

# The Effect of Human Capital Investment, Leadership, and Strategy Orientation on Company Performance

(Case Study of Pt. Plaza Indonesia Realty Tbk)

Nico A. Vizano\*, Christina Catur Widayati, Yuni Astuti, Rahmawati B. Lestari  
 Faculty of Economics and Business, Universitas Mercu Buana Jakarta  
 Jakarta, Indonesia  
 \*caturwidayati@mercubuana.ac.id

**Abstract**—This study aims to examine and analyze the impact of human capital investment, leadership and strategic orientation on company performance. The research method used in this research is descriptive method. The object of this study is all employees of PT Plaza Indonesia Realty, Tbk with a population of 77 people. The sampling technique used a sample saturated with a sample size of 77 people. The approach used in this research is Structural Equation Model (SEM) with Smart-PLS analysis. The results of this study showed that human capital has positive and insignificant effect on performance. Leadership positively and insignificant to performance. Orientation Strategy has positive and insignificant effect on performance.

**Keywords:** *human capita, human capital investment, leadership, strategic orientation, strategy, corporate performance, performance*

## I. INTRODUCTION

Human resources are capital that can continue to grow with time and the dynamics of the business environment and progress in science. Human capital investment is an accumulation of the skills and abilities of employees obtained from experience, training, and education during the working period to create quality human resources with an added value known as human capital which is part of intellectual capital. Research by Halpen concluded that human resources can improve organizational performance [1]. Human resources, if managed properly, can create value for the company in the form of increased revenue, increasing customer satisfaction, improving product and service quality, increasing productivity and reducing costs. This statement shows that human factors can increase company value and produce a competitive advantage for companies [2].

Other factors that also influence company performance are leadership style and strategic orientation [3]. The success of a leader in carrying out his leadership can be seen from his ability to influence his subordinates to achieve company goals.

Strategy orientation is an outline of the company's strategy related to the decisions and behavior of business units to achieve high business performance; strategy orientation is an important factor for the competitiveness of a company in the context of economic transition [4].

The rapid development of property and real estate companies in the current free-market era require companies to have the right competitive strategy to deal with any changes that occur so quickly that it allows companies to compete at the global level. Human resources in organizations must always be oriented towards the vision, mission, goals, and objectives of the organization in which they are located [5].

At the end of 2015 and early 2016, the free market era began in the Southeast Asia region called the ASEAN Economic Community (MEA). At this level business competition will be increasingly stringent, not only domestically but also at the global level, especially Southeast Asia. In this era, companies are required to be able to survive with the existence of business competition and changes that occur.

In this case, the main thing that needs to be considered is to improve the company's performance at PT. Plaza Indonesia Realty, Tbk is to develop all the resources that are owned. But the company's resources will not run well without the existence of human resources that run it. Especially in the context of human resource management, the company needs to maintain the best resources it has and increase various potential resources in order to be able to empower them optimally in achieving performance. So that it can put the company in a better position than other companies.

## II. LITERATURE REVIEW

### A. *Human Capital*

Swastari, states that human capital is a combination of knowledge, skills, innovation, and a person's ability to carry out their duties so that they can create value to achieve a goal [6]. The added value provided by human capital will be higher along with the learning process and innovation inherent in tacit knowledge. The formation of added value contributed by human capital in carrying out its duties and work will provide sustainable revenue in the future for an organization.

### B. *Leadership*

According to Wahyudi that the notion of leadership is as a person's ability to move, directing and influencing the mindset,

how each member works to be independent in working, especially in making decisions in the interest of accelerating the achievement of set goals [7]. Whereas according to Edy Sutisna (2011), leadership is the ability to influence other parties, through communication both directly and indirectly with the intention to move people so that with full understanding, awareness, and willingness to be willing to follow the leadership's will. In some ways, leadership is described as a process, but most theories and research on leadership focus on a figure to get a better understanding.

### C. Strategy Orientation

According to Rangkuti, the strategy is a tool to achieve goals. The main objective is for companies to objectively see internal and external conditions, so companies can anticipate changes in the external environment [8]. Whereas according to David strategy is the way in which long-term goals will be achieved [9]. Business strategies can include geographical expansion, diversification, acquisition, product development, market penetration, savings, divestment, liquidation, and joint ventures.

Dharmasiri emphasizes the importance of strategic orientation for the success of organizations in developing countries [10]. Strategic orientation reflects the company's philosophy, how to do business through values and beliefs to achieve superior performance [11].

### D. Performance

Performance is a description of the extent to which the success or failure of the organization in carrying out its main duties and functions in order to realize the goals, objectives, vision, and mission. In other words, performance is an achievement that can be achieved by an organization in a certain period. The term performance or performance is often associated with the company's financial condition. Performance is an important thing that must be achieved by every company anywhere because performance is a reflection of the company's ability to manage and allocate its resources.

Hasibuan states that performance is the work produced by employees or real behavior that is displayed in accordance with its role in the organization [12]. Performance or performance is the result or output of a process [13]. Whereas Mathis and Jackson state that performance is basically what employees do or don't do [14].

## III. RESEARCH METHODOLOGY

This research is a causal study which aims to test the hypothesis which states the relationship between independent variables and dependent variables. The location of the study was conducted at The Plaza Office Tower, Jl. MH Thamrin, Kav 28-30, Central Jakarta with the aim of the research are leaders from 14 divisions consisting of general managers, section managers, managers, section heads, supervisors, staff and non-staff with a total of 77 people. The sample used is a saturated sample type, where the total population is used as a sample.

Data collection is done by distributing questionnaires. The data collected were five (5) types in the form of scores obtained from human capital, leadership, and orientation strategy as independent variables and performance as the dependent variable.

The data analysis technique in this study was using SEM PLS 3.0 where Ghazali and Latan stated that the Structural Equation Model is an analytical technique that is combined from two methodology disciplines that have econometric perspectives that focus on predictions and psychometrics that are capable of drawing model concepts with variables latent (which cannot be measured directly) but measured through manifest variables [15].

## IV. RESULTS AND FINDINGS

### A. Profile Respondent

Respondents in this study were leaders of 14 divisions in PT Plaza Indonesia Realty Tbk with a total of 46 respondents (59.7%) and the remaining 31 (40.3%) were female. Whereas based on age there were 41 respondents (53.2%) of the total respondents having a range of ages between 31-40 years, while 26 respondents (26%) of the total respondents had ages ranging between 20-30 years and 10 respondents (13%) of the total respondents have ages ranging from 41-50 years. For the education level it is known that as many as 58 respondents (75.3%) of the total respondents have Bachelor's last educational background (S1), while 9 respondents (11.7%) have the last education background of SMA / SMK, and the remaining 6 respondents (7.8%) of the total have a postgraduate education background (S2). Based on the working period there were 39 respondents (50.6%) of the total respondents having a working period ranging from 5-10 years, while 27 respondents (35.1%) had a working period ranging from <5 years, and the remaining 11 respondents (14.3%) of the total the whole has a working period ranging from 11-15 years.

The estimated value for the path relationship in the structural model must be of significant significance. This can be obtained by a bootstrapping procedure. Seeing the significance of the hypothesis by looking at the parameter coefficient value and the significance value of t- statistics on the algorithm bootstrapping report. To find out significant or not significant seen from the t-table at alpha 0.05 (5%) = 1.96 then t-table compared by t-count (t-statistics).

That the relationship between human capital and positive performance is due to obtaining an original sample value of 0.197 and P values of 0.438 (> 0.05). Thus, the H1 hypothesis in this study can be concluded that human capital has a positive effect on company performance. That the relationship between leadership and positive performance is because it gets the original sample value of 0.255 and P values 0.108 (> 0.05). Thus, the H2 hypothesis in this study can be concluded that leadership has a positive effect on company performance.

That the relationship between strategic orientation to positive performance is because it obtains an original sample value of 0.118 and P values of 0.563 (> 0.05). Thus, the H3

hypothesis in this study can be concluded that strategy orientation has a positive effect on company performance.

TABLE I. HYPOTHESIS TESTING RESULTS

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values	Desc
Human Capital → Company Performance	0.197	0.163	0.254	0.775	0.438	Positive
Leadership → Company Performance	0.255	0.268	0.158	1.612	0.108	Positive
Strategy Orientation → Company Performance	0.118	0.075	0.203	0.579	0.563	Positive

## B. Discussion

1) *The effects of human capital on company performance:* Based on the hypothesis test in this study, the T-statistic value of 0.775 was obtained and the results of the original sample values showed positive results (0.197), so it can be concluded that Human Capital variables have a positive effect on company performance but are not significant, this is consistent with the results of the study what has been done by Sutia, Sudarma, Djumahir, and Rofiaty that human capital is defined as employees who have the ability, experience, and knowledge to generate economic value for the company [11]. Yuan and Lee, also stated that knowledge and skills can make employee productivity. So, human capital refers to employees who have the ability, experience, and knowledge that provides economic value to the organization [3].

The findings of this study indicate that the better the implementation of human capital carried out by PT Plaza Indonesia Realty, Tbk, the performance will increase. The human capital factor which is the first priority is intellectual competence in the form of thinking skills and employee morale. The second human capital factor that can improve performance is emotional competency, which is in the form of adaptability to the work environment, ability to improve self-quality and the ability to respond and control emotions. Giving the opportunity to do creativity in work. The next human capital factor that can improve performance is social competence, namely providing opportunities for employees to build networks and the ability to collaborate and be able to act as group leaders. The next human capital factor that can improve performance is an affective commitment, continuous commitment, and normative commitment. Where it relates to the trust, desire, and consistency of employees to stay on the job and are reluctant to leave the organization.

2) *The effect of leadership on company performance:* Based on the hypothesis test in this study obtained the results of the T-statistic of 1.612 and the results of the original sample values showed a positive result (0.255), so it can be concluded that leadership variables have a positive effect on company performance but not significant, this is consistent with the results of the research by Yuan and Lee, O'Reilly and Ashari have shown that there is a relationship between leadership style and company performance [3,16,17]. This means that concluding that leadership is the most important factor in the

success of an organization or company, this is consistent with the results of research conducted by Sutia, Sudarma, Djumahir, and Rofiaty [11].

The findings of the results of this study indicate that leadership is one of the factors in the success of the performance of PT Plaza Indonesia Realty Tbk. The main factor of leadership is leadership characteristics, where the level of honesty, social maturity, and problem solving and communication skills are things that affect the company's performance. The second factor of leadership is effective leadership, where strong motivation, responsibility, and quick decision making are things that affect company performance.

3) *The Effect of Strategy Orientation on Performance:* Based on the hypothesis test in this study, the results of the T-statistic obtained at 0.579 and the results of the original sample values showed a positive result (0.118), so it can be concluded that the strategy variable has a positive effect on company performance but is not significant. has been carried out by Sutia, Sudarma, Djumahir, and Rofiaty, where the outline of the company's strategy is related to the decisions and behavior of business units to achieve higher business performance [11].

The findings of this study indicate that the strategy is one of the factors in the success of the performance of PT Plaza Indonesia Realty Tbk. The first factor of the strategy is the education and training program, where education and training are very important for both new employees and old employees in order to hone the skills and thinking skills of employees. The second factor of the strategy is the provision of compensation, this has been very commonly discussed because providing adequate compensation for employees can be a strategy for PT Plaza Indonesia Realty, Tbk as something that can improve performance. Then the next factor is a research and development program to develop the achievements previously achieved. The last thing is giving to employee benefit programs, where the benefits program referred to here is giving rewards to employees with the best achievements. Sutia, Sudarma, Djumahir, and Rofiaty, concluded that there is a positive relationship between top management assessment and strategy decisions [11].

## V. CONCLUSION

Human Capital towards Company Performance. Human capital investment has a positive influence on the performance of the company PT Plaza Indonesia Realty, Tbk. This means

that the sustainability of the company depends on how human capital is in it to process and carry out its work. Human capital, if managed properly, can create value for the company in the form of increasing income, increasing customer satisfaction, improving product and service quality, increasing productivity and reducing costs. This statement shows that human factors can increase the value of the company and produce a competitive advantage for the company.

**Leadership on Company Performance.** Leadership has a positive influence on the performance of the company PT Plaza Indonesia Realty, Tbk. This means that the attitude and integrity of a leader greatly affect the company in achieving its predetermined targets. The survival of a company is also the responsibility of a leader, how leaders can direct all of their human capital to survive business change and competition.

**Strategy Orientation on Company Performance.** Strategy orientation has a positive influence on the performance of the company PT Plaza Indonesia Realty, Tbk. This means that the company must develop and have strategies and policies that are in line with changes in the business environment in order to survive and continue to develop in accordance with the objectives that will directly influence leadership because good leaders have the ability to direct their subordinates with various competencies obtained through education, training and experience needed.

## VI. SUGGESTIONS

The suggestion for PT Plaza Indonesia Realty, Tbk is to pay more attention to the human capital owned by the company because the sustainability of the company depends on how human capital is in its processing and carrying out its work. The company must make employees as loyal human capital and consider the company as part of the employees themselves so that employees as human capital owned by the company can make a very good contribution to the company's performance. This can be created by open communication between employees and leaders or employees with employees to form a good relationship between employees and the company, and by providing employee benefit programs, thus creating high loyalty to employees.

Another thing besides that is the leading factor, where PT Plaza Indonesia Realty, Tbk must have a good leader with a good personality so that they can provide good examples to members of the organization. This can be done through a rigorous recruitment process of directors or with a character education program to build good attitudes and character.

Finally, PT Plaza Indonesia Realty, Tbk must begin to develop strategies in facing business competition in the current free-market era, one of which is by always holding educational and training programs for employees as company assets. The program can make employees have a high level of knowledge and creativity so that it can help companies to survive business changes and continue to develop according to their goals.

Suggestions for further researchers are if you want to do research with the same or other variables using this thesis as a reference, then the next researcher should be more detailed in managing better data and information, and pay attention to the number of samples to develop research in the same field as even better.

## REFERENCES

- [1] H. Nigel, Direct, Moderating and Mediating Effects of Market Orientation on the Performance of Airports in Europe's Peripheral Areas, *Journal of Travel & Tourism Marketing*, vol. 24, no. 1, pp. 47-61, 2008.
- [2] M.A. Memon, A. Mangi and C.L. Rohran, Human capital a source of competitive advantage "Ideas for strategic leadership", *Australian Journal of Basic and Applied Sciences*, vol. 3, no. 4, pp. 4182-4189, 2009.
- [3] C.K. Yuan and C.Y. Lee, Exploration of a construct model linking leadership types, organization culture, employees performance and leadership performance, *Procedia - Social and Behavioral Sciences*, vol. 25, pp. 123-136, 2011.
- [4] S. Sutia, Pengaruh Investasi Human Capital dan Orientasi Strategik Terhadap Kinerja Bandara, *Jurnal Manajemen*, vol. 18, no. 2, pp. 230-244, 2014.
- [5] Tjutju, Yuniarsih and Suwatno, *Manajemen Sumber Daya Manusia*, Bandung: Alfabeta, 2008.
- [6] D. Swatari, Analisis Penerapan Human Capital Management Terhadap Kinerja Karyawan Studi Pada PT Telkomsel Branch Purwokerto, Skripsi, 2013.
- [7] Wahyudi, Kepemimpinan Kepala Sekolah Dalam Organisasi Pembelajaran, Bandung: Alfabeth, 2009.
- [8] F. Rangkuti, Analisis SWOT: Teknik Membelah Kasus Bisnis, Cetakan keenam belas, Jakarta: PT Ikrar Mandiriabadi, 2009.
- [9] F.R. David, *Manajemen Strategis Konsep*, Edisi 12, Jakarta: Salemba Empat, 2009.
- [10] A.S. Dharmasiri, Strategic orientation of HR managers in commercial banks in South Asia, *International review of Business Research*, vol. 5 no. 6, pp. 1-21, 2009.
- [11] S. Sutia, M. Sudarma, R. Djumahir, The Influence of Human Capital Investment, Leadership and Strategic orientation on Airport Performance, *International Journal of Business and Management Invention*, www.ijbmi.org, vol. 2, no. 6, pp. 26-32, 2013.
- [12] M.S.P. Hasibuan, *Manajemen Sumber Daya Manusia*, Jakarta: PT Bumi Aksara, 2007.
- [13] Nurlaila, *Manajemen Sumber Daya Manusia I*, Ternate: Penerbit LepKhair, 2010.
- [14] R.L. Mathis, J.H. Jackson, *Human Resource Management*, Jakarta: Ahli Bakarsa Salemba empat, 2006.
- [15] I. Ghozali and H. Latan, *Partial Least Squares Konsep, Teknik dan Aplikasi Menggunakan Program SmartPLS 3.0 untuk Penelitian Empiris*, Semarang: Universitas Diponegoro, 2015.
- [16] C.A. O'Reilly, How Leadership Matters: The Effects of Leaders Alignment on Strategy Implementation, *The Leadership Quarterly*, vol. 21, pp. 104-113, 2010.
- [17] S.F. Ashari, An Exploratory Study of Leadership Styles and The Effect on Performance Among Managers at Malaysia Airports Technologies SDM, Dissertasi. Bhd, College of Business Universiti Utara Malaysia, Malaysia, 2011.