



## Measurement of Human Capital in Reviewing the Performance of PT Sri Rejeki Isman Tbk in 2019-2020

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**Abstract:** This study aims to identify the role of Human Capital in supporting the progress of the company by making human wealth as a company asset that needs to be continuously improved. This study uses qualitative and quantitative approaches both in terms of data collection and processing and analysis. Measurement of the value of Human Capital in this study is based on five human capital ratios which include Human Capital Revenue Factor, Human Economic Value Added, Human Capital of Cost Factor, Human Capital Value Added, and Human Capital Return on Investment. In an effort to increase the role of human capital within the company, it is necessary to implement a human capital management strategy for the creation of a sustainable company.

**Keywords:** Human Capital, Company Performance, Human Capital Process

### INTRODUCTION

The creation of a sustainable company that can survive in all eras is the hope of every company that is founded. A company will always be faced with various dynamic global challenges that affect conditions in various sectors which of course have a huge impact on the company's sustainability. The shift from an industry-based economy towards an economy that leads to the reliability of communication, information, and knowledge systems is the background for the creation of the concept of human capital within the company's scope. In contrast to human resources, which emphasizes humans as resources, the concept of human capital emphasizes that humans are the main capital in a company whose number and value can be managed in a process. This shows that human capital is more focused on humans as assets. This role of human capital can ultimately result in value creations for stakeholders such as shareholders, employees, consumers and the community.

In realizing the essence of human capital itself in the company, of course, a good and targeted human capital management strategy is needed. This human capital strategy must support the company's vision and mission and be in line with the previously prepared business strategy. This is important to realize the creation of a sustainable company that is able to compete in various global dynamisms and able to generate profits continuously through services or products that are produced over time. In this study, the author uses the company PT Sri Rejeki Isman Tbk as the object of research to analyze the measurement of human capital and its human capital management strategy in the future.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### Human Capital

Human Capital is a source of knowledge, skills, and competencies that are very useful in a company as well as a source of ability in making decisions that provide solutions based on their intellectual capital (Mulyaningtyas, 2016). Human capital itself is an important part of intellectual capital considering the ability to think itself is the main source of intangible assets in this era of information technology. Through this human capital, it will increase the company's ability to compete through innovation that comes from the intellectual capital owned by every person in the company. According to Prayetno (2017), human capital is an important factor in organizations because it can make a major contribution to the progress and development of organizations, both business organizations.

### Company performance

Company performance is a reflection of the company's ability to manage and allocate company resources in order to create a superior and sustainable company (Mulyaningtyas, 2006). In improving the company's performance, of course, based on the company's financial performance itself. One of the financial performance of a company is influenced by the role of humans in the company. In this case, the essence of human capital is indispensable in creating good financial performance. In this case, the human capital management strategy is important in creating good financial performance considering its role as the driving force of the company.

## METHODS

In this study, the authors use qualitative and quantitative approaches in collecting and processing data for further analysis and study of the role of human capital. According to Saryono (2010), a qualitative approach is used to investigate, find, describe, and explain the quality or features of social influences that cannot be explained, measured, or described through a quantitative approach. Meanwhile, the quantitative approach according to Arikunto (2006: 12) is a research approach that uses a lot of numbers ranging from data collection, interpretation, to the presentation of the results. In collecting data, the author uses a literature study method in the form of a review study of books, literature, notes, and reports related to the topic of the research problem. The measurement of human capital in this study uses PT Sri Rejeki Isman Tbk as the object of research.

## RESULTS AND DISCUSSION

### The Role of Human Capital in the Company

The human factor is a very important variable in increasing creativity and competition to achieve high company productivity. This is because human capital plays an important role in maintaining company stability and is able to provide competitive creative innovations through its intellectual property. There are several components that play an important role in creating a company's human capital which ultimately determines the value of the company itself. Measurement of Return On Investment (ROI) is one of the components that is useful in knowing and measuring the extent to which employee performance, data systems, and information become a single unit that supports each other in generating profitability (Priyandana, 2022). In this case, it is necessary to conduct research in order to find out how much employees contribute to the company to achieve productivity and profitability for the company through ROI measurement.

Jac Fiz-enz in his book entitled "The ROI of Human Capital" explained that employees as company resources absorb up to 40% of the general and administrative costs of the company which of course can affect the company's sustainability. Therefore, it is important for companies to pay close attention to their return on investment starting from the process of managing their human resources as a very significant capital factor in the production process.

In measuring the financial aspect of human capital, ROI can be measured as in Fitz-Enz (2000) which reviews the ROI measurement based on:

## Revenue per Employee

Revenue per Employee Ratio is important in analyzing the company's ability to manage and empower employees to generate profits for the company. This ratio is able to explain the ability of employees to contribute to the company based on the company's productivity and efficiency in the production process. The formula used to measure revenue per employee is:

$$\text{Revenue per Employee} = \frac{\text{Total Profit}}{\text{Number Of Permanent Employee}}$$

## Human Capital Revenue Factor (HCRF)

In measuring the human capital revenue factor, full-time workers are needed as the criteria used as the basis for measurement. This HCRF reflects a measure of worker productivity based on the total working hours invested to generate a number of sales.

$$\text{HCRF} = \frac{\text{Total Sales}}{\text{Number Of Permanent Employee}}$$

## Human Economic Value Added (HEVA)

According to Fitz-Enz (2003: 32), Human Capital Value Added (HEVA) aims to determine whether management's actions have actual economic value compared to the financial statements issued simply. In this case, the higher the HEVA value, the higher the profit generated by each employee. This indicates that financially, the implementation of the human capital management program is quite good. HEVA is measured based on net operating profit after tax minus cost of capital which is formulated as follows:

$$\text{HEVA} = \frac{\text{Net Operating Profit after Tax} - \text{Cost of Capital}}{\text{FTE}}$$

Where:

FTE = Full Time-Employee (Employee Facilities Budget)

## Human Capital of Cost Factor (HCCF)

Human Capital costs basically consist of four variables which include pay and benefit costs for employees, pay costs of contingents, the cost of absenteeism, and the cost of turnover (Fitz-Enz, 2000: 33-36). Pay is a form of cash compensation in addition to long-term compensation payments to maturity. Benefit cost is the money the company pays to provide employee health insurance. Contingent labor is an intern whose working hours are not full time. Absenteeism is a fee for the absence of workers that is charged to the company. Meanwhile, turnover is a cost that is measured using four variables which include dismissal costs, recruitment costs, advertising costs, and potential loss of productivity. HCCF is a means of control and monitoring of Human Capital and is not a pure cost of Human Capital itself (Djojo, 2010: 390).

$$\text{HCCF} = \text{Pay} + \text{Benefits} + \text{Contingent Labor} + \text{Absence} + \text{Turnover}$$

## Human Capital Value Added (HCVA)

Human Capital Value Added (HCVA) aims to determine the company's profitability based on its employees. Based on the HCVA ratio, the higher the ratio value indicates that the implementation of the human capital program is classified as good. This HCVA ratio reflects the contribution of each nominal invested in human capital to the value added of the organization. HCVA is formulated as follows:

$$\text{HCVA} = \frac{\text{Revenue} - (\text{Expenses} - \text{Pay and Benefits})}{\text{FTE}}$$

## Human Capital Return on Investment (HCROI)

Human Capital Return on Investment (HCROI) is measured by comparing sales minus operating costs other than pay and benefits to pay and benefits. This value shows the

company's investment return obtained within a certain period of time based on the company's ability to cover expenses, compensation costs, and benefit costs.

$$\text{HCROI} = \frac{\text{Revenue} - (\text{Expenses} - \text{Pay and Benefits})}{\text{Pay and Benefits}}$$

## Human Capital Measurement

By using data from the Financial Statements of PT Sri Rejeki Isman Tbk (PT Sritex) for 2019-2020, the results of the calculation of the measurement of Human Capital in the company are as shown in Table 1. In the table, the FTE value uses data on employees who work full time in a day. The total number of employees in 2019 was 18,763 employees, then in 2020 there was a reduction in the number of employees to 17,186. However, the decrease in the number of employees actually increased PT Sritex's sales in 2020 from the previous \$1,181,834,182 to \$1,282,569,384. However, the increase in total sales is inversely proportional to the net income generated. PT Sritex's net income in 2020 decreased from the previous \$87,652,548 to \$85,325,108. Based on the data as shown in Table 1, the results of the Human Capital measurement are as follows:

Table 1. Human Capital Measurement Ratio of PT Sri Rejeki Isman Tbk

	2019	2020
FTE		
Employee - Full Time	18,763	17,186
Total FTE	18,763	17,186
HCRF		
Employee Headout-Full Time	62,987	74.629
HEVA	11,464	11,916
HCCF		
Employee-Full Time	44,858,859	46,823,940
Total HCCF	44,858,859	46,823,940
HCVA		
Employee-Full Time	60,597	72,362
HROI	96	74

Source: Processed by the author, 2022

### 1. Human Capital Revenue Factor (HCRF)

The value of PT Sritex's Human Capital Revenue Factor in 2019 using a full-time workforce is 62,987. This shows that each employee contributed to sales of \$62,987 during 2019. This number has increased in 2020 to 74,629 after there is a reduction in the number of workers plus an increase in sales.

### 2. Human Economic Value Added (HEVA)

PT Sritex's Human Economic Value Added value in 2019 with a cost of capital value of 9.5% of the total value of shares outstanding, namely 11,464 and also experienced a slight increase in 2020 to 11,916. This shows that management actions by reducing the number of workers provide economic results, although not too significant. Human capital management in 2020 in terms of the HEVA ratio shows a positive performance for the company.

### 3. Human Capital of Cost Factor (HCCF)

PT Sritex's Human Capital Cost Factor value in 2019 was \$44,858,859 and increased in 2020 to \$46,823,940. In this case, the reduction in the number of workers does not reduce the cost of the workforce itself which is measured in terms of Pay and benefits, Contingent Labor, Absence, and Turnover. This is due to the absence of clear data regarding Contingent Labor and Absence in PT Sritex's Financial Statements for 2019-2020.

4. Human Capital Value Added (HCVA)

PT Sritex's Human Capital Value Added value in 2019 was 60,597 and also increased to 72,362. This increase was generally due to an increase in sales in 2020 which was supported by a decrease in operational costs excluding pay and benefit costs and a decrease in the number of employees in 2020. This HCVA calculation is the basis for viewing human capital productivity in terms of income per employee. This shows that in 2019 each employee contributed a profit of \$60,597 and \$72,362 in 2020.

5. Human Capital Return on Investment (HCROI)

Of the several financial ratios in measuring human capital, only the ratio of Human Capital Return on Investment has decreased. This decrease was due to an increase in employee costs in 2020 coupled with Indonesia's economic instability in 2020 due to the Covid-19 Pandemic. Thus, even though sales have increased and the number of workers has decreased, the cost of employees incurred has actually increased. PT Sritex's HCROI value in 2019 was 96 and became 74 in 2020. This shows that in 2019, every \$1 invested in human capital can return \$96 in 2019 and \$74 in 2020.

### Human Capital Management Strategy

As an effort to ensure that the company is able to generate profits continuously, of course, a human capital management strategy or what is called the Human Capital Process is needed. Fizez in his book and research from CIPD UK explains that there are four categories of processes in the Human Capital Process which include:

1. Acquisition Process

That is the process carried out by the company that in implementing the company's strategy, adequate competence is needed from all sides so that business processes can run smoothly and of course continue to generate profits.

2. Development Process

That is the process by which every human asset in the company has the opportunity to develop its competence. This effort certainly has a very positive impact on the progress of the company. With the existence of qualified resources, of course the company can become more advanced and able to compete.

3. Engagement Process

That is the process carried out by the company in order to build a good relationship with its human assets in order to create a company full of competent human resources so as to be able to advance the company.

4. Retention Process

That is the process carried out by the company to ensure that every award given by the company is able to maintain its individual performance as an effort to maintain the company's progress.

From these four processes, it can be identified how far human capital has been implemented in the company through several monitoring, starting from monitoring the linkage of human resource planning and management to the strategy and objectives of quality improvement, how much involvement of employees in quality improvement efforts, systematic development of training programs and employee education, development of employee performance on the rewards given, as well as the level of employee satisfaction in the company.

### CONCLUSIONS

Based on the human capital measurements made by the author on PT Sri Rejeki Isman Tbk, it can be concluded that the human capital contribution of PT Sritex in 2020 in terms of

human capital ratio measurements in general has increased from the previous year, only the Human Capital Return on Investment (HCROI) ratio.

Which has decreased considering the global challenges that disrupted the company's stability in 2020. Also in 2020, there was a reduction in the number of PT Sitex workers as a result of the Covid-19 Pandemic. However, this reduction in the number of workers did not contribute to a reduction in the number of labor costs in 2020. Labor costs in 2020 actually increased from the previous year which caused the company's net income to decrease even though total sales increased.

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