. In two-way linkage, the HR department participates in formulating and implementing strategy but is not involved in the decision making process. The choice for each approach depends on the fit with the organizational mindset, the organizational structure, and informal strategic decision process. Finally the determinants of HR strategy implementation match the central determinants of credibility, organizational support and the role and skills of the HR professional, as found in Western or international organizations. Understanding which factors are being utilized or adapted offers not only a significant contribution to our knowledge of the strategy – HR link, but will also have significant implications for practice in Indonesia and ample opportunity for further testing of this link.

Keywords:

Strategic human resource management, Indonesia, grounded research, best practice, best fit, two-way linkage, integrative linkage, credibility HR strategy, organizational support, role of HR people.

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LIST OF ABBREVIATIONS

AFTA	ASEAN Free Trade Area
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asia Nations
BPS	Biro Pusat Statistic (<i>Statistics Central Bureau</i>)
CAFTA	China-ASEAN Free Trade Agreement
CIA	Central Intelligent Agency
DPA	Dewan Pertimbangan Agung (<i>Supreme Advisory Council</i>)
DPD	Dewan Perwakilan Daerah (<i>Regional Representative Council</i>)
DPR	Dewan Perwakilan Rakyat (<i>Council of People's Representative</i>)
GDP	Gross Domestic Product
HCM	High Commitment Management
HPWS	High Performance Work System
HR	Human Resource
HRM	Human Resource Management
ILO	International Labor Organization
ISO	The International Organization for Standardization
KKN	Korupsi Kolusi Nepotism (<i>Corruption Collusion Nepotism</i>)
KPK	Komisi Pemberantasan Korupsi (<i>Corruption Eradication Commission</i>)
KY	Komisi Yudisial (<i>Judicial Commission</i>)
MK	Mahkamah Konstitusi (<i>Constitutional Court</i>)
MPR	Majelis Permusyawaratan Rakyat (<i>People's Consultative Assembly</i>)

OCB	Organizational Citizenship Behaviour
SBU	Strategic Business Unit
SHRM	Strategic Human Resource Management
SPSI	Serikat Pekerja Seluruh Indonesia (<i>Indonesian Workers Union</i>)
UMK	Upah Minimum Kabupaten (<i>Regency Minimum Wage</i>)
WTO	World Trade Organization