

competitiveness at the

# FRONTIER

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theme :

**Manpower  
Best Practices**

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## editor's message

A drawback that goes along with preparing a brief publication like *Competitiveness at the Frontier* is that there is never enough space to express all of the points we'd like to make about the chosen theme. So it is a pleasure to return this month to essentially the same theme that underpinned the *Frontier* just over a year ago, when the newsletter was devoted to "human capital." This month's theme, "manpower best practices," gives us a chance to expand on the arguments made in October 2007. We said then that a productive labor force is an important determinant of a country's competitiveness. Recruiting the right employees and treating them properly – providing a safe, clean workplace, communicating well, and offering progressive wage, training and advancement opportunities – will lead to a productive workforce. The expense associated with implementing such policies is money well spent, because there will be a solid return on investment thanks to higher employee retention, lower defect rates, and other measurable benefits.

In this month's articles, we look a bit more closely at what Indonesian light manufacturing industries must consider as they try to manage human resources according to best practices. "The Long-Term Impact of Short-Term Labor" (page 3) acknowledges that Indonesia's manpower law can have the unintended consequence of shifting firms toward the use of contract labor, but – while noting that on occasion this makes sense – points out that even the current labor regime doesn't negate the many clear reasons why permanent employees lead to more productive factory floors. If you aren't convinced, the article "'Love Your Workers' Is The Key To Success" (page 7) offers an example of an Indonesian firm that thrives by emphasizing the use of permanent employees (who are motivated through training, advancement opportunities, and other smart policies). "Best Practices On A Budget" (page 5) offers more insight on how some of those policies can be applied, reminding us that just because a company has limited capital does not mean that advantageous human resource strategies are out of reach.

Finally, while we don't insist that our "Innovation" column (page 9) be tied to the theme each month, the potential for linking manpower best practices with innovation is too great to pass up. We look at how innovative business solutions can help with recruitment – a worthy choice, even if once again there wasn't enough space to say everything we'd like. CSW

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## letters

### FILLING THE KNOWLEDGE GAP

I was pleased to see *Competitiveness at the Frontier* turn its attention to the complex problem of access to finance for small and medium sized firms in Indonesia [August 2008]. At the International Finance Corporation we agree that this is an area that warrants much more in-depth attention than it has received to date. One of our concerns is that there needs to be a more nuanced and systematic analysis of the present set of options for SME financing, as well as a closer look at real needs of small and micro firms. The IFC has done a few diagnostic studies with Indonesian banks, and we have a solid knowledge about the business of many of our investee financial firms, and we have a wealth of global expertise in SME finance. Still, we do not yet have in hand sufficient data or analysis to be as articulate as we would like to be about the dynamics of SME financing in Indonesia. We find ourselves with a knowledge gap.

To plug this gap, the IFC is preparing to launch a major study of SME finance. We will look at the existing literature, carry out interviews at financial institutions, canvass small firms through focus groups and targeted surveys. We will also try to identify and consult with other stakeholders, such as the Ministry of Cooperatives and SMEs, local governments, and the relevant business associations. We will try to be as comprehensive as possible, and apply maximum intellectual rigor to the exercise within the bounds of our limited resources.

We hope that the study will show definitively the gaps in the present supply of financial services, underline the deficiencies in the institutional response to market demand (which we have some "gut" ideas about already), and explore a realistic set of policy options for putting in place key support

*Continues on page 10*

# The Long-Term Impact Of Short-Term Labor

Incentives that encourage firms to rely disproportionately on contract labor hurt competitiveness. But when appropriately used, contract labor can help both the private and public sectors meet their goals.

**A**cross Indonesia, manufacturing companies are more frequently staffing their factories with contract labor instead of permanent employees, thus maintaining a workforce that averages only a short period of employment with the firm.

While there can be many causes for such a trend, in Indonesia this behavior is usually due to provisions in the manpower law (Law 13/2003) that make permanent employees relatively expensive. For one thing, annual wage increases are mandated, meaning that wages will move relentlessly upward for long-term employees, without reference to individual employee performance, employer profitability, or macroeconomic indicators.

The most significant factor incentivizing the use of contract labor, however, is severance pay requirements. When employees are terminated for reasons other than misconduct, the formula for determining severance pay is calculated as a multiple of the number of years worked. These costs mount quickly, to the point where a firm with a large permanent workforce can easily find itself in a position where it is cheaper to declare bankruptcy than it is to downsize operations in response to changes in the market. In fact, a 2004 study by the Faculty of Economics at Padjadjaran University found that severance costs are equivalent to a “hiring tax” of about 4.1 months of wages per employee, or 34 percent of each worker’s annual cost. Claims the study, “Put this way, this ‘hiring tax’ has the same effect as if the govern-

ment imposed a tax of 4 months wages on employers for every new employee they hire.”<sup>1</sup>

The manpower law states that workers can be hired on a contract basis for a period not to exceed two years, which can then be extended for no more than one additional year. In theory, if a worker continues his or her employment after the contract is up, he or she becomes a permanent employee. In practice, this provision is sometimes ignored and employees sign new contracts.

**Many observers, including some entrepreneurs and members of KADIN...worry that excessive use of contract labor is damaging to Indonesia’s long-run competitiveness.**

Indonesia’s manpower law is a major reason why the country performs poorly compared to its competitors on measures related to worker employment. In the 2009 Doing Business Report by the World Bank, Indonesia ranked a disappointing

157th out of 181 countries rated on “Employing Workers,” (a score that takes into account such factors as rigidity of hours, difficulty of firing, and hiring and firing costs). This is a worse showing than even its lower-performing ASEAN neighbors. (The Philippines’ score was 136, Cambodia 134, and Viet Nam 90. Among the higher performing ASEAN countries, Thailand achieved a rank of 56, Malaysia 48, and Singapore 1.)

Although using contract labor might seem to make good business sense given the economic incentives imposed by the law, many observers, including some entrepreneurs and members of KADIN, have expressed dismay at the extent to which Indonesian firms are using this strategy. They worry that excessive use of contract labor is damaging to Indonesia’s long-run competitiveness.

The principal argument against contract labor is that it leads, over time, to a less skilled workforce, primarily because it discourages investment in training: why spend money to train employees when there is no certainty that their upgraded skills will benefit the company down the road? But an untrained workforce, especially as technological advances call for ever-higher levels of employee skill, is a less productive workforce that is less capable of making superior products.

At the same time, morale and motivation among contract workers are likely to be lower, since they have no commitment to a firm that has no commitment to them. There is no reward

◀ for doing one's best, and lazy, careless workers receive the same wage as dedicated ones. Exemplary work will not lead to opportunities for pay increases or progress up a career ladder.

The use of contract labor also puts industry in the position of competing for cheap labor not just within a sector, but across sectors. For instance, many garment manufacturers are finding it difficult to hire workers who have skills specifically related to the operations of clothing factories, since the available workforce switches to another sector each time their contract period finishes.

Ironically, attempts to keep employee costs down through the use of contract labor may actually increase the cost of skilled labor, as companies compete for an increasingly scarce resource by offering higher salaries for those few employees who do possess specialized skills.

Clearly, Indonesia would benefit from changes to the manpower law that would make permanent employees less expensive relative to contract labor. But this is not to say that contract labor never has an appropriate role, or that Indonesia's law should discourage the use of contract labor under any circumstances. There are times when relying on short-term labor can enhance, not diminish, an industry's competitiveness, and even contribute to social welfare goals.

The most obvious case of this is when a company needs to meet unusual demand. A core workforce of permanent employees can be supplemented by short-termers as needed, for example to meet seasonal demand. This practice is common among foreign investors and larger domestic companies who use a certain amount of contract labor at the same time they invest in their permanent human resources by providing good wages, job security, training, and pathways for career advancement.

Managers who want to use contract labor wisely can also take guidance from the concept of "predictive sourcing."<sup>2</sup> This strategy was developed to help firms in developed countries avoid pitfalls in the rush to outsource their activities using cheaper resources abroad. However, the analysis it recommends applies any time a company must weigh the immediate results of using cheaper – in the short run – resources to get the job done against the more subtle, long-term impact. Before outsourcing or using contract labor, a company that practices predictive sourcing will assess its

**Morale and motivation among contract workers are likely to be lower, since they have no commitment to a firm that has no commitment to them.**

value chain to pinpoint where value is added, take stock of its core competencies, consider the need for innovation and engineering throughout the product lifecycle, and consider all costs in the supply chain from sourcing through delivery. Only when it can ensure that core competencies are not being eroded will it move any company activities away from its permanent employee base.

Policy makers may have their own set of criteria to define when contract labor can be beneficial. At the smallest scale, contract labor involves workers who work at home or are self-employed in micro-enterprises. Governments, especially in developing countries, want to be sure that these kinds of productive employment opportunities remain available.

The ideal manpower law will take into account all of the pros and cons of contract labor, leaving companies with the opportunity to use contract labor when it makes economic sense at the same time it encourages building a skilled, permanent workforce that industries can rely on to build global competitiveness.

— Baari La Inggi

#### Notes

(1) *Laboratorium Penelitian, Pengabdian Pada Masyarakat dan Pengkajian Ekonomi (LP3E) Faculty of Economics, Padjadjaran University "Indonesia's Employment Protection Legislation: Swimming Against the Tide?" November 2004 Prepared for GIAT, a USAID/GOI project*

(2) *The concept is articulated in "Predictive Sourcing: The Straight Path to Profitability" by Frank J Bernhard and Wendy Vittori, <http://www.allbusiness.com/company-activities-management/operations/6361402-1.html>*

## Best Practices On A Budget

Human resource practices that maximize productivity aren't necessarily out of reach for small firms – there are steps that all companies can take to utilize smart strategies.



A clean, safe working environment is key to employee morale and productivity improvement.

The first reaction of many managers in Indonesia's light manufacturing industries to the suggestion that they should focus on upgrading their Human Resources Management (HRM) is that this would be too expensive.

But not all HRM best practices involve a high amount of upfront expenditures. In fact some best practices are not only inexpensive, they are also easily implemented, and can lead to immediate and visible productivity improvements. Indonesia's manufacturing firms are well advised to improve their HRM as a means of boosting their dwindling competitiveness in a global market that is dominated by players like China and Vietnam.

Henrietta Lake, an expert on international garments sourcing and HRM, observes that one of the simplest and most important steps companies with budgetary limitations can take is to focus on improving two-way communications with their workers, something that companies often overlook.

"As a rule, many companies need to increase the extent to which they com-

municate with their workers, giving them more information and letting them voice their opinions and concerns more," she says.

Companies can incorporate measures such as prominently displaying charts that show the performance of individual teams or departments so that everyone can see how the factory is performing in terms of defect rate or

**When workers can advance within a firm, instead of looking elsewhere for higher salaries and promotions, companies save from reduced turnover and lower hiring costs.**

production efficiency. They can post pictures and names of best performing workers, as well as letting employees know individually exactly how their performance ranks against their peers.

It is also important to disseminate information on how workers can progress through the ranks in the factory – how they can apply to advance a grade or move to a more challenging job and earn more money. When workers can advance within a firm, instead of looking elsewhere for higher salaries and promotions, companies save from reduced turnover and lower hiring costs.

At the big-picture level, companies should strive to be as transparent as possible, informing workers during meetings about what is happening within the firm and new strategies and directions being taken, as well as sales performance. Being informative at all levels instills a mentality of mutual trust and respect, Lake says. This pays off in terms of higher labor productivity.

Enhanced communication efforts underlie other inexpensive best practices that promote productivity. Product quality can be improved by posting examples of particular techniques so that workers can see what they are supposed to be doing. Encouraging workers to contribute ideas through competitions to come up with the best suggestions (to upgrade operational procedures, for example) can raise their sense of involvement in, and commitment to, the company. Worker pride in the products they make can be encouraged by displaying ▶

◀ marketing materials or pictures of the final product for sale in the store.

“The problem is the traditional way of treating low level production workers like cogs in a machine, with no brain and no skills, who would not understand more complex topics or problems and who could not contribute any more than just the operation they perform for the company,” explains Lake.

It is a mistake to underestimate their potential to contribute to the business, she adds. “If they are treated like more intelligent adults they will respond and perform better.”

While improving communication may be one of the easiest and cheapest HRM changes that companies can make, it is not the only one. Even though managers need to keep strict control in a factory, there are ways of channeling the workers’ ideas, managing their expectations and motivating them so that they work with the management rather than against them.

Lake notes that while all measures to improve HRM ultimately offer return on investment in the short or long run, some measures don’t even require a substantial cash outlay.

#### RESPONDING TO DATA QUICKLY

In addition to the steps already described, one of the least expensive measures available (already successfully implemented by some Indonesian manufacturers) is the traffic light system – using simple symbols to convey real-time information across the factory floor. It can be used to broadcast any kind of useful information, from simple situations such as where a machine has broken down or where a new, inexperienced worker is placed to more dynamic and effective systems where flags provide updates on actual output and quality performance.

The traffic light system is a first step toward developing a Total Quality Management (TQM) system. In TQM, management consists of planning, organizing, directing, control and assurance. Successful TQM maintains a tight feedback loop, Lake explains. In a tight feedback loop, the factory collects data at the first moment in the production process it becomes available, in order to find production problems early, address them immediately and then put preventive measures in place.

Often factories collect data on quality and output by hand and some don’t review them in detail until the end of the month. By the time they have identified a problem such as bottleneck in production, or under-trained workers, it may no be longer relevant as the run in question has already

left the production line. Lake emphasizes, “Data collection and analysis needs to happen much more frequently so that managers can respond and prevent the problem from continuing and damaging output.”

**In a tight feedback loop, the factory collects data at the first moment in the production process it becomes available, in order to find production problems early, address them immediately and then put preventive measures in place.**

Developing strong teams and/or reorganizing team lines, then basing compensation and bonuses on team results, can be a low cost HRM best practice. But this will only work if companies invest in more in-depth recruitment procedures to weed out potential “free riders” and those who do not work well in teams.

#### CHOOSING AND TRAINING THE RIGHT EMPLOYEES

Although implementing a sound recruitment methodology may entail some expense, it is an important element of a well-coordinated HRM system. Some best practices, such as the team creation mentioned above, are most effective when certain types of workers are recruited: those who have the personality traits to be motivated by and perform well in teams, or those who are slightly more educated and will absorb training quickly and accurately.

The screening process must be comprehensive and specific, and may need to include tests on aptitude, hand-eye coordination, color blindness, and manual dexterity. It should also include a thorough review of education and personal characteristics, as well as a health screening.

While “choosing employees well” may seem a virtually cost-free strategy, managers should be prepared to expend some resources in pursuit of this goal. Implementing good recruitment practices involves obtaining and learning how to use modern screening tools, taking the time to carry out and score the results of screening activities, and keeping proper personnel records.

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# “Love Your Workers” Is The Key To Success

A case study of a thriving Indonesian textile company reveals that putting employees first results in increased productivity and high demand from buyers.

Some might say that the secret behind the success of the Indonesian textile company Cedrateks Indah Busana Group is their ability to produce a good quality product that responds to buyers' requirements at a reasonable price. But Benny Benyamin, owner and managing director, can explain it much more simply: the company's motto is “love your workers,” and it is this credo that ultimately underlies the ability

finishing, inspecting and packing, are carried out in its three factories in Semarang, Central Java. The company has almost always operated at full capacity, even after the Multifibre Agreement (which provided advantageous quotas for Indonesian exports) was abolished in 2005. About 90 percent of the company's products go to the United States, and the remaining 10 percent is sent to the EU.

He observes that having good relationships with your employees makes everything easier. Technical training is more successful, because employees who feel that they are part of the company are eager to learn methods that will improve production. When workers believe that they can develop a career in the company, they will do their best. The reverse is also true: employees who know they are not valued may not take their work or training seriously, which negatively impacts product quality – slight errors such as one more or less stitch increase, upping reject rates and causing losses. According to Benyamin, export-oriented companies that put their employees first – and demonstrate this by managing well, complying with buyers' standards, and keeping their factories clean – will be able to successfully maintain quality control and will not have to worry about bankruptcy.

**Benny Benyamin attributes his firm's effective and efficient operations to its good relationship with employees, noting that he limits his use of subcontracting because the company can't maintain the same kind of connection if it subcontracts.**

of the company to continue enjoying healthy sales in the world market.

PT Cedrateks Indah Busana Group was established in 1996. Despite increasingly fierce competition from producers in other countries, it is now becoming an extremely successful export-oriented garment business. With a workforce of about 3,300 regular employees (sometimes supplemented by subcontracting when the need arises and buyers approve), the company produces around three million 3-, 5-, 7-, 9- and 12-gauge knitted sweaters annually.

The firm is one of only ten or so firms in Indonesia that can produce heavy knit goods; most concentrate on lighter items such as polo shirts, t-shirts, and similar garments. All Cedrateks Indah Busana's production processes, including knitting, linking, stitching,

Benny Benyamin attributes his firm's effective and efficient operations to its good relationship with employees, noting that he limits his use of subcontracting because the company can't maintain the same kind of connection if it subcontracts. “We are receiving such a high volume of orders that yes, we do sometimes subcontract work here in Indonesia and even to China. But there are times when I have to reject orders [that could be filled if work was subcontracted]. The principle of my company is ‘love your workers,’ make them feel happy so that they have a sense of belonging to the company,” he says. Noting that the current labor law has the consequence of encouraging companies to use contract labor (see “The Long-Term Impact of Short-Term Labor” on page 3 of this issue), Benyamin predicts it will continue to be a problem unless regulations are eased.

Benyamin says that, because his firm has nothing to hide, he easily can tolerate investigations by local NGOs. Buyers who want to make sure that factories are complying with international standards sometimes appoint NGO representatives to interview workers. Because the workers have a sense of belonging to the company, this doesn't create any problems for Cedrateks Indah Busana; in fact, employees will mention to him that they were approached to check on the company's working conditions.

A number of Cedrateks Indah Busana policies contribute to this high degree of employee loyalty. With input from workers, the company sets individual production targets for each style of garment; once that target is met, additional production counts toward bonuses calculated on a piece-rate

## Best Practices...

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Once the right employees are recruited, it is in the interests of the companies to train them to become fully skilled in their areas of responsibility. Lack of training is a major cause of low productivity, and a lack of appropriately trained employees constrains companies from moving along the value chain to produce goods with higher value added.

Training costs are highly variable, depending on the complexity of the skill being imparted, the time and equipment/supplies required to conduct the training, and the amount of practice needed for employees to develop proficiency in the skill after completing training. But it is money well spent, since in the long run, training will boost productivity and competitiveness and serve as a useful tool to motivate and retain the best workers.

The key to cost-effective training is to establish the right standards and categories so managers can set incentives and rewards that motivate workers who wish to progress. This can be done by implementing a sensible grading system that measures employees (not just after they complete training, but on a regular basis), taking into account skills, attitude, performance and tenure.

Regular performance appraisals can be coupled with financial incentives and advancement opportunities, such as career progression and more training. Companies can compensate workers for acquiring skills, using merit-based pay scales and competency-based data on individual performance. For this to work, there must be an accurate and transparent data collection methodology. Although data collecting can be done manually, when company finances permit it is best to invest in a good electronic system to record the individual performance more accurately.

### SPREADING OUT THE TRAINING

There are other HRM measures that companies can implement which, while more expensive, also produce the highest productivity gains, such as cross-skill training and diffused training.

Diffused training means giving training to more people, not just a few highly skilled managers or supervisors. It means that training provision is spread out in the factory, among departments and particularly through different levels of workers, from the lowest or least skilled workers to the highest.

Another highly effective HRM best practice that requires a significant initial

investment is providing a separate training center away from the production floor. Creating such a space allows workers to concentrate and focus better on what they are learning. It can also help maintain product quality by keeping novices from practicing the skills they have yet to master on actual merchandise. By coupling a separate training center with a formalized training schedule, companies can ensure all workers are rotated through training, which is the most effective way to ensure a productivity payoff.

Other benefits such as health care, insurance, and maintaining a safe workplace have key roles to play in enhancing worker productivity and meeting buyers' social compliance standards on health, safety and housekeeping issues.

It isn't realistic for every one of Indonesia's manufacturing companies, particularly the smaller ones, to implement every available best practice all at one time. But with a set of priorities that are based on the particular circumstances of the firm, and a list of options to choose from, there are many ways for companies, even those on a tight budget, to substantially improve their HRM practices and reap rewards in increased productivity.

— Devi Asmarani

## “Love Your Workers” ...

◀ basis. Employees are thus motivated to reach their targets earlier. It also short-circuits the possibility, which arises in some firms, that employees will work slowly, necessitating overtime (and hence overtime pay) to fulfill orders. Benyamin notes with pride that, “Our wage increases are based on agreement between the management and workers in a responsible manner.”

Benyamin notes that even with a fundamental goal of creating a good working environment for employees, it can still be tricky meeting all international standards. His company complies with human rights, safety, health and wage standards set by buyers, including paying workers in compliance with local government regulations, providing sufficient toilets, providing medical care programs for workers, etc.

The motivation to do so is strong, because failure to comply means failure to get orders. But, as Benyamin observes, the trouble can be that different buyers have different requirements, both for social compliance and for quality. The buyer from Talbots may have a different set of guidelines than one from Gap Inc. Less tangible considerations matter as well, as companies can lose business if the company develops a poor reputation through word-of-mouth among buyers.

With his own company as a model for what can be achieved, Benyamin believes that free markets will reward companies that treat their employees right. “Frankly speaking, some of our buyers shifted to China in the past but eventually they came back because of quality concerns. I believe that we will continue to enjoy good sales because of the value we place on our highly skilled workers. I don't think the China factor is a problem for us.”

— Baari La Inggi

## INNOVATION

# Selecting Staff? First, Choose Some Software.

When HR best practices and innovative business solutions intersect, the result is technology that makes recruiting the right employees easier, faster and better.

There are over 220 million people in Indonesia. You need to hire just one. Now what?

Fortunately, not every one of the nation's citizens is going to line up at your organization's door clamoring for an interview. But there is no question that it is becoming ever more crucial – and in some ways more difficult – to recruit the right person for the job. The reasons are often technology-related: as everything from factory-floor equipment to accounting software becomes more sophisticated, it is increasingly essential to hire an individual with the knowledge, skills, and temperament to fit the work environment. At the same time, it is easier than ever for candidates to learn about position openings and fire off an e-mail application, providing managers with a larger, but not necessarily better suited, applicant pool than in the past.

Fortunately, just as advancing technology may make recruitment more complicated, it can also make the process simpler. Specialists in psychometrics, human resources, and software development have worked together to create a range of innovative solutions to the problem of finding the right employee.

In its simplest form, modern technology makes testing applicant knowledge easier. Ordinary multiple-choice tests that once had to be done with pencil and paper can now be accomplished by seating the candidate in front of a computer, resulting in a testing process that is more efficient and that



Courtesy of Herqin Utomo

Coupled with the right software, computers are a powerful tool to help managers gauge employee characteristics ranging from organizational skills to team-building ability.

provides instant scoring as well as easier record-keeping and comparisons of a high volume of applicants.

But technology can go far beyond simply mimicking old-fashioned testing methods. For example, consider the before-and-after versions of a favorite tool long used by recruitment specialists to determine whether a candidate has suitable skills in administration, organization, and delegation. The original, manual version of the “in tray” exercise gives test-takers a stack of correspondence related to a hypothetical company situation, and requires that applicants sort through the pile, demonstrating how they organize it, set priorities, and respond. But these days, whose worst on-the-job problem is a plastic tray full of hard copy documents? It is much more likely that an employee will be overwhelmed by e-mails – so a new, electronic version of this tool, developed by the firm A&DC and called an “Inbox” exercise, simulates a stream of incoming e-mails that an employee must deal with in an appropriate manner, spotting links, mak-

ing decisions, and prioritizing items where necessary.

Just as potential employees need coping skills to deal with the quantity and variety of materials being thrown at them, human resource managers are confronted with an almost overwhelmingly rich array of testing resources and recruitment tools. But once again, the intelligent use of technology offers a solution. GeneSys 3.6, the latest version of integrated assessment software created by Psytech International, provides a shell that supports a wide range of established assessment materials; in addition, companies can add their own recruitment materials, or commission experts to prepare specialized tests that fit their particular workplace.

The value of a system like GeneSys 3.6 is that it not only allows managers to administer and track from a variety of tests, it also expands the scope of possible testing settings. Applicants in remote locations can be set up for testing on-line; they can do the test “on-screen” or “off-line” and

Specialists in psychometrics, human resources, and software development have worked together to create a range of innovative solutions to the problem of finding the right employee.

◀ have the reports imported and processed immediately. If necessary, pencil-and-paper tests can be scanned and fed into the system.

Of course, the recruitment technology that makes sense in one country might not work in another. Language, culture, and the level of available technology differ radically. “Not everything is appropriate here in Indonesia,” points out Kevin Thompson of the HR solutions company PT Aneka Search Indonesia ([www.asi.co.id](http://www.asi.co.id)). A major thrust of ASI is ensuring that the services they provide are tailored to the Indonesian environment – for example, they offer a version of GeneSys 3.6 that produces tests and reports in both Indonesian and English. According to Thompson, ASI pays close attention to making a match between the testing

software they recommend and what applications can be supported – for example, many graphics-heavy, on-line programs require a Flash program to run properly, but html solutions are still likely to be the default in Indonesia, so it is important to hunt out the version that will actually work for clients.

As useful as programs like GeneSys 3.6 can be for human resource departments, these only represent the start of what software innovations can do to improve HR. Once a suitable employee is hired, training and appraisal efforts can be greatly facilitated by use of the right software. Moreover, technology is making it easier to measure subtle but significant aspects of the workplace. As Thompson explains, his firm frequently asks managers: “Do you think your staff understand your organization’s vision and mission?” Says Thompson, “They always say ‘yes.’ But then we dig further and say, ‘How are you so sure? You have thousands of employees – what data support this?’” Anonymous, on-line polls administered via a website can help managers determine whether they really understand what employees are thinking. Naturally, if it turns out that employees don’t have a good grasp of the company mission, or there are many employees who feel they need more training in a particular area, there is probably an innovative software tool that can help.

— Carol Walker

*Note: PT Aneka Search Indonesia is the sole distributor for A&DC and Psytech International in Indonesia*

## letters

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elements within the financial infrastructure to allow for a better balance between the demand for and supply of financial services. By the way, the study won’t just be about credit. We’ll look at “transactional” and deposit and savings products, too.

We hope to have the study wrapped up by early next year, whereupon we will share the results openly, first through seminars and other forums; ultimately the study findings will be published. IFC wants the empirical evidence to drive the discussion about financial market development, rather than clichés about the “missing middle.” The point of it all should be to help financial institutions understand how much they need to adjust their strategies and operations to better meet the challenges of providing the products and services that Indonesia’s SMEs really need.

IFC is best placed to assist financial institutions to respond to the demand. The key is to fully understand the nature and contours of that demand. In addition, we hope to identify the necessary improvements in financial infrastructure which will support the response of financial institutions to the needs of the SME market. This is another area where IFC, particularly through its Advisory Services, can provide additionality.

— Tom Moyes,

*Program Manager, Access to Finance Program  
International Finance Corporation*

Competitiveness at the Frontier encourages letters (mail to: [senada@dai.com](mailto:senada@dai.com)) and reserves the right to edit for length and clarity

## EVENTS

### IndoComtech

Jakarta Convention Center, A, B, Cendrawasih and Plenary Halls  
12–16 November 2008

Indonesia's largest business-to-consumer computer show, also catering to business, government, and academic visitors. Features PCs and peripherals, notebook computers, PDAs, digital photography equipment and more.  
[www.indocomtech.net/content.php?go=home](http://www.indocomtech.net/content.php?go=home)

### Makassar Computer Expo 2008

Celebes Convention Center, Makassar  
12–16 November 2008

The biggest IT and computer show in Eastern Indonesia.  
[www.dyandra.com](http://www.dyandra.com)

### Pameran Otomotif Surabaya

Gramedia Expo, Surabaya  
12–16 November 2008

Automotive industry sales and promotional activities.  
[www.dyandra.com](http://www.dyandra.com)

### Indonesia Furniture Fair

Jakarta Convention Center, Halls A and B  
22–30 November

A platform for exhibiting home furniture, office furniture and interiors, garden furniture, and interior service consulting.  
[www.ptmediatama.com](http://www.ptmediatama.com)

### Manufacturing Indonesia

Jakarta International Expo (JIExpo)  
3–6 December 2008

Exhibitions include: machine tools; industrial automation and logistics; vehicle manufacturing machinery, components, spares, maintenance and forecourt equipment; chemical and processing engineering, instrumentation and laboratory equipment; and environment technology.  
[www.pamerindo.com/event/eventdetails/21](http://www.pamerindo.com/event/eventdetails/21)

### HomeDec

13–16 November 2008

Kuala Lumpur Convention Centre, KL, Malaysia  
Connects businesses with thousands of market buyers looking to source home products from offshore suppliers.  
[www.biztradeshows.com/trade-events/homedec.html](http://www.biztradeshows.com/trade-events/homedec.html)

### World Boutique Hong Kong

12–15 January 2009

Hong Kong Convention & Exhibition Centre (HKCEC), Hong Kong  
Dedicated to promoting designers' collection and brands from around the world with an emphasis on showcasing collections from Asia.  
[www.biztradeshows.com/hongkong/](http://www.biztradeshows.com/hongkong/)

### International Furniture Fair Singapore

Singapore Expo  
9–12 March 2009

International furniture fair focusing on Asian furniture.  
[www.eventseye.com/fairs/f-iffs-afs-5189-1.html](http://www.eventseye.com/fairs/f-iffs-afs-5189-1.html)

## TO LEARN MORE

[www.iza.org](http://www.iza.org) The website of the Institute for the Study of Labor (IZA) in Bonn, Germany. IZA is a private, independent research institute that focuses on the economic analysis of national and international labor markets. A variety of papers and research abstracts relating to workforce development and similar issues are available here.

[http://www.mom.gov.sg/publish/mom-portal/en/communities/workplace\\_safety\\_and\\_health/building\\_capabilities/Best\\_Practices.html](http://www.mom.gov.sg/publish/mom-portal/en/communities/workplace_safety_and_health/building_capabilities/Best_Practices.html)

A section of Singapore's Ministry of Manpower website, with links to standards and case studies on workplace safety, occupational health, and hazard control.

<http://www.automationworld.com/feature-3423> A link to an article that looks at the role of human capital management (HCM) software in improving factory productivity.

<http://www.jrap-journal.org/pastvolumes/2000/v30/30-1-2.pdf> A downloadable version of "Frustration at the Factory: Employer Perceptions of Workforce Deficiencies and Training Needs," which makes the argument that strategies for improving workforce productivity must be reexamined and redefined in light of evolving new technologies and the increasing integration of the global economy.

<http://www.ioe-emp.org/> The website of the International Organisation of Employers, which works to ensure that labor policies advocated in international forums, particularly the International Labour Organisation (ILO), not only protect the interests of workers in a safe and healthy workplace but also create an environment favorable to enterprise development and job creation. It has a particular focus on the developing world and countries in transition to a market economy.

## HIGHLIGHTS

### Business, Government and Media Representatives Discuss SENADA's Report on Export Competitiveness

SENADA's presentation and panel discussion entitled "Indonesia's Export Competitiveness: Footwear, Furniture, Autoparts, and Garments" attracted nearly 100 participants from industry associations, government, and the media. Held at the Commerce Club on 21 October, its purpose was to disseminate the key findings of SENADA's 2008 Export Competitiveness Report, which analyzes the export performance of several key light manufacturing industries in Indonesia from 2000 to 2007. Following a summary of the report presented by SENADA representatives David Ray and Dionisius Nardjoko, its implications were discussed by Arianto Patunru of LPEM FEUI, Sjamsu Rahardja of the World Bank, Djimanto from APINDO, and Henrietta Lake, an international garments sourcing expert. Discussants agreed that Indonesia needs to do more to take advantage of some of its global export opportunities.



### Executive Development Workshop Trains Industry Leaders as Garment Partnership Indonesia Readies Itself to Take the Lead in Future Training Efforts

Representatives from over 25 Indonesian garment firms attended a workshop on "Promoting Productivity" at the International Garment Training Center in Bogor on 30 October. The workshop, jointly supported by SENADA, Garment Partnership Indonesia and International Garment Training Center as part of GPI's Executive Development Program, marked the start of the third round of EDP workshops, which consist of six one-day sessions covering key aspects of international best manufacturing practices. During this round SENADA is ensuring that GPI staff will be prepared to continue the EDP workshops independent of SENADA assistance by September 2009.



### Eco Exotic Companies Initiate Plans to Showcase Their Responsibly Produced Offerings at 2009 Home Furnishings Exhibitions

Energized from their successful showing at the Las Vegas World Market Living Green Pavilion in July/August 2008, the members of Eco Exotic are holding bi-weekly gatherings in Yogyakarta to plan their joint exhibitions in 2009: another showing at the Las Vegas Market Show in February, followed by their debut appearance at the Hospitality Design Expo, also in Las Vegas, in May. Eco Exotic is a group of progressive Indonesian home furnishings manufacturers, brought together with the help of SENADA, committed to using certified materials and socially responsible manufacturing and employment practices. Discussions are focusing on booth design, collateral materials, and related matters so that they will be positioned for success at the upcoming events.



## SENADA PHOTO GALLERY

TOP TO BOTTOM: Pak Djimanto of APINDO makes a point at the 21 October SENADA presentation on export competitiveness. Software created by Quantum Design Engineering with the aid of SENADA's Business Innovation Fund (BIF) helps firms prepare for ISO 9000 certification. Signage promoting the QSEAL quality label for auto parts appears at Jakarta service stations. Local metal industry association ASPILOW constructs a productivity-enhancing roll machine with BIF funding.