Unpacking the Human Capital Triad: A Qualitative Exploration of Leadership, Remuneration, and Competency in Shaping Employee Performance at a State-Owned Enterprise

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ABSTRACT

Purpose: This study aims to qualitatively explore the interconnected dynamics of leadership style, remuneration systems, and competency development in influencing employee performance within a state-owned enterprise (SOE) in Indonesia. Design/Methodology/Approach: Employing a qualitative case study approach, this research collected data through in-depth observations and semi-structured interviews with employees at PT. Perkebunan Nusantara IV (PTPN IV) in Medan. Thematic analysis was used to identify, analyze, and report patterns within the data. Findings: The findings reveal a critical performance triad. A top-down, non-participative leadership style stifles communication and employee voice, leading to demotivation. Dissatisfaction with remuneration stems from a perceived misalignment between compensation and employee contribution, fostering a sense of inequity. Furthermore, inequitable and non-inclusive competency development programs create skill gaps and hinder uniform performance improvement. These three factors are deeply interwoven, collectively creating a significant barrier to optimal organizational performance. Originality/Value: This study provides a nuanced, context-rich understanding of the human resource management challenges within an Indonesian SOE. By qualitatively unpacking the synergistic negative effects of deficient leadership, remuneration, and competency practices, it offers valuable insights that complement predominant quantitative studies in the field. The research presents a clear framework for practitioners to diagnose and address performance issues holistically.

Keywords: Leadership, Remuneration, Competency, Employee Performance, Qualitative Study, State-Owned Enterprise, Human Resource Management.

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INTRODUCTION

In the contemporary, knowledge-driven economy, human capital is unequivocally the cornerstone of organizational success and sustainability (Sutrisno, 2016). The quality, motivation, and performance of employees directly influence an organization's ability to achieve its strategic objectives. Consequently, organizations are compelled to not only attract but also retain high-caliber employees who possess not just high competence but also strong loyalty and positive personalities (Martono et al., 2020). Key factors identified as critical levers for enhancing employee performance include leadership, remuneration, and competency (Kasmir, 2016). Leadership plays a pivotal role in shaping organizational culture and motivating employees. Transformational leadership, which inspires and intellectually stimulates followers, is often linked to superior performance outcomes (Uha, 2017).

Conversely, remuneration serves as a fundamental tool for recognizing and rewarding employee contributions, directly impacting job satisfaction, motivation, and retention (Moeheriono, 2019). Beyond fair pay, employee competency encompassing knowledge, skills, and attitudes (KSAs) is essential for executing tasks effectively and efficiently, forming the very character of work output (Wibowo, 2016). PT. Perkebunan Nusantara IV (PTPN IV) Medan, a prominent state owned enterprise in Indonesia, explicitly states its mission to develop a superior organization and culture with competent and prosperous human resources. However, preliminary observations and initial data from the affiliated quantitative study indicate significant challenges related to these three factors: a top-down leadership style, employee dissatisfaction with remuneration, and uneven competency development programs.

While extensive quantitative research has established statistical relationships between leadership, remuneration, competency, and performance, there is a paucity of in-depth qualitative inquiry that explores the "how" and "why" behind these relationships within the specific context of Indonesian SOEs. This study seeks to fill this gap by conducting a qualitative exploration to unpack the complex, lived experiences of employees at PTPN IV regarding these critical HRM practices.

The research questions guiding this study are:

1. How does the prevailing leadership style influence employee motivation and performance at PTPN IV?
2. What are the underlying causes of employee dissatisfaction with the remuneration system?
3. How do the existing competency development programs impact skill acquisition and performance equity among employees?
4. How do leadership, remuneration, and competency interact to collectively shape the performance landscape at PTPN IV?

LITERATURE REVIEW

Employee Performance

Employee performance is defined as the output, in terms of both quality and quantity, achieved by an employee in executing their duties in accordance with their responsibilities (Mangkunegara, 2017). It is a multifaceted construct influenced by a confluence of individual, organizational, and external factors (Jufrizen, 2018). High performance is not merely about task completion but involves reliability, cooperation, and a positive work attitude.

Leadership and Performance

Leadership is the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives (Yukl, 2013). Effective leadership fosters trust, encourages participation, values employee input, and shows concern for employee well-being (Siagian, 2019). Authoritarian or top-down leadership, in contrast, can suppress innovation, reduce communication, and diminish employee morale, thereby adversely affecting performance.

Remuneration and Performance

Remuneration encompasses all forms of financial and non-financial compensation provided to employees in return for their contribution (Sangadji & Sopiah, 2018). It extends beyond basic salary to include incentives, benefits, bonuses, and commissions (Sinambela, 2018). An equitable and competitive remuneration system is crucial for motivating employees, ensuring fairness, and retaining talent. Perceived inequity or inadequacy of remuneration can lead to dissatisfaction, reduced effort, and higher turnover.

Competency and Performance

Competency refers to the underlying characteristics of a person that result in effective and superior performance in a job (Spencer & Spencer, 1993). It integrates knowledge (what a person knows), skills (what a person can do), and attitudes (how a person behaves). A competent workforce is essential for organizational agility and quality output. When competency development is selective and not merit-based, it creates disparities in performance capabilities and can demotivate those overlooked for training.

RESEARCH METHODS

Research Design

This study employed a qualitative case study design. This approach was deemed most appropriate as it facilitates an in-depth, contextual investigation of a contemporary phenomenon within its real-life setting (Yin, 2018)—in this case, the interplay of HRM practices and performance at PTPN IV.

Data Collection

Participant Observation: The researcher conducted non-participant observations within the workplace over a defined period. This allowed for firsthand insight into the leadership interactions, work environment, and daily routines that characterize the organizational culture at PTPN IV.

Semi-Structured Interviews: In-depth interviews were conducted with a purposive sample of employees from various departments and hierarchical levels at PTPN IV. The interview protocol was designed to elicit rich, detailed narratives about their experiences with leadership, perceptions of remuneration fairness, and access to competency development opportunities

Data Analysis

Thematic analysis, following the framework outlined by Braun and Clarke (2006), was used to analyze the qualitative data. The process involved: (1) familiarizing oneself with the data through transcription and repeated reading; (2) generating initial codes; (3) searching for themes; (4) reviewing potential themes; (5) defining and naming themes; and (6) producing the report. This systematic process ensured that the findings were firmly grounded in the empirical data.

RESULTS

The analysis of qualitative data revealed three prominent and interconnected themes that collectively explain the state of employee performance at PTPN IV.

Theme 1: The Disempowering Grip of Top-Down Leadership

The observations and interviews consistently pointed to a leadership style characterized by a top-down, directive approach. Employees reported a significant lack of open communication and a palpable fear of voicing opinions or suggestions for improvement.

Sub-theme 1.1: Suppression of Voice and Innovation: One employee stated, "We are often hesitant to give ideas for the company's progress because the leadership style does not build active participation... there is a gap between leaders and employees." This indicates that the leadership

environment is not psychologically safe, stifling the very innovation and proactive problem-solving required for high performance.

Sub-theme 1.2: Absentee Leadership and Perceived Neglect: Another critical finding was the physical and communicative absence of leaders. An interviewee noted, "Leaders are often not in place due to official travel or working outdoors. employees feel their performance is unnoticed, leading to a lack of motivation to improve." This absence translates into a lack of guidance, feedback, and recognition, which are crucial motivational drivers (Gagne & Deci, 2005).

This finding aligns with the quantitative result that leadership has a significant positive influence on performance. Qualitatively, it demonstrates that the absence of empowering leadership directly corrodes motivation and engagement.

Theme 2: The Equity Gap in Remuneration

A strong sense of dissatisfaction regarding remuneration was pervasive among the employees interviewed. The core issue was a perceived disconnect between the remuneration received and the contributions made to the company.

Sub-theme 2.1: Perceived Inequity and Inadequacy: Employees expressed that the remuneration was "not sufficient for their needs" and did not correspond to "what has been sacrificed for the company." This sentiment reflects a breach of the equity theory (Adams, 1965), where employees compare their input-output ratio to an internal or external referent and perceive an imbalance.

Sub-theme 2.2: Informal Dissent and Lack of Formal Avenues: Notably, these grievances were described as being shared anecdotally among employees but had not been formally communicated through official channels. This suggests a potential breakdown in formal feedback mechanisms or a lack of trust in their efficacy, further exacerbating feelings of powerlessness.

The quantitative analysis confirmed remuneration's significant effect on performance. This qualitative insight deepens that finding by revealing that it is not merely the absolute amount, but the perceived fairness and equity of the remuneration that is critically lacking.

Theme 3: The Patchwork of Competency Development

The company's approach to competency development was identified as a third major barrier to uniform performance improvement.

Sub-theme 3.1: Selective and Exclusive Training: The organization runs development programs, but these are "only given to employees who need it. specifically those who will occupy new positions."

This practice was reported to cause "uneven competency improvement," leaving a significant portion of the workforce without access to skill enhancement opportunities.

Sub-theme 3.2: Systemic Inefficiency and Knowledge Drain: A critical operational issue emerged regarding employee reassignment. The study found that employees transferred to the Human Resources division lacked necessary experience and training. Consequently, experienced HR staff had to divert their efforts from core responsibilities to train the newcomers, leading to neglected workloads and systemic inefficiency. This indicates a flawed workforce planning and deployment process.

The significant quantitative relationship between competency and performance is thus qualified by this finding: the distribution and strategic alignment of competency development are as important as its existence. The current approach creates internal inequities and operational bottlenecks.

The Interconnected Triad: A Synergistic Drag on Performance

The most significant contribution of this qualitative exploration is the revelation that these three themes do not operate in isolation. Instead, they form a vicious, self reinforcing cycle that drags down overall performance.

Non participative leadership creates an environment where employees are disinclined to voice concerns about remuneration inequity or demand more equitable competency development.

Dissatisfaction with remuneration demotivates employees, reducing their engagement and willingness to acquire new competencies proactively, and erodes trust in leadership.

Uneven competency development creates a two-tier workforce, which can be perceived as another form of remuneration (investment in human capital) inequity and can be seen as a failure of strategic leadership.

This synergistic negative effect provides a compelling explanation for the performance challenges at PTPN IV, illustrating that addressing these issues in silos would be insufficient.

CONCLUSION

Theoretical Implications

This study contributes to human resource management and organizational behavior literature by providing a rich, qualitative narrative that illuminates the "black box" between HRM practices and performance outcomes. It moves beyond establishing correlation to propose a causal mechanism grounded in employee lived experience. The concept of the "Human Capital Triad"

where deficits in leadership, remuneration, and competency interact synergistically offers a framework for understanding complex performance issues in similar organizational contexts.

Practical Implications

For the management of PTPN IV and similar SOEs, this research offers clear, actionable recommendations:

Leadership Transformation: Implement leadership development programs focused on transitioning from a top-down to a more participative, communicative, and coaching-oriented style. Leaders should be trained and evaluated on their ability to foster trust, solicit feedback, and provide regular recognition.

Remuneration System Review: Conduct a comprehensive audit of the remuneration system to ensure internal equity (fairness across jobs within the company) and external competitiveness (alignment with market rates). Transparent communication about the compensation structure and its rationale is essential.

Democratization of Competency Development: Develop a more inclusive and strategic approach to training and development. Programs should be based on skill gap analyses and made accessible to a broader range of employees, not just those on promotion tracks. This will create a more versatile and uniformly skilled workforce.

Holistic Intervention: Recognize the interconnectedness of these issues. Initiatives aimed at improving one area (e.g., leadership) should be designed with considerations for its impact on the others (e.g., how new leaders will manage remuneration discussions and training opportunities).

Limitations and Future Directions

This study is limited by its focus on a single case study, which may affect the generalizability of the findings. Future research could employ a multiple case study design across different SOEs or sectors to enhance external validity. Furthermore, a longitudinal study could track the impact of implementing the recommended changes on the performance triad over time.

CREDIT AUTHORSHIP CONTRIBUTION STATEMENT

Charis Trinovianto: Conceptualization, Supervision, Data Curation, Formal Analysis, Project Administration, Writing-original Draft, and Writing-review Editing. **Wulandari Harjanti:** Conceptualization, Resources, Software, Validation, Visualization, and Writing-review Editing. **Fitri Komariyah, Miya Dewi, & Amin Sadiqin:** Funding Acquisition, Investigation, Writing-original Draft, and Writing-review Editing.

DECLARATION OF COMPETING INTEREST

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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DATA AVAILABILITY

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