

The Effect of Customer Satisfaction, Employee Satisfaction, Society and Environment on Key Result Indicators at Pakarti Luhur Foundation

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ABSTRACT

This paper aims to determine and evaluate key performance measurement at Pakarti Luhur Foundation. The primary data in this analysis were obtained by distributing questionnaires to 39 respondents at managerial level. The data was analyzed using multiple regression method. The results indicate that Key Result Indicators were affected by customer satisfaction, employee satisfaction, as well as society and environment, both partially and simultaneously with 5% significance level. The authors recommend the foundation should pay more attention to key performance factors such as customer satisfaction, employee satisfaction, as well society and the environment to achieve competitive advantage.

Keywords: Customer satisfaction, employee satisfaction, key result indicators, society and environment

INTRODUCTION

A number of organisations mostly focus on increasing income or maximising shareholder value rather than expanding

great business and satisfying stakeholders including employees, customers, and wider community. Assigning an organisation's purpose in this regard and beyond shareholder value really matters in the long run.

Effective employee performance is a key to a company; their understanding of business goals, boundaries, ethics, values, and performance standards. This will convince the Board that the management fully understands how to run the business.

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The basic measurements of Key Result Indicators use past measurable performances such as revenues to predict future performance. Parmenter (2010) suggests there are four types of measurements namely Performance Indicator (PI) to measure the employee's activities, Key Performance Indicator (KPI) to measure employee's activities in enhancing the work performance successfully, Result Indicator (RI) to measure the employee's achievement, and Key Result Indicator (KRI) to measure work performance on critical success factor.

This research concentrates on three most important factors namely customer's satisfaction, employee's satisfaction, and organization responsibility to the society and environment. These factors are employed to guide the Board in designing the future plan. This research is limited to the case of a Private Educational Foundation *Pakarti Luhur*. Established in 1981 it operates some pre-university level establishments, i.e. playgroup, kindergarten, elementary school, junior high school, senior high school, vocational school at all grades. During the previous decades, the Foundation has implemented a conventional performance measurement system focusing on personal achievement. This research will contribute to the Foundation in the event it desires to improve its strategy and future plans.

LITERATURE REVIEW

Brewster (2007) states that performance management is a comprehensive human resource management process since it

performs goal setting, performance appraisal with feedback, continuous training, development effort, and performance-related pay. In line with Brewster (2007), performance management is a uniquely goal-oriented activity and it continues to be a way of appraising and managing employees' performance (Dessler, 2013). It is a continuous process of identifying and developing the performance of individuals and teams, as well as aligning their performance with the organization's goals (Glendinning, 2002). A good performance management provides a company the basis for managing its business today and preparing for its future through the performance of its people (Williams, 1991). The performance management system will help an organization to deliver much-improved business reputation. A coherent "reputation platform" covers improvement in investor relations, internal communication with employees, customer experience through better marketing, and public relations management. Improving an organization's communication systems will bring improvement in organizational performance and its ability to acquire additional resources (Fombrun & Van Riel, 2007).

Key Result Indicators (KRIs) measure customer satisfaction, net profits before tax, and the profitability of customers, employee satisfaction, and return on capital (Parmenter, 2010). The KRIs are the result of actions based on a clear picture of the organization's goals and provide a good overview of progress of its strategy. A good

dashboard with KRIs convinces the Board that management is in accordance with their plan.

Mittal and Kamakura (2001) state that customer satisfaction is a key factor in formatting customer’s future expectation. The customer is no longer a passive receiver of products but involves in designing and refining them (Edersheim, 2007). Mills (2004) defines the customer into four groups consisting of diamonds at the top 1%, followed by rubies at the next 4%, opals at the following 15%, and pearls at the bottom of 80% of customers. An uneconomical order from “pearl” could adversely affect the quality of large order from “diamond” customer.

Employee satisfaction describes employees’ happiness in their job position

(Moyes, Shao, & Newsome, 2008). Kelley (2005) states that a competitive advantage to the success of the company in achieving higher profitability relates to the employees’ satisfaction in the workplace. Therefore, it is important to search the factors affecting employees’ satisfaction in different industries.

The environment is an important variable in the human resource management model (Alifianty & Susanty, 2016; Ivancevich, 2012). In his ARDM (Acquiring, Rewarding, Developing, and Maintaining) Model, Ivancevich (2012) emphasizes the elements of the external and internal environment and their direct and indirect influence on human resource management. Environmental dynamics enable human resources to optimise the management practice.

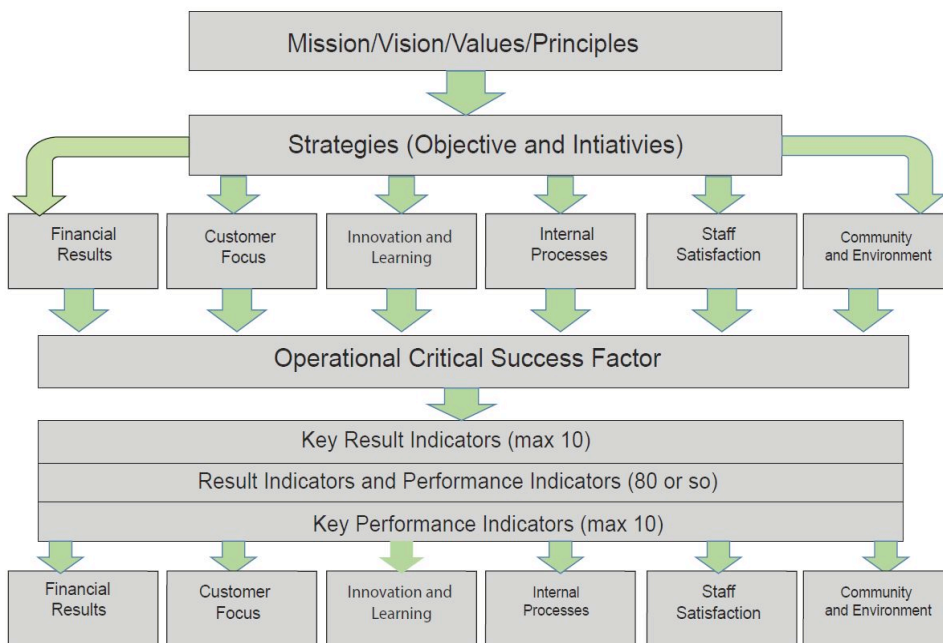


Figure 1. Critical success factors by David Parmenter, 2015

Based on the above theoretical review, the flow of Key Result Indicators can be seen in Figure 1. There are six critical success factors before KRI, RI, PI, and KPI. Therefore, the result of its indicators will meet the organisation's plan, i.e. financial results, customer focus, innovation and learning, internal process, staff satisfaction, and community and environment.

In this context a conceptual framework was formed to describe the influences

among the variables with the following hypotheses:

- H₁: Customer satisfaction significantly affects the Key Result Indicators.
- H₂: Employee satisfaction significantly affects the Key Result Indicators.
- H₃: Society and environment significantly affect the Key Result Indicators.
- H₄: Customer satisfaction, employee satisfaction, society and environment simultaneously affect the Key Result Indicators.

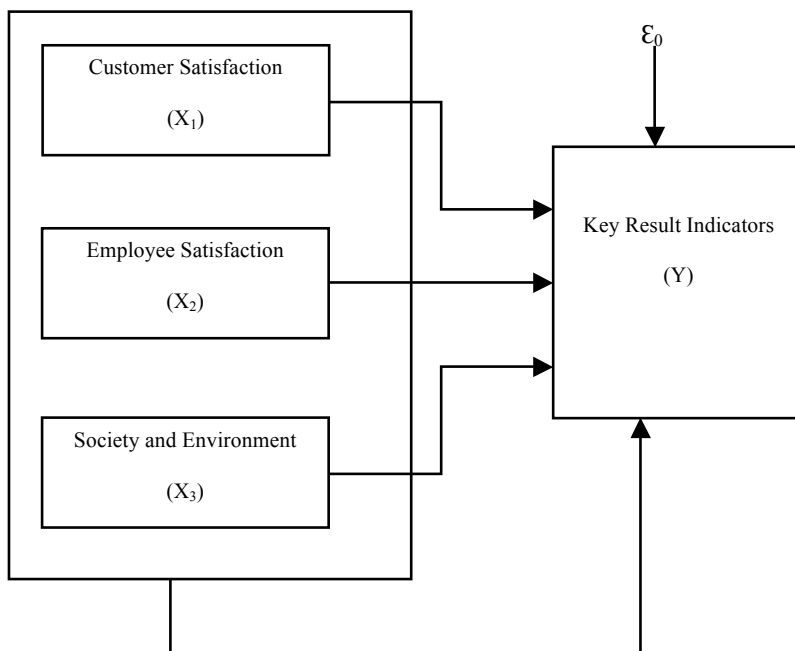


Figure 2. Regression model

MATERIALS AND METHODS

The descriptive-associative research method was employed to identify the effect of customer satisfaction, employee's satisfaction, and society and environmental

responsibility on key result indicators at Pakarti Luhur Foundation. In pre-university levels, these are: playgroup, kindergarten, elementary school, junior high school, and senior high school, vocational school at

all grades. A census method was used on 39 respondents representing all decision makers of the foundation. Self-administered questionnaire and data access were used to collect the data. The respondent's demography covers several categories such as gender, age, education, length of employment, and current position in the foundation respectively. The sampling strategy is based on simple random sampling to the available respondents.

The KRIs (key result indicators) secondary data was obtained from the schools' academic databases whereas all three independent variables were obtained as primary data from the questionnaires. The total of 81 questionnaires comprising 12 customer's satisfaction statements, 31 employee's satisfaction statements, 13 social and environmental statements, and 25 statements related to KRIs was distributed. Multiple regression method was applied by using Microsoft SPSS version 21 software with 5% confidence level.

RESULTS AND DISCUSSION

Validity and Reliability Tests

Table 1
Reliability test result

No.	Variable	Test Result	Mark
1.	Customer satisfaction (X ₁)	0.895	Accepted / reliable
2.	Employee satisfaction (X ₂)	0.962	Accepted / reliable
3.	Society and environment (X ₃)	0.901	Accepted / reliable
5.	Key result (Y)	0.953	Accepted / reliable

The validity test shows that the correlation of 39 respondents is above R table of 0.316 (Ghozali, 2013) suggesting that all questions are valid. The reliability test demonstrates that Cronbach Alpha of all variables is > 0.6 and, therefore, all variables are accepted as can be seen in Table 1.

Normality Test

Table 2 demonstrates that Asymp.Sig test is higher than 0.05 suggesting a normal distribution of the data.

Table 2
Normality test result

		One-Sample Kolmogorov-Smirnov Test			
		x1	x2	x3	y
N		39	39	39	39
Normal parameters ^{a,b}	Mean	83.5385	47.6493	45.5434	134.4615
Most extreme differences	Std. Deviation	13.90541	9.64412	9.74594	17.06311
	Absolute	0.091	0.197	0.165	0.115
	Positive	0.091	0.197	0.165	0.053
	Negative	-0.064	-0.129	-0.070	-0.115
Kolmogorov-Smirnov Z		0.566	1.232	1.028	0.717
Asymp. Sig. (2-tailed)		0.905	0.096	0.241	0.683

Multi-Collinearity Test

Table 3 shows the Multi-Collinearity test

Table 3
Multi-Collinearity test result

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
x1	0.940	1.063
x2	0.938	1.067
x3	0.993	1.007

All VIF values are less than 10 ($X_1 = 1.063$, $X_2 = 1.067$, and $X_3 = 1.007$) whereas the

tolerance values are: $X_1 = 0.940$, $X_2 = 0.938$, and $X_3 = 0.993$ respectively. Therefore, it can be concluded that multi-Collinearity did not exist among the independent variables.

Heteroscedasticity Test

The scatterplots in Figure 1 show that the points are spread out in a random fashion, both above and below zero Y axis. Therefore, the regression equation method used for all variables in this study does not conflict with the heteroscedasticity.

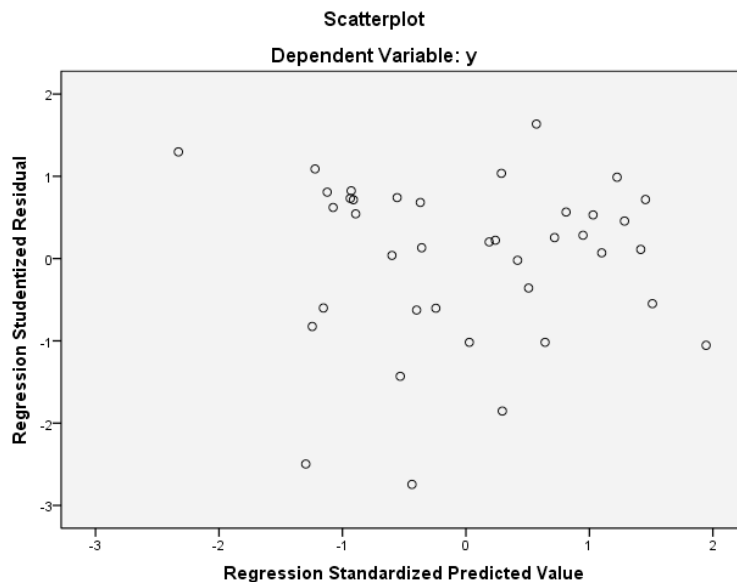


Figure 3. Heteroscedasticity test result

Multiple Regression

Partial Significance Test (Statistic t-test)

The significance of customer satisfaction (X_1) on key result indicator (Y). The value of "t" test is 4.329 suggesting that

H_0 is rejected and, therefore, the customer satisfaction significantly affects the key result indicators "Y".

The significance of employee satisfaction (X_2) on key result indicator (Y). The value

of “t” test is 44.956 suggesting that H0 is rejected. It is concluded that the employee satisfaction significantly affects the key result indicators “Y”.

The significance of society and environment (X₃) on key result indicators (Y). The value of “t” test is higher than 5.199 and, therefore, H0 is rejected. Therefore, the society and environment significantly affect key result indicators “Y”

Simultaneous Significance Test (Statistic F-test)

Table 4 demonstrates that the value of F test is 1070.531 and the probability is 0.000. This suggests the hypothesis H₄ is accepted. Therefore, customer satisfaction, employee satisfaction, and society environment simultaneously and significantly affect the value of key result indicators.

Table 4
Simultaneous test result

Anova ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10944.420	3	3648.140	1070.531	0.000 ^a
	Residual	119.272	35	3.408		
	Total	11063.692	38			

a. Predictors: (Constant), X3, X2, X1
b. Dependent Variable: y

Regression Test

$$Y = -5.997 + 0.042X_1 + 0.807 X_2 + 0.095 X_3 + e$$

Table 5 suggests that the regression equation can be formulated as follows:

Table 5
Regression test result

Model		coefficients ^a				Sig.	Correlations		
		Unstandardized Coefficients		Standardized Coefficients	t		Zero-order	Partial	Part
		B	Std. Error						
1	(Constant)	-5.997	2.564		-2.339	0.025			
	x1	0.042	0.027	0.037	1.542	0.132	0.580	0.252	0.027
	x2	0.807	0.020	0.924	41.364	0.000	0.991	0.990	0.726
	x3	0.095	0.030	0.080	3.158	0.003	0.650	0.471	0.055

a. Dependent Variable: y

Multiple Correlation Analysis (R)

This analysis was used to check the correlation between the variables (X_1 , X_2 , and X_3) and the key result indicator (Y) variable in a group. Table 6 shows that the adjusted value of R^2 equals to 0.988 or

98.8%, meaning that the key result indicator or dependent variable is explained by the independent variables at a value of 98.8% whereas the remaining 1.2% is explained by other variables outside this model.

Table 6
Coefficient determination

Model	R	Model Summary ^b					Change Statistics				Durbin-Watson
		R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change		
1	0.995 ^a	0.989	0.988	1.84602	0.989	1070.531	3	35	0.000	1.929	

a. Predictors: (Constant), x3, x2, x1
b. Dependent Variable: y

CONCLUSION

A real customer is someone who makes the buying decision (Edersheim, 2007). It is compulsory to survey employees, (Parmenter, 2015) the survey should consist of excellence organisation, areas needing improvement, and substantial information source. The foundation has an annual program related in social awareness, such as giving charity to less fortunate, give an extra discount or scholarship for talented but in less fortunate circumstances student who register to their school, and one day teaching and supporting remote school. The environment is increasingly playing an important role in supporting the foundation’s sustainability (Ivancevich, 2012).

This study also found customer satisfaction, employee satisfaction, and society and environment are simultaneously

significant to Key Result Indicators. Therefore, it is recommended the Foundation approach its customer effectively, maintain its employees as a valuable asset, and expand its social and environment activities to achieve its goals.

Future research should use Structural Equation Model (SEM) in its methodology.

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