

CHAPTER 1 INTRODUCTION

1.1 Background

As the big three company of sharia bank in Indonesia, BNI Syariah is continuously growing rapidly. From started ran with only 5 branches and had 8.5 Trillion assets when spin off, now BNI Syariah has already run 68 branches with total 358 outlets all over Indonesia and the asset has reached 41.05 trillion IDR. All the success cannot be separated from the hard work of around 5000 employees that are spread throughout Indonesia. Most like other company, specially banking industry that provides services, human is the most important factor which determines the success of the company.

In today's uncertain world, most of company has been aware that human capital is the main factors in the company's competitive advantage to win the market competition. The employees should become an asset for the company that must be developed to ensure the company's sustainability. Capelli (2008) said that in virtually every organization, people are the biggest component of cost and the source of the most important competencies so it is crucial to manage the talent issues in order to help the organization achieve its overall objectives. Furthermore, for the talent employee, as Bat & Yalcin (2015) said that from the perspective of the organization, the "talented employee" can be defined as an employee who shows high performance, has high potential, and provides high productivity over many years.

High performance employee is a critical factor of a company's productivity. Keller & Meaney from McKinsey (2017) gave a recent study of more than 600,000 researchers, entertainers, politicians, and athletes found that high performers are 400 percent more productive than average ones. Jim Collins also said (in Keller & Meaney, 2017) that the single biggest constraint on the success of the organization is the ability to get and to hang on to enough of the right people. In other words talent employee are matters, comparing to ordinary employee talent employee have high value and scarcity (and the difficulty of) replacing it create huge opportunities when companies get things right.

According to Tower Watson 2013 Global Talent Management and Rewards Study, Indonesian employers struggle more with the attraction and retention than do their global counterparts, particularly for critical-skill, high-potential and top performing employees. Moreover, from table 1.1, for top performing employees the percentage of retaining problems are bigger than the percentage of attracting problem means that make the employee who can perform well to loyal and stay longer to the company is difficult.

Table 1.1 Attraction and Retention Problems – Global vs Indonesia
 Source : 2012-2013 Global Talent Management and Rewards Study, Tower Watson, 2012

Employee Category	Global		Indonesia	
	Problem Attracting	Problems Retaining	Problem Attracting	Problems Retaining
	%	%	%	%
Critical-skill employees	71	56	85	78
High-potential employees	60	54	88	74
Top-performing employees	59	50	72	76

In most industries, retaining high performance employee is challenging issue faced by all companies, included in banking industry. In terms of “war of talent”, banking Industry nowadays is not only competing with other similar banks but also with the financial technology. Given such competition, it appears that banks are now actively trying to ensure its top talent does not leave for the enticing world of fin-tech or digital start-ups. Hijacking high performance employees is a common thing in the banking industry. Because the banking key position is not based on the complexity of a particular science, but from experience or interpersonal skills of employees in maintaining relationships with customers.

Nevertheless, competition between all sharia banking is increasing. From performance comparison in table 1 below, currently there are 4 major sharia banks in terms of total assets in sharia banking industry. In the year 2017, from the side of profit achievement, BNI Syariah occupy second position after Bank Syariah Mandiri and got the highest position from side of ROE ratio. However, in terms of quality of financing which can be seen from the ratio of Non-Performing Financing (NPF), BNI Syariah has a fairly high NPF, and also from total assets it is still lower than 2 other banks, Bank Muamalat and Bank Syariah Mandiri.

Table 1.2. Financial Data Comparison of Sharia Banking
 Source : Annual Report 2017 BNI Syariah, BRI Syariah, Bank Muamalat, Bank Syariah Mandiri

2017	BNI Syariah	BRI Syariah	Bank Muamalat	Bank Syariah Mandiri
Total Asset	34,822,444	31,543,384	61,697,000	87,939,774
EAT	306,686	92,827	26,000	421,804
NPF	2.89%	4.72%	2.75%	2.71%
ROE	11.42%	4.10%	0.87%	5.72%

Thus, to increase the performance and become the leader among those competitors BNI Syariah should focus on their major assets which is the employee, especially talent employee. However, In 2016 BNI Syariah turnover rate employee reached 7.60 % and became lower in 2017 which was reached 6.52 %. But comparing among competitors, BNI Syariah's turnover is still the second biggest among the others. BRI Syariah has the lowest turnover rate in 4.7 %, followed by BSM with 6.20% and then BNI Syariah 6.52%.

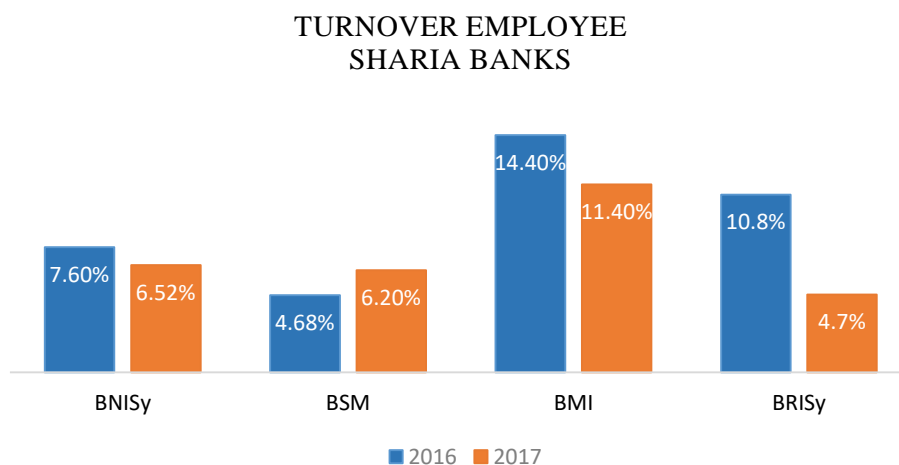


Figure 1.1. Turnover Employee Data Comparison of Sharia Banking
Source : Annual Report 2017 BNI Syariah, BRI Syariah, Bank Muamalat, Bank Syariah Mandiri

Moreover, to analyze further, BNI Syariah also has a quite big percentage in terms of total employee resigned who categorized as Talent Employee. For total talent employee who were resigned from 2014 – 2017 are quite big which is 10 % compared to all resigned-employee and the comparison of talent employee also become higher from year to year, as the chart below.

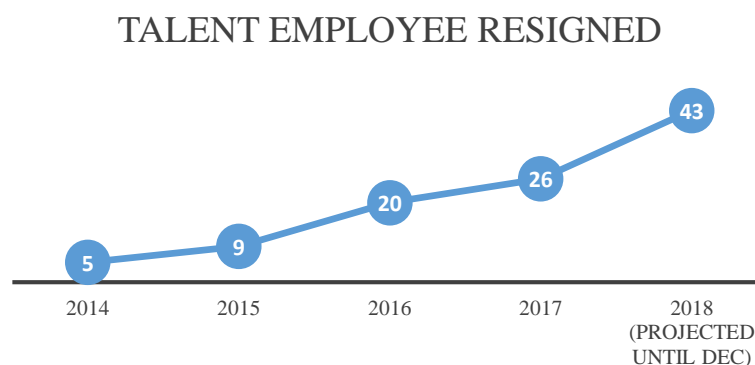


Figure 1.2. Talent Employee Resigned
Source Author's Calculation

Capelli (2008) said that one of way to get accurate evidence and best predictors of turnover things was by conducted the employee engagement survey that asking about issues such as what attracts employees to organizations, what cause them to stay and what drives their engagement with the organization and their willingness to work hard. Concluding from that statement, what is the most important factors driving employee retention. Employee engagement itself has been defined as “an individual employee’s cognitive, emotional, and behavioral state directed toward desired organizational outcomes” (Shuck & Wollard, in Madan & Srivastava 2015).

In addition, from the studies of Relationship between Employee Engagement and Employee Retention by Patrice M. Wenger (2011), the result was the linear regression analysis indicated there was a significant, strong and positive linear relationship between employee engagement level and employee retention level.

From the issues of war of talent that becomes a significant problem in banking industry, employee turnover rate comparisons, and the increment of talent employee resign in BNI Syariah, so this final project is aiming to get the best formula to retain the high performer employee from the most important factor that get from conducting the employee engagement survey in PT. Bank BNI Syariah.

1.2 Industry Profile

Islamic bank in Indonesia was established in 1992, through the establishment of Bank Muamalat Indonesia (BMI). In 1992, the Indonesia Government issued the law No. 7 of 1992 on Indonesian banks and expressed as “bank based on the principle of sharing”, then in 1998, it amended and replaced with the law No. 10 of 1998 and clearly stated as “bank based on the principle Sharia systems”. Moreover, the enactment of Act UU no 21 of 2008 issued on July 16, 2008 has provided a more adequate legal base to the development of Islamic Banking in Indonesia and consequently will accelerate the growth of the industry. This system was also proven to survive that in the 1997 Indonesia’s monetary crisis. It assured public that the system is robust and able to address the needs of fair, reliable and transparent banking.

The characteristic of Islamic banking operation is based on partnership and mutual benefits principle provides an alternative banking system with mutual benefits both for the public and the bank. This system will give priorities to aspects related to fairness in transaction and ethical investment by underlining the values of togetherness and partnership in production, and by avoiding any speculative activity in financial transaction (BI, 2015). In macroeconomics’ view,

an extensive use of various Islamic financial products and instrument will help attaching financial sector and real sector and create harmonization between the two sectors. In addition to support financial and business the widely use of Islamic product and instrument will also reduce speculative transactions in thus the economy supports the stability of overall financial system. At the end, the Islamic banking will significantly contribute to the achievement of mid-long term price stability (BI, 2015).

The development of Islamic banking was directed to provide the highest benefit to the public and to give optimal contribution to national company. From the lesson learned of Islamic Banking from Directorate of Islamic Banking in Bank Indonesia 2017, there are some supporting factors which boost the development of the Islamic banking in Indonesia. The first one is the big population of Moslem in Indonesia. Based on the national survey on population in 2010, there are at least 208 million moslem people of 237 million populations as a potential market for sharia banking. Secondly, the support from banking regulators, parliament, government and Sharia scholars also take part in developing the Islamic banking industry. It reflected from Government regulations that support the Hajj and Umrah programs are required through Islamic banks. The approval and application of both Islamic Banking act and Sukuk act as mentioned previously have triggered and facilitated the advancement of the industry and the Islamic financial markets as well.

However, despite of all the potency, currently sharia banking is still stagnant with only 5,66 % market share in total of all asset banking in Indonesia and BNI Syariah only contributes 8.72% from total asset sharia banking in Indonesia. Even though we can see there is an opportunity for sharia bank which have potential market remembered Indonesia as the biggest moslem population in a world. In 2009, the total assets of Islamic banks was Rp 66 trillion, which Based on total assets, the market share of Islamic banks in 2013 was 4.8% of the total share of the national bank.

The market share of Islamic banks was also below the target set by Bank of Indonesia and OJK. From the IAIE article related OJK conference pers in 2014, it mentioned that Sharia banking is targeted to reach 20% by 2024. Nevertheless, until now the sharia has only reached around 5%. Bank of Indonesia set a target of 5.25% in banking market share in 2014 for Islamic banks, but the market share position of Islamic bank in 2014 remained was below the target of Rp. 87 trillion set by the Bank of Indonesia. In 2013, the Islamic banking asset was Rp.242,3 Trillion which was also below the target of 255 trillion set by the bank of Indonesia, below 5%. There were no significant developments in market share position according to Bank Indonesia Banking Statistic in 2017, Indonesia's Islamic banking continuous to post strong growth of its

assets, financing, and deposits. All the performance indicator of Islamic banking industry improves compare to previous year. By the end of 2017, Indonesia Islamic Finance assets (not includes Sharia Stocks) has reached Rp. 1.133.71 million.

1.3 Company Profile

1.3.1 History

BNI Syariah is subsidiary of Bank Negara Indonesia (BNI), established on 19 June 2010. BNI Syariah is the spin off result of Sharia Business Unit PT Bank BNI. It was started with 5 branches in Yogyakarta, Malang, Pekalongan, Jepara and Banjarmasin. In 2002, UUS BNI posted the profit for the first time. It was amounted to Rp. 7.189 billion with the support of seven branches office. The decision to spin off the Sharia business unit in BNI was motivated by several factors including a conducive regulatory environment, rapid growth of the Islamic banking industry, consumer awareness, first mover advantage, consistent strong performance of the Islamic business unit as well as prospects of even better financial results following the spinoff.

After spin off, BNI Syariah has expanded the business both financially and non-financially. Financially, it is seen from the asset increment from 8.5 Trillion IDR in 2011, growing 32% compared to 2010, with profit around 66 billion IDR in 2011. Not only in financial part, for the non-financial part it is reflected in the increased number of customer that grew 41% to 750.000 accounts while number of branch network This shows that the purpose of spin off program to increasing value for stakeholder has been achieved. By the end of 2017, total assets of BNI Syariah has reached IDR 28,3 trillion and become one of the largest among players in the Sharia Banking Industry. Despite facing the challenges of Indonesia's relatively stagnant economic growth, BNI Syariah in 2017 was able to show better performance than the previous year. BNI Syariah assets grew by 23.0% (yoy) or increased by 6.51 trillion IDR to 34.82 trillion IDR compared to 2016. Similarly, the financing and Third Party Funds (DPK) grew by 15.1% to 23.60 trillion IDR in financing and a 21.2% increase to 29.38 trillion IDR in DPK. From profitability side, BNI Syariah was able to record a net profit increase of 29.31 billion IDR or 10.6% (yoy) to Rp306.69 billion. The condition shows that the performance of BNI Syariah continues to improve and increase consistently. Currently, BNI Syariah was one of the leading Islamic banks in Indonesia with total assets reaching Rp34.82 trillion as of December 2017.

1.3.2 Vision, Mission, and Corporate Culture

1. Vision

The vision BNI Syariah is to become the people's choice in sharia banking, which is provenly leading in service and performance.

2. Mission

- To Provide meaningful contribution to society, while supporting environmental sustainability
- To Provide solutions for the benefit of the community for the sharia banking services demand
- To Deliver optimum investment value to all investors
- To create a place of pride for working and achieving best performances for the staff, as the embodiment of worship
- To serve as a standard of a trustworthy corporate governance

3. Corporate Culture

As a foundation to all business activities and operations based on sharia principles, positive law and regulations in Indonesia, all employees of BNI Syariah also have a set of corporate culture as behavior guideline, namely Amanah Jamaah.



Figure 1.3 Corporate Culture Building PT Bank BNI Syariah
Source : BNI Syariah Internal Data

The figure above is a corporate culture building BNI Syariah. Hasanah is a value proposition BNI Syariah that means goodness. Currently , BNI Syariah is committed to being a partner for

the customer in *muamalah* widely through the value proposition of BNI Syariah as Hasanah Banking Partner. By positioning itself as Hasanah Banking Partner, BNI Syariah is committed to serving the community at all stages of life (lifetime) not only to meet the needs of life in the world, but also become a means to prepare life in the hereafter (lifestyle)

To become a Hasanah Banking Partner, BNI Syariah should focus on those three pillars which are risk & compliance, performance, and service. The last is *Amanah Jamaah* as a foundation for all activities in BNI Syariah. *Amanah Jamaah* consist of ten indicator behavior that hoped internalized for the all employees as the table below.

Table 1.3. Amanah & Jamaah Indicator Behavior
Source : BNI Syariah Internal Data

Amanah	Jamaah
<ul style="list-style-type: none"> • Honest and fulfilling Promises • Responsible • Dedicated to deliver best performance • Sincerely working and promoting worship goodwill • Serving exceeds the expectation 	<ul style="list-style-type: none"> • Caring and Daring to give and receive constructive feedback • Building a Professional synergy • Sharing useful knowledge • Understanding the relationship of work processes • Strengthening effective leadership

1.3.3 BNI Syariah Organizational Structure

BNI Syariah organizational structure consist of 5 directorate. The President Directorate is supervising 3 (three) divisions: Strategic Planning Division, Human Capital Division, and Internal Audit Division. Retail & Network Director supervise 5 (five) divisions: Consumer Business Division, Card Business Desk, Retail and Fund Division, Micro Business Division and Network & Service Division. SME & Commercial Business Director responsible for 6 (six) Division: Commercial Division, SME 1 & 2 Division, Treasuri & International Division, Hajj & Umrah and Transactional Business Division. Finance & Operational Director supervise Finance Division, Business Risk Division, Operational Division, Procurement & Fix Asset Division, Information Technology Division, Recovery & Remedial Division, and Digital Business Division. The last, Compliance & Risk Division which supervise Compliance Division, Risk Management Division, Legal Division, Corporate Secretary & Communication Division, Policy & Governance Desk.

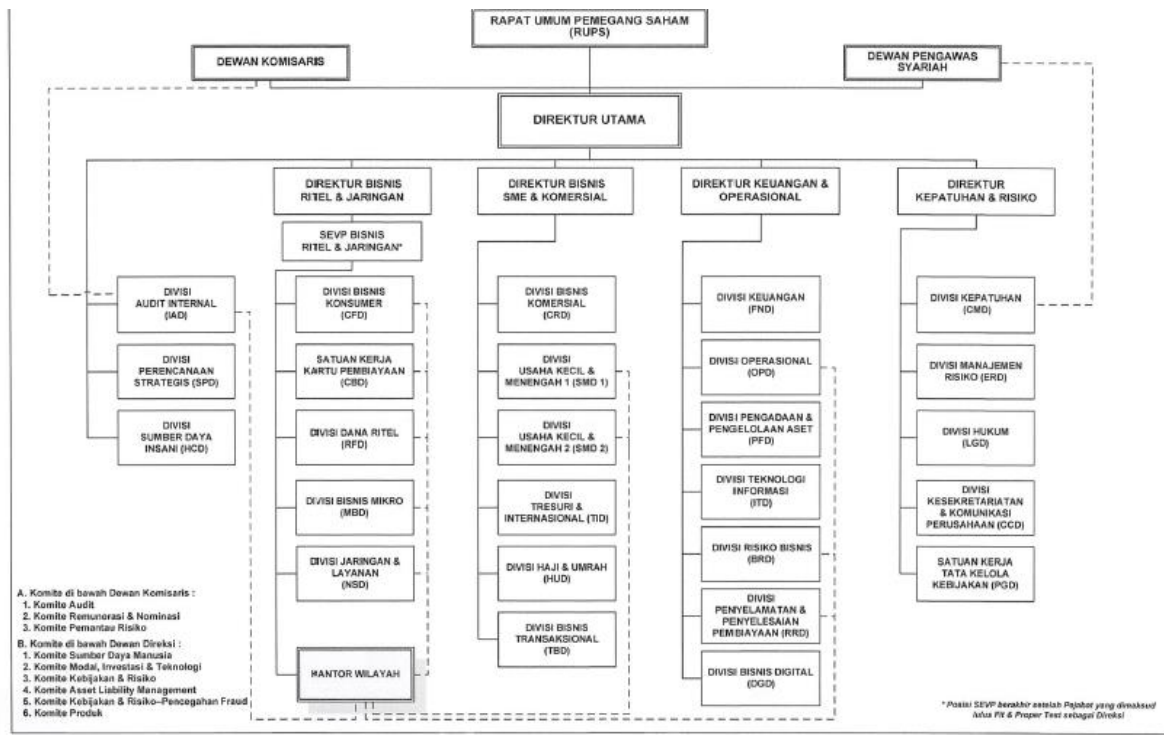


Figure 1.4. Organization Structure PT Bank BNI Syariah
Source : BNI Syariah Internal Data

1.4 Human Resource Management in BNI Syariah

1.4.1 HRM Framework in BNI Syariah

Human Capital is one of BNI Syariah’s strategic assets that have a key role in supporting the Bank’s business performance achievement. In 2018 Human Capital Division has a new structure to strengthen their function and role as a significant factor to support the business achievement.

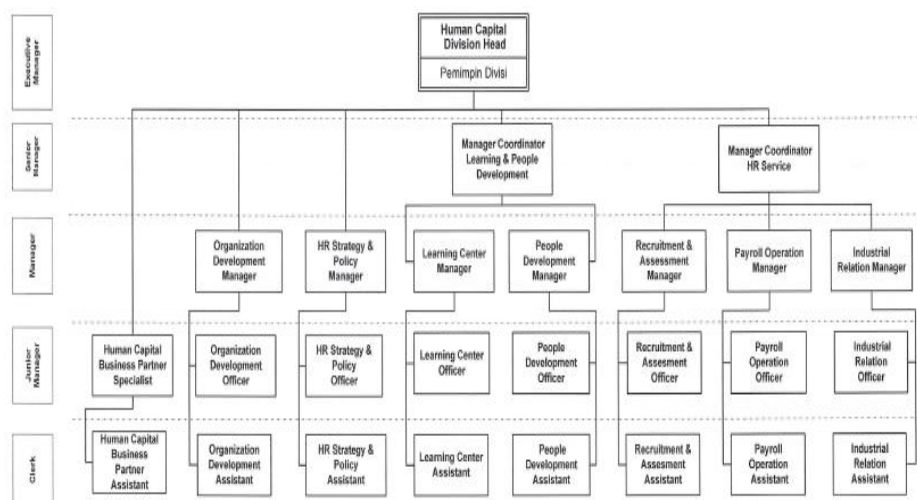


Figure 1.5. Human Capital Structure at PT Bank BNI Syariah

Source : BNI Syariah Internal Data

The Human Capital Division, under direct supervision of the President Director, has several functions and scopes, some of them are as follows:

1. Organizational Development

Function and scope related to the analysis and implementation of all activities concerning organizational development, organization's design and restructure, career model development, analysis of position, evaluation of position, analysis of workload, planning of workforce needs, and development of performance management system.

2. HC Strategies and Regulations

Function and scope related to the establishment of Human Capital strategies and policies, development of Human Resources Information System, and development of the Company's working culture program.

3. Recruitment & Assessment

Function and scope related to procurement of employees, assessment, rotation, and mutation of BNI Syariah employees to get and place Human Capital who have the appropriate competencies.

4. Learning Center

Function and scope related to the implementation of training program for employees and potential employees in order to develop and improve the employees' competencies.

5. People Development

People Development unit is a newest unit in HR that develop system and policies related to employees training, talent management, and knowledge management system in BNI Syariah.

6. Remuneration System

Conduct payroll and remuneration administration function to ensure that all human resources operation and employees facility provision are run accurately and timely.

7. Industrial Relations

Conduct human resources relationship activities, control internal and external reporting in relation to human resources and control the settlement of human resources cases and control the process of preparation, review, and evaluation of working contract between BNI Syariah and its employees and cooperation contract between BNI Syariah and human resources vendors.

1.4.2 Talent Management Concept Currently

In 2018, Human Capital Division in PT Bank BNI Syariah has formed a new unit named People Development Unit that focused on the strategic development of Talent Management in BNI Syariah. Human Capital Division also has already implemented competency based Human Capital Management, which become main guide in implementing the HR Process (man power planning, recruitment, training & development, performance management system and employee reward system).



Figure 1.6 Talent Management Framework
Source : BNI Syariah Internal Data

Human Capital Division has designed Talent Management Concept which consists of five stages of talent acquisition, talent classification, talent development program, talent mobile and talent retention. For talent acquisition process, there are two kind of sources which are external sources and internal sources. The program aims to identify talented employees in BNI Syariah and improves the quality of BNI Syariah human resources so as to compete in the banking industry in general. During 2017, there were 447 employees included in the pool of talent of BNI Syariah.

In external sources, Human Capital Division implemented annually program of Officer Development Program that now has reached until batch 7. The program aims to gain the future

leader of BNI Syariah. The recruitment methods used to get the best source for Officer Development Program are by setting high standard for administration (such as University, GPA, and Non-Academic Experience), Assessment Competency, FGD, Interview (HR, GM & BOD) and Medical Check Up. After finding the best one, then the chosen candidates will take part in 1 year Development Program consisting of 50 % in class training and 50% on the job training. However, for Internal Sources step that has been implemented only in creating the talent pool and categorized it by the assessment competency and performance scoring but there has not been follow-up on the development programs to the talents.

Every year all the employees got the annual score of their performance in a year, which has range from 1 - 5. The Talent Pool is classified for the internal employees that have high performance which is proofed from their achievement of getting total score 10 in three years. After getting the employees who meet those criteria, then Human Capital gave assessment to classify them in 9 box matrix as below.

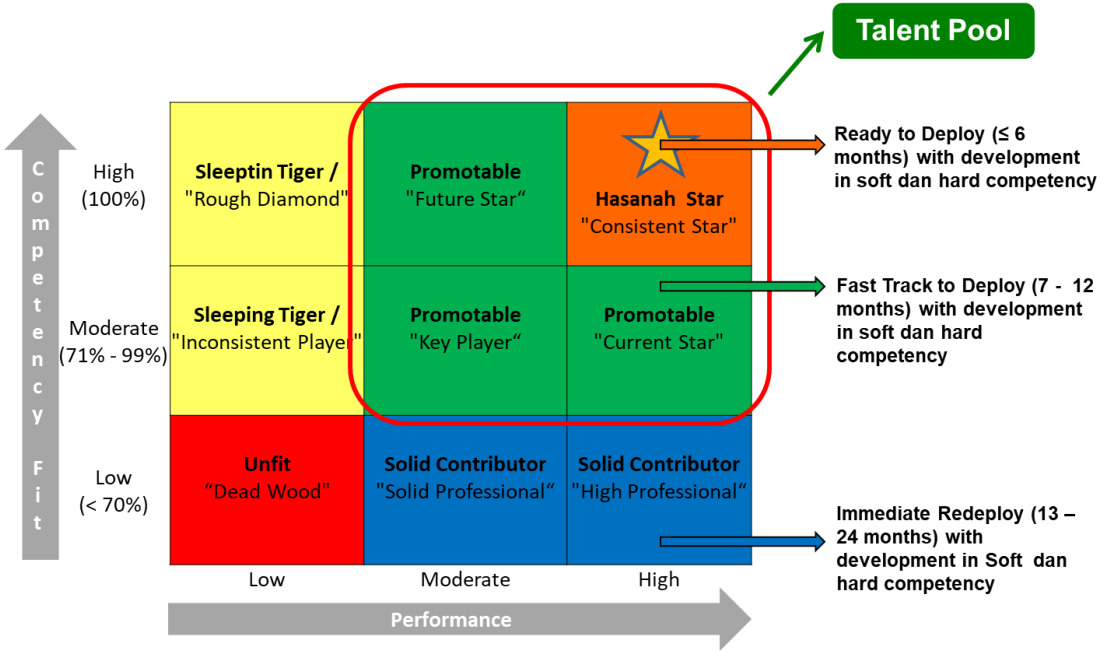


Figure 1.7. Talent Classification 9 Box Matrix
 Source : BNI Syariah Internal Data

Talent mobile is the follow up from the talent development program, one of basic program from talent development is Individual Development Program that be signed in the beginning of the year, by those plan an employee would know related the career plan either the promotion or only mutation to other division. Moreover those rotation and mutation strategy becomes one of way talent retention. The program is more specific that aims to make the talent employee would stay to work in BNI Syariah. However, from the talent management stages that has been

designed, only talent acquisition, talent pool and talent development program that have already implemented. The other stages, talent mobile and talent retention has not been done before, but would implemented in 2019.

1.5 Business Issue

In Banking Industry, human capital cost is the biggest cost of a company. Moreover in order to retain the talent, many company spend lots of cost especially for talent employee. As a way to retain the high performer employee, a company trying as best as possible to giving developing program or facilities to the talent employee which has a major impact on the company's finances. Here are the average cost if a company losing the talent employee.

Table 1.4. Opportunity Loss of Talent Employee (Author's Calculation)

Talent Cost	Total Cost in IDR
Scholarship	150,000,000
Sertification	25,000,000
Training	20,000,000
Cost hire new employee	20,000,000
Total Cost per Employee	215,000,000
Total Talent Employee Resigned in 2018	43
Total Cost	9,245,000,000

In BNI Syariah there is a classification of each position that is classified into two categories which are Business Position and Support Position. The business position is defined as a position whose job has a direct impact in increasing the revenue for BNI Syariah such as sales, marketing and processing, while the support position is a position whose job has indirect impact in terms of giving revenue for BNI Syariah such as Back Office, Legal, Internal Audit etc. From that definition, it means that the employee who work in business position has higher value because the revenue depends on those employee, especially for talent employee that could giving more that target. Losing a talent employee who work in business position means that the company will get a large opportunity lost. From the figure below, it shows the comparisons between talent employee who work in business position and support position who resigned from 2014 – 2017. From the total of talent employee resigned each year, it was only in year 2014 that employee in business position was lower than the employee in support position. The majority of the talent employee was worked in business position. That is means the talent employee who resigned was a key position which has a direct role to provide revenue for the company.

Talent Employee Resigned : Business vs Support

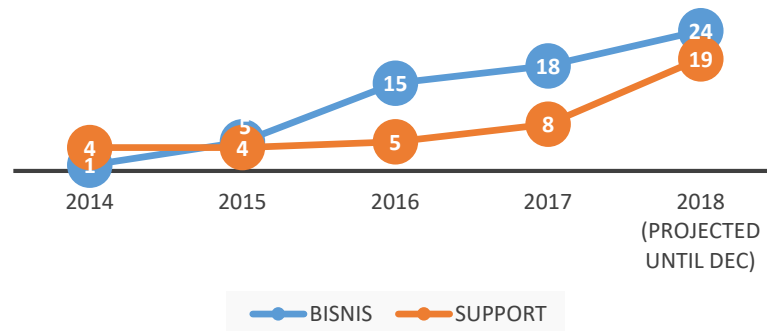


Figure 1.8. Talent Employee Resigned: Business vs Support Position
Source : BNI Syariah Internal Data

To take a look deeper, from all the employee in business position who resigned, there are some position who directly attached with the sales target, such as consumer sales, micro sales, SME Account Officer, and Funding Sales. From the table below, it provides data related to the opportunity loss that might be suffered for BNI Syariah in losing their talent employee.

The table gives the explanation that for each sales position has their each target sales. As a talent employee, the achievement must be higher 125% than the target setting. The opportunity loss is comes when the talent employees were failed to retain, and it replaced to a newcomer sales that usually gives only 80% in average of the target given. From the calculation below, the total opportunity loss that BNI Syariah had because failed to retain their high performance was around 211 Billion IDR.

Table 1.5. Opportunity Loss of Talent Employee
Source : Author's Calculation

Position	Average Talent Employee resigned per year a	Target per year b	Realization Prediction for Talent Employee c = b*125%	Average Realization if we hire new sales d= b*80%	Opportunity Loss / talent c-d	Opportunity Loss 2014 - 2018 a*(c-d)
Consumer Sales	10	12,000	15,000	9,600	5,400	54,000
Micro Sales	5	6,000	7,500	4,800	2,700	13,500
SME Account Officer	4	50,000	62,500	40,000	22,500	90,000
Funding Sales	2	60,000	75,000	48,000	27,000	54,000
Total	21				57,600	211,500

*in Million Rp

1.6 Research Questions

Following are the questions to be addressed in this study:

1. What are the employee engagement drivers of talent employee at PT Bank BNI Syariah?

2. What is the most significant driver that influence the talent employee?
3. How to retain the talent employee based on the employee engagement result?

1.7 Research Objectives

1. Measuring the employee engagement of talent employee at PT Bank BNI Syariah
2. To analyze which engagement driver that influence talent employee to carry out the engagement outcome.
3. Give Recommendation retaining program in order to reduce talent employee turnover rate.

1.8 Scope and Limitation

In this study, there are some limitations. This study was only conducted to the employees in one organization, which is PT Bank BNI Syariah. Then, the result of this study might have a different result because of differences in condition, situation or culture in each organization. Author also only focus in exploring the important factor related in talent employee / high performer employee to be more engaged to stay in BNI Syariah