

HR Risk Analysis and Employee Performance: Implications for HR Management

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Abstract

The COVID-19 pandemic has brought about changes in various sectors of life. One of them occurs in the system and work patterns. PT XYZ is one of the companies in Indonesia which has its role in improving the welfare of the lower-class community. During the COVID-19 pandemic, PT XYZ continued to carry out work from the office because transactions between employees and customers had to be carried out directly. This increases the occurrence of human resource risks for employees. This study aims to identify the perception of resource risk and analyze human resource management and employee performance, as well as the effect of risk and human resource management on employee performance. The data used in this study are primary and secondary, then analyzed quantitatively using descriptive analysis methods and SEM-PLS. PT XYZ is dominated by 55% are male, 46.4% are 31-35 years old, 83.6% have a bachelor's degree, 37.9% have a corporate title as cashier, 44.3% have worked 6-10 years, 60.7% have work experience, and 71.4% have experienced job rotation. Employees' perceptions of human resource risk, employee performance, and human resource management are mostly positive. The results of the SEM-PLS analysis show that the risk of human resources and human resource management has a positive and significant effect on employee performance. Meanwhile, human resource management as a moderating variable is not able to moderate or strengthen the influence of employee competence on employee performance.

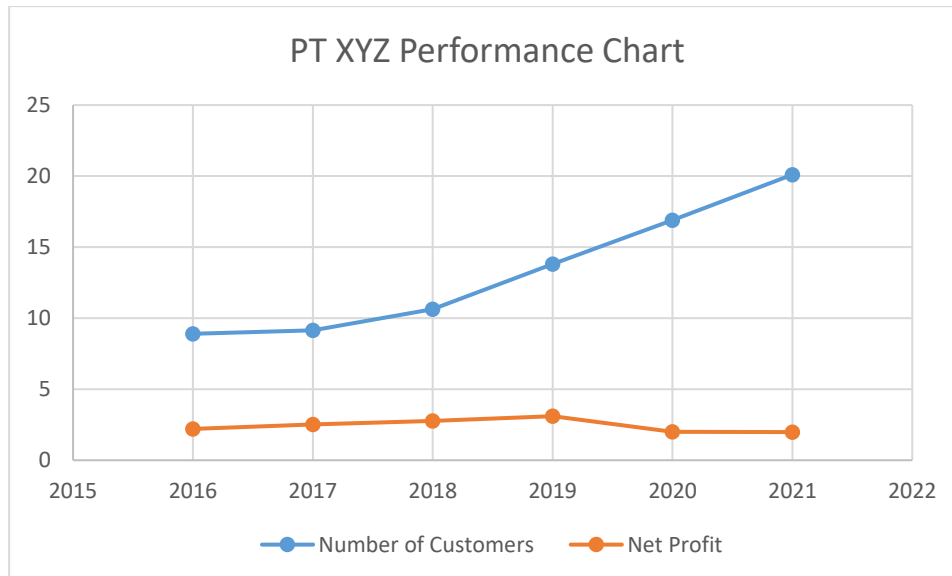
Keywords: employee performance, human resource management, human resource risk, SEM-PLS.

1. Introduction

The COVID-19 pandemic that has occurred has caused changes to various sectors of life. One of these changes occurs in systems and work patterns. Several companies are implementing a hybrid work system to prevent transmission of the COVID-19 virus. The implementation of a hybrid work system causes some employees to work in the office and others to work from home, or a combination of the two.

PT XYZ is a company engaged in finance that provides loans in the form of collateral for movable goods both conventionally and sharia. During the COVID-19 pandemic, PT XYZ did not implement a hybrid work system or Work From Home (WFH). This is because transactions carried out between employees and customers must be carried out directly. This transaction activity is one of the factors that cause human resource risk in these employees. Therefore, mitigation and appropriate measures are needed to minimize the occurrence of human resource risks for PT XYZ employees.

Figure 1 Sustainability Performance Overview



Based on the graph in Figure 1, it can be seen that the number of customers of PT XYZ has increased. Meanwhile, the amount of net profit in 2016-2019 has increased. However, in 2020 and 2021 it decreased due to the COVID-19 pandemic which increased additional operational costs, one of which was the formation of a COVID-19 task force for pawnshop employees. Employee performance must be optimized to produce maximum company performance. Employees who have high performance will have an impact on the sustainability of the company. The following is an overview of the performance of employees of PT XYZ:

Table 1. Performance Level of PT XYZ Employees

Year	PL 1	PL 2	PL 3	PL 4	PL 5
2019	29	132	57	18	35
2020	25	127	86	13	20
2021	30	141	73	11	22

Based on Table 3 above, it can be said that the Performance Level of employees is still dominated by the PL2 level (high). During the COVID-19 pandemic, the risk to human resources has increased. This will also affect the performance of individual employees and affect the sustainability of the company. So it is necessary to mitigate human resource risks to employees so that their performance can be maintained. Therefore, the research aims to identify the influence of human resource risk and human resource management on employee performance at PT XYZ.

2. Literature Review

According to Young and Hexter (2011), human resource risk refers to the uncertainty arising from labor changes and people management issues that affect a company's ability to meet its

strategic and operating objectives. Sadgrove (2016) said that human resource risk is caused by poor human resource management. According to Minbaeva (2005), human resource management practices are a set of practices implemented by organizations to manage human resources by providing competency development facilities specifically required by the company, generating complex social relationships, and generating corporate knowledge to maintain competitive advantage. Luthans (2006) states that employee performance is the quantity or quality of something produced or services provided by someone who does work.

This research uses Structural Equation Modelling (SEM) with Partial Least Square type (PLS-SEM) using SmartPLS 3.0 version software. The use of this type of SEM is carried out because it does not require correlation between indicators or latent variables can predict the dependent variable with many independent variables and has the aim of testing the predictive relationship between constructs by looking at the relationship or influence between constructs. Measurement of various assumptions and the number of samples can be done with the PLS analysis method (Sarwono, 2010). The SEM model in this study can be seen in Figure 2.

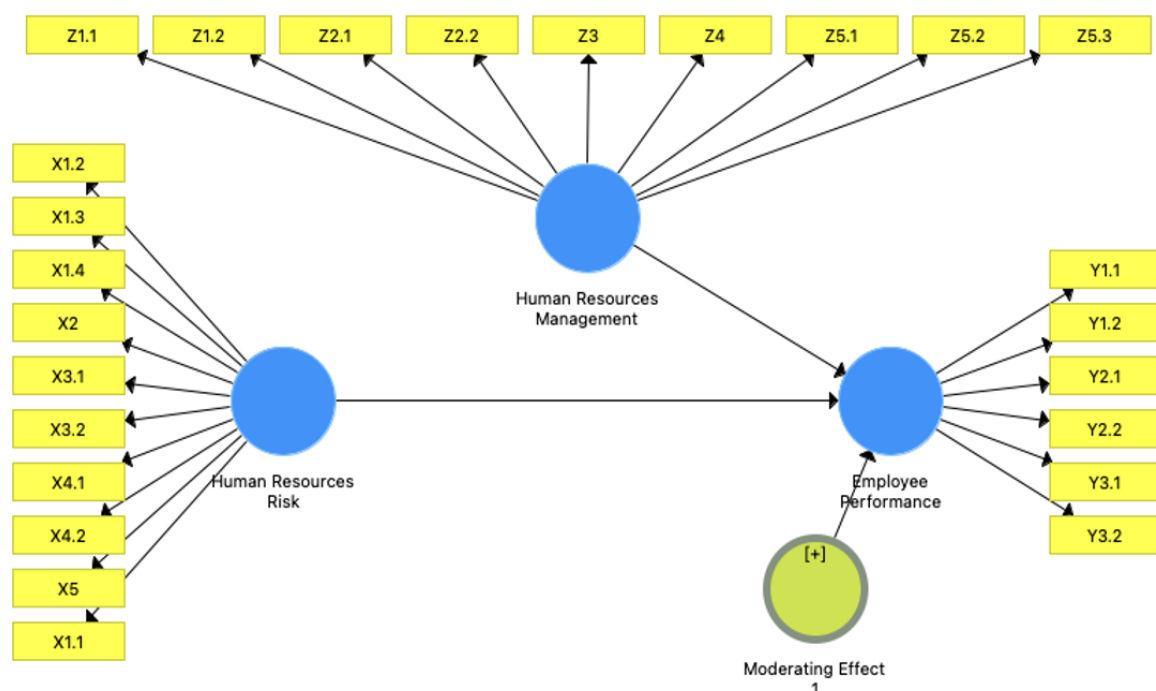


Figure 2. Initial Model and Loading Factor Calculation

Based on the initial model, the following research hypothesis is formulated:

H1: Human resource risk has a significant effect on employee performance.

H2: Human resource management has a significant effect on employee performance.

H3: Human resource risk has a significant effect on employee performance through human

resource management.

3. Research Method

This type of research is quantitative research because in this research a theory is tested by providing facts and showing the relationship between variables based on concept development and understanding (Cresswell, 2014). This research was conducted at the PT XYZ. This research was conducted for three months, starting from February 2022 to May 2022. The data used in this research were primary data and secondary data. According to Sugiyono (2010), primary data is data sourced directly from data providers to data collectors through direct observation and interviews with employees of the PT XYZ. The primary data taken is quantitative, which is the result of research questionnaires and direct interviews. Meanwhile, secondary data is obtained from articles, books, or literature which includes company profiles and structures and other data belonging to the company and outside the company.

The measurement scale used in this research is the semantic differential scale. The sampling method used in this research is nonprobability sampling. Meanwhile, the sampling method in this research used a purposive sampling technique. The criteria for respondents in this study were employees of the PT XYZ. The time needed to distribute the questionnaire is April 2022. The number of samples in this study was 125 respondents obtained from the theory of Hair et al. The initial respondents used for validity and reliability tests in this study were 30 respondents. The data processing and analysis methods used are validity testing, reliability testing, and Structural Equation Modeling-Partial Least Square (SEM-PLS) analysis with the help of IBM SPSS version 25 software, and smartPLS 3.3.3. This research was carried out by grouping the semantic differential scale into three parts with low, medium, and high criteria. Then, these criteria will be readjusted to the categories in the questionnaire that has been distributed. Next, use a mode that aims to look for answers that often appear or values that have the highest frequency from respondents in filling out questionnaires about employee perceptions of human resource risk variables, human resource management, and employee performance.

4. Finding and Discussion

Respondent characteristics. Respondents in this study numbered 140 people with the majority of respondents being 77 men while 63 women, this is in line with actual data from the company's annual report which states that the composition of employees based on gender is dominated by male employees. Meanwhile, the characteristics of respondents based on age are dominated by employees with an age range of 31-35 years. This is because employees aged 31-35 years are included in the productive age category at work.

Based on the latest educational characteristics, it can be seen that the respondents of this research were mostly Bachelor Degree (S1) graduates, totaling 117 people, this is because the Bachelor Degree (S1) level of education is the educational standard in the recruitment process at PT XYZ. The company title in this study is dominated by 55 cashiers. This is because employees who work as cashiers are employees who interact directly with customers. So it is

very in line with the objectives of this research. Based on work experience criteria, most employees at PT XYZ have previous work experience. There are 85 employees with work experience. The work period of the respondents in this study was dominated by employees with a work period of 6-10 years totaling 62 people. This is because most of the respondents in this study were employees aged 31-35 years, so their work period was quite long. Based on the criteria for work rotation experience while at PT XYZ, the majority of respondents in this study have experienced work rotation. This is because employee placement is carried out alternately in each unit or branch spread throughout the PT XYZ.

Structural Equation Modeling Partial-Least Square (SEM PLS) Analysis. Evaluation of the Measurement Model or Outer Model. Evaluation of the measurement model is carried out to test the validity and reliability of the construct or latent variable. This research uses a reflective research model, namely that indicator measurements are influenced by latent variables. There are four tests in this evaluation, namely: convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. At the convergent validity stage, an evaluation of the loading factor value is carried out. A construct is declared valid if it has a loading factor value above 0.7 (Ghozali and Latan, 2015). If the initial model contains indicators with loading factor values that do not meet the requirements, then these indicators must be dropped (dropped) one by one to avoid lag. After dropping, the research model was recalculated and checked again until all indicators had a value of more than 0.7. The original total indicators in this study were 25 indicators, namely X1.1-X1.4, X2, X3.1-X3.2, X4.1-X4.2, Y2.2, Y3.1-Y3.2, Z1.1-Z1.2, Z2.1-Z2.2, Z3, Z4, Z5.1-Z5.3. Meanwhile, 10 indicators experienced deletion (dropping) because they had a loading factor value of less than 0.7, namely X1.1, X1.4, X3.1, X3.2, Z2.1, Z3, Z5.2. In the second calculation, all indicators have a loading factor value above 0.7. The final outer model results can be seen in Figure 3.

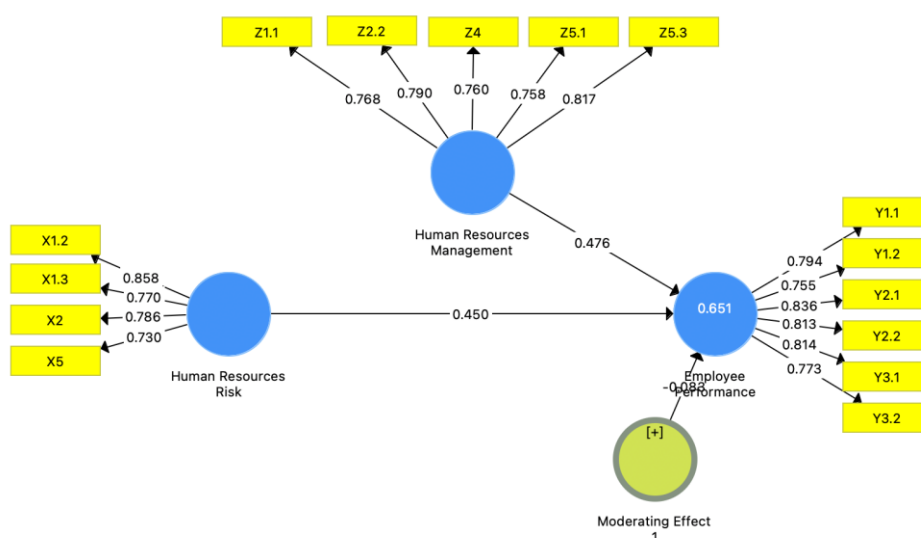


Figure 3. Path Model After Deletion (Dropping) PLS Algorithm Process

The next validity test is through the Average Variance Extracted (AVE) value. The AVE value of each latent variable must be above 0.5 (Hair, et. al., 2014). If the AVE is less than 0.5 then it is considered inadequate because the error variance is more than the indicator variance. The AVE value after dropping each latent variable is more than 0.5, so the model can be said to be good. The AVE value in this study is presented in Table 2.

Table 2. AVE Validity Test Results

Variable	AVE Value
Human Resources Risk	0,620
Human Resources Management	0,607
Employee Performance	0,637
Human Resources Risk * Human Resources Management	1,000

After all latent variables are declared valid, a reliability test is then carried out by looking at the Cronbach's alpha or Composite Reliability value. According to Hair, et. al (2014), Cronbach's alpha and Composite Reliability values must be more than 0.7 to be reliable. All latent variables have Cronbach's alpha and Composite Reliability values above 0.7. This shows that all variables are reliable which can be seen in Table 3.

Table 3. Construct Reliability Test Results

Variabel Laten	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Human Resources Risk	0,795	0,867
Human Resources Management	0,838	0,885
Employee Performance	0,886	0,913
Human Resources Risk * Human Resources Management	1,000	1,000

Next, we tested the reliability of the discriminant validity stage by looking at the cross-loading values and obtained the results that the correlation of the latent variable with its own indicators was greater than the correlation of the latent variable with other indicators. So it can be concluded that the latent variable has predicted its own indicators well.

Evaluation of the Structural Model or Inner Model. Evaluation of the structural model or inner model is carried out by looking at the R-square value and T-statistics value in the estimated path coefficients. The R-square value is used to measure the level of variation in changes or influences caused by exogenous latent variables on endogenous latent variables. The R-square value in this study was 0.651. This means that the latent variability in employee performance that can be explained by human resource risk variables and human resource management is 65.1 percent, while the remaining 34.9 percent is explained by other variables outside this research. The results of the bootstrapping analysis in this research can be seen in Figure 3.

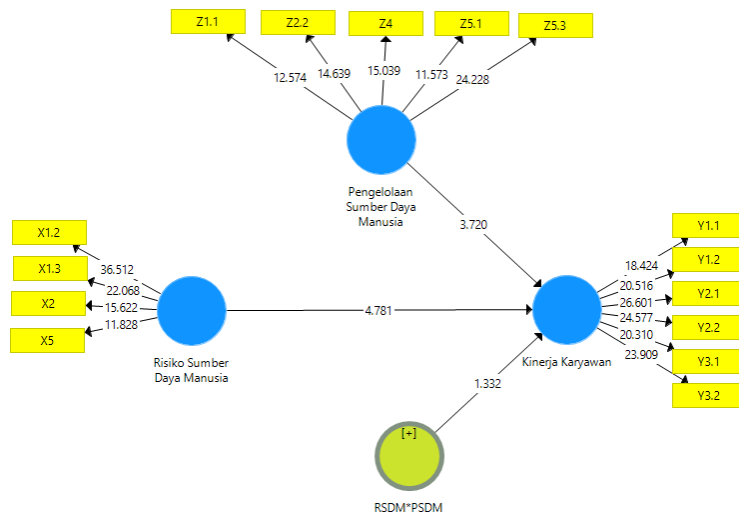


Figure 4. Results of Bootstrapping Analysis

The next evaluation of the structural model is to test the influence and level of significance of exogenous variables on endogenous variables in each relationship path. The measurement of the inner model is carried out by bootstrapping, which is done by assessing the significance of the t statistic to determine the influence between variables. Hypothesis testing is carried out by looking at the path coefficient, and by comparing the calculated T value with the T table. The test criteria are the t-count > t-table value (1.96). To see the nature of the relationship between latent variables (positive and negative) look at the original sample values. The influence and level of significance of exogenous latent variables on endogenous latent variables can be seen in Table 4.

Table 4. Path-Coefficient Results

Latent Variables	Original Sample	T-Statistic	Details
Human Resources Risk -> Employee Performance	0,450	4,781	Significant
Human Resources Management -> Employee Performance	0,476	3,720	Significant
Human Resources Risk*Human Resources Management -> Employee Performance	-0,083	1,332	Not Significant

The first hypothesis in this research is that the human resource risk variable has a significant effect on employee performance. It can be seen in Table 4 that the human resource risk variable has a positive effect on employee performance as seen from the original sample value of 0.450 and the t-statistic value of 4.781. This shows that the calculated T value is greater than the table T value. So it can be concluded that H1 in this research hypothesis is accepted. A positive coefficient value means that the higher the prevention of human resource risks, the more

employee performance will improve. This is supported by the results of research by Wartono (2017) which states that there is a significant influence between work stress and employee performance.

Based on Table 4, it can also be seen that the moderating variable in this research, namely human resource management, has a significant positive effect on employee performance. This can be seen from the original sample value of 0.476 and the t-statistic value of 3.720. These results indicate that the calculated T is greater than the T table value. So it can be concluded that H2 in this research hypothesis is accepted. A positive coefficient value indicates that the better the management of human resources, the employee performance will also increase. This is also supported by the results of Susilowati's (2013) research which states that human resource management is proven to have a positive and significant influence on employee performance.

In Table 4 it is explained that the human resource management variable does not moderate or mediate the influence of human resource risk on employee performance. This is indicated by the original sample value of -0.083 and the t-statistic value being smaller than the t table value, namely 1.332. This shows that H3 in this research hypothesis is rejected. In this case, human resource management does not strengthen the influence of human resource risk on employee performance. The results of this research indicate that human resource management cannot increase the influence of human resource risk on employee performance. This is because managing human resources together is not able to have a positive influence on human resource risks. As is known, human resource management includes staffing, performance and compensation management, change management, technology, and human resource management systems. From Figure 3 it can be seen that in the human resource management variable, the human resource management system has the lowest value. This low value is because the implementation of the human resource management system at the PT XYZ is considered unable to overcome human resource risks that affect employee performance. This is in accordance with research by Priyono and Marnis (2008) which states that poor human resource management can pose risks to the company.

Managerial Implications. The managerial implications of this research are focused on analyzing the dimensions that have the highest loading factor values, namely (1) stress risk on human resource risk variables, (2) ability to adapt to employee performance variables, and (3) quality management on management variables. human Resources. Apart from that, managerial implications are also carried out on the dimensions that have the lowest loading factor values, namely (1) presence on the human resource risk variable, (2) punctuality in completing work on the employee performance variable, and (3) employee satisfaction on the variable Human Resources Management. This aims to find alternative solutions that can be proposed in the managerial process at PT XYZ,

To overcome the risk of stress in human resources, it is necessary to prevent the risk of stress through implementing activities aimed at stabilizing the mental and emotional state of employees so that they are not burdened in carrying out work so that they can complete their work well. Meanwhile, to prevent the risk of attendance at PT XYZ, companies need to increase

discipline and enforce regulations regarding attendance. One way that can be done is by utilizing technology for the attendance system.

As time goes by, employees must be able to adapt to the company and employees are also required to be able to complete their work within the specified time. There are things that companies can do, including increasing employee engagement through adjusting workload to employee abilities and implementing training to increase employee effectiveness and productivity.

Human resource management has its own influence on the quality of employees. One of the things that a company must maintain is the quality of the company. The steps needed to overcome this are to carry out regular evaluations regarding work effectiveness. Apart from that, companies also need to increase employee satisfaction through programs to increase capability and confidence in the company and it is necessary to provide facilities through facilities and infrastructure that can support employee needs so that they can increase employee satisfaction.

5. Conclusion

The characteristics of employee respondents at PT XYZ are dominated by employees aged 31-35 years, have the corporate title of cashier, the majority of employees are male, with a bachelor's degree, have had work experience, and have experienced job rotation.

Employee perceptions of human resource risk are considered very positive because employees consider that human resource risk is something that needs attention and can affect employee performance. Employee perceptions of employee performance are positive because employees consider performance to be something that can be achieved together so in carrying out work, employee performance achievements are needed that are by the target achievements of PT XYZ. Then, a positive perception of human resource management becomes an important thing to implement in preventing human resource risks so that it will have an impact on improving employee performance.

Human resource risk has a positive and significant effect on employee performance and human resource management has a positive and significant effect on employee performance. Meanwhile, human resource management as a moderating variable is unable to moderate or strengthen the influence of employee competence on employee performance.

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