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Strategy for Minimizing Tech Talent Turnover Through the Implementation of Employee Stock Ownership Plan

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Abstract. This research aims to formulate a strategy for minimizing tech talent turnover by implementing the Employee Stock Ownership Plan (ESOP) system. The method used in this research is a qualitative method and uses data analysis techniques, namely multiple linear regression using SPSS software. The results of this research have potential implications for organizations looking to reduce tech talent turnover. By implementing the ESOP system, organizations can potentially increase job satisfaction and loyalty, which in turn can reduce turnover. However, the research has shown that stock ownership benefits are not as attractive as cash or instant benefits. Therefore, organizations should consider offering a combination of both stock ownership benefits and cash or instant benefits in order to maximize the impact of their talent retention strategy. Additionally, organizations should consider implementing other strategies, such as providing a comprehensive wellness program, offering flexible work arrangements, and providing career development opportunities, to further reduce tech talent turnover

Keyword s: *Tech-talent, Turnover Rate, Employee Stock Ownership Plan*

1. Introduction

ESOP is a benefits program that offers employees the opportunity to own shares in the company The emergence of ESOPs is based on the idea of aligning the interests of employees (agents) and shareholders (principals) with the aim of reducing conflicts of interest between agents and principals [1]. ESOP can be a mediator in resolving agency conflicts. This conflict arises between the principal (owner, shareholder) and the agent (director, employee) when the principal wants the agent to work in the organization in accordance with the goals to be achieved [2]. The conflict begins when the agent's efforts do not match the principal's wishes and the goals to be achieved by both are not in line [2]. The customer wants the company's performance to be maximized so that it can give him profits or dividends. With ESOP, this targeting can happen. Employees receiving ESOPs have the same goal as the principal, which is profit sharing in the form of dividends, so the employees always try to improve the company's performance. With ESOP, employees are motivated to improve their performance because they feel they are part of the company.

When employee performance increases, so does the company's performance. ESOP implementation can increase employee productivity by 4-5%. It is also worth noting that the company's revenue increases by 3-6%, which is when productivity is before and after ESOP implementation [3].

ESOP in Indonesia has not yet become a strategic issue, although several companies have implemented this program since 2000. In 2002, Bapepam formed a research group on the implementation of ESOP by issuers/public companies in the Indonesian capital market, which reported that there were 23 companies implementing ESOP programs. This number is very small compared to the number of companies listed on the Indonesia Stock Exchange (IDX). However, in 2015 the government emphasized that Indonesian issuers should adapt the ESOP program. For example, PT Sri Rejeki Isman (Sritex) was praised by the President of the Republic of Indonesia for its ESOP activities with 10,000 employees. This appreciation is expected to encourage other public companies to also implement ESOP programs. Another example, in April 2018, startup company Kumparan, which had just completed its IPO, offered ESOP to its 300 employees, ranging from the management team to the office boy level. In addition to Kumparan, Pizza Hut Indonesia gave 20% of their IPO shares, they gave 1% to ESOP and 10% to Management Stock Option Plan (MSOP). The number of start-up companies in Indonesia that have started to adopt ESOP shows a positive reaction to the development of ESOP in Indonesia [4].

ESOP program is an opportunity offered by a company to its employees through a contract where they can purchase shares in the company at a price specified in the contract and at a price on or after a specified date [5]. MSOP is the same program as ESOP but focuses more on company management. Subramanyam [5] explains several reasons why ESOP has become the most popular compensation program, namely first, companies that implement such programs increase their efficiency due to the alignment of company and employee incentives. In addition, employees see the ESOP program as a way to raise money (dividends). The third reason is that this form of compensation for companies does not directly impact the company's cash flow.

This goal alignment can increase employee engagement along with increased company ownership. The domino effect that can occur from this increased motivation leads to increased company performance. ESOP has a positive effect on company investment returns [6]. This is also supported by Trisna and Astika's research [7] which shows that ESOP has a positive impact on company performance and shareholder returns. The performance of a company can be measured from its financial efficiency as measured by several metrics, namely Return on Investments (ROA) where this metric can show the efficiency of the company in using its assets and Return on Equity (ROE) which is measured to increase the efficiency of the company in managing shareholder investment. Apart from being seen from financial performance, business performance can also be seen from the value of the company as measured by Tobin's Q. Tobin's Q is used as a measure of market efficiency because this measure can reflect market expectations by comparing the company's market capitalization with the total book value of the company's assets [8]. The use of this measurement can reflect market expectations and is not solely based on historical information published by the company [9]. The share price used is as of the end of December 31 when the ESOP allocation is made by the company. When making investment decisions, investors use economic development as a basis for judgment and future prospects. If the company's profit increases due to the ESOP program, this program will also have positive prospects. _

In various studies, the desire to terminate duties or leave the organization is negatively related to job satisfaction. The job satisfaction in question can influence a person's thinking about leaving. Evaluation of various job alternatives will ultimately realize turnover because individuals who choose to leave the organization will expect more satisfying results elsewhere [10]. Individuals who feel satisfied with their jobs tend to stay in the organization. Meanwhile, individuals who feel less satisfied with their jobs will choose to leave the organization.

Departing from this background, PT Sahaware Teknologi Indonesia located at Jl. Terusan Jakarta Utara, Komplek Daichi No. 69 Antapani, Bandung was chosen as the object of research. From the initial survey conducted, data at PT Sahaware Teknologi Indonesia shows a relatively high employee turnover rate as shown in Table 1.

Table 1 - Employee Turnover Data

Year	Number of employees at start of year	Number of employees leaving	Number of incoming employees	Number of employees at end of year
2017	92	1	5	96
2018	96	11	2	87
2019	87	6	11	92
2020	92	10	12	94
2021	94	4	20	110

The objective to be achieved through this research is to test and analyze the effect of ESOP directly on the level of employee turnover intention.

2. Method

In this study there are two types of variables, namely independent variables and dependent variables. Independent variables are variables that affect and cause changes or the occurrence of dependent variables. The independent variables in this study are employee stress levels (X1) and ESOP implementation (X2). The dependent variable is the variable that is influenced or that becomes the result of the independent variable. The dependent variable in this study is the employee turnover rate which is hereinafter given the notation Y. One of the steps in research is to determine the object to be studied and the size of the existing population. According to Sugiyono [11] what is meant by population is a generalization area consisting of subjects or objects that have certain qualities and characteristics set by researchers to study and then draw conclusions. In this study, the population is all employees of PT Sahaware Teknologi Indonesia, totaling 112 employees. While the sample is part of the number and characteristics possessed by the population [11]. In this study, the census method was used, in which all members of the population were taken as data sources.

3. Results and Discussion

Based on the tabulation of questionnaire answers to 98 respondents, the frequency and percentage of respondents on gender, age, length of service, and latest education can be seen in Table 2.

Table 2 - Demographic Data Respondents (N=98)

Control Variable	Characteristics	Frequency	Percentage
Gender	Men	46	46,9
	Women	52	53,1
Age	21-30	49	50
	31-40	40	40,8
	>40	9	9,2
Working period	< 1 year	14	14,3
	1-2 year(s)	29	29,6
	>2 years	55	56,1

Latest education	S2	4	4,1
	S1/DIV	62	63,3
	DIII	13	13,2
	High School	19	19,4

The reliability test results show that ESOP implementation variable has a Cronbach alpha of 0.793; job satisfaction of 0.738; employee turnover intention of 0.688. From the test, all variables are proven to have alpha coefficients above 0.6 so that it can be said that all concepts measuring each variable from the questionnaire are reliable, which means that the questionnaire used in this study is reliable [12].

Based on the results of the validity test carried out with the help of SPSS program, it can be seen that significance values of fourteen questionnaire items are all 0.000. For this reason, each question item in the questionnaire is said to be valid because its significance value is below 0.05.

Table 3 - Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficient			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	10.455	1.947		5.370	.000		
	Work Stress	.125	.058	.226	2.168	.033	.680	1.471
	ESOP Implementation	-26.8	.073	-.385	-3.687	.000	.680	1.471

a. Dependent Variable: Turnover Intention

Based on these results, regression model does not occur multicollinearity or perfect correlation between independent variables, namely job insecurity variable and compensation satisfaction variable have VIF < 10 and TOLERANCE> 0.1. This means that there is no Multicollinearity.

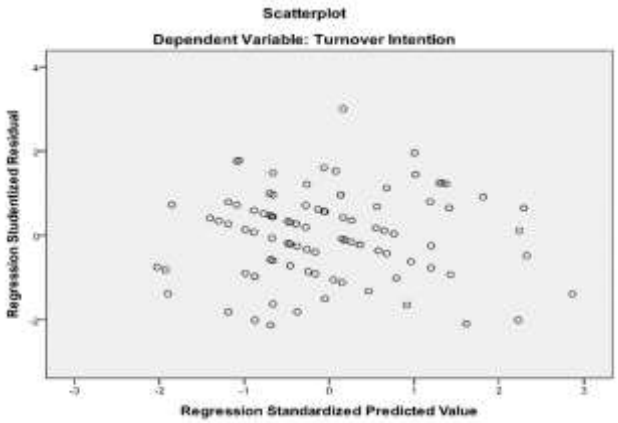


Figure 1. Heteroscedasticity Test

Based on the Figure 1, it is known that there is no clear pattern, and points spread above and below number 0 on the Y axis, so there is no heteroscedasticity**.**

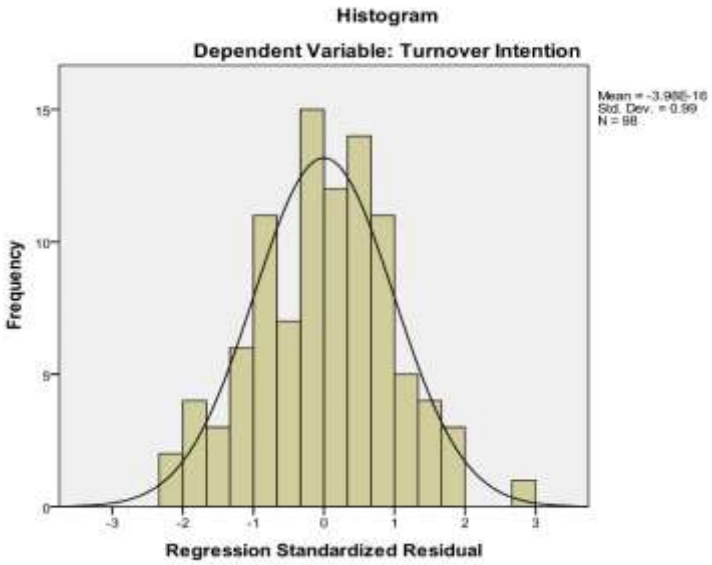
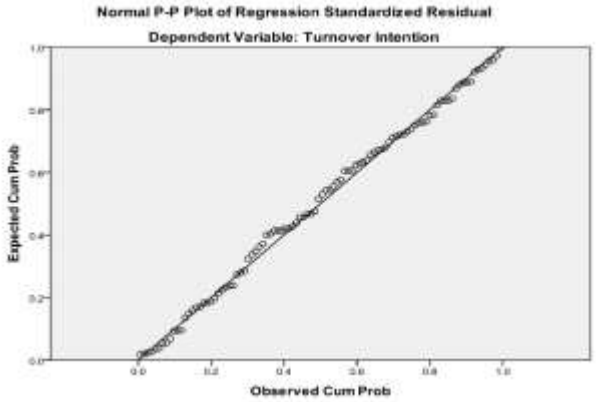


Figure 2. Normality Test Histogram Graph



Based on the histogram graph display and the normal plot graph, it can be concluded that the residual results are normally distributed. The basis for decision making is:

- If the data spreads around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, then the regression model fulfills the normality assumption**.**
- If the data spreads far from the diagonal line and does not follow the direction of the diagonal line or the histogram graph does not show a normal distribution pattern, then the regression model does not fulfill the assumption of normality**.**

Table 4 - Normality Test Kolomogorov-Smirnov

Npar Tests

		Unstandardized Residual
N		98
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.93103195
Most Extreme Differences	Absolute	.051
	Positive	.031
	Negative	-.051
Kolmogorov-Smirnov Z		.509
Asymp. Sig. (2-tailed)		.958

a. Test distribution is Normal.

b. Calculated from data.

The Kolomogorov-Smirnov value is 0.509 and the significance seen from Asymp. Sig. (2-tailed) of 0.958. The resulting significance value is greater than 0.05. This means that HA is rejected, which means that the residual data is normally distributed. Once again, the results are consistent with the previous test**.**

Table 5 - Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficient			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	10.455	1.947		5.370	.000		
	Work Stress	.125	.058	.226	2.168	.033	.680	1.471
	ESOP Implementation	-26.8	.073	-.385	-3.687	.000	.680	1.471

a. Dependent Variable: Turnover Intention

From the calculation results in Table 5, it can be presented in the form of a standardized regression equation as follows.

$$\mathbf{Y = 0.226\ X1 + (\ -0.385)\ X2}$$

The results of the multiple regression equation provide the following understanding:

1. The work stress variable (X1) has a positive effect on employee turnover intention with a coefficient value of 0.226. This states that the higher the work stress experienced by employees, the higher the employee turnover intention.
2. The ESOP implementation variable (X2) has a negative effect on employee turnover intention with a coefficient value of -0.385. This states that if job satisfaction is higher, the lower employee turnover intention will be.

4. Conclusion

Based on the results of the research that has been conducted, it can be concluded that the first hypothesis (H1) which states that ESOP implementation has a positive effect on employee turnover intention is accepted or H1 is accepted. In the absence of ESOP implementation experienced by employees, it will increase employee turnover intention. The first hypothesis (H2) which states that job satisfaction has a negative effect on employee turnover intention is accepted or H2 is accepted. The higher the job satisfaction of employees, the lower the employee turnover intention**.** From the results of respondents' answers to the questionnaire questions asked in this study, it can be concluded that the implementation of ESOP is not a dominant factor in employee turnover because it has the largest index value. Meanwhile, from the job satisfaction variable, it can be concluded that the satisfaction with salary indicator has an important role in employee dissatisfaction because its index value is the smallest compared to other indicators. Furthermore, still according to the results of respondents' answers, the job search indicator with the question "I decide to leave this organization if I get a job offer elsewhere" has the largest index value in the employee turnover intention variable. So, it can be concluded that getting offers at other companies is the main factor that triggers employees to turnover intention. Therefore, in the future, leaders should make policies to manage employees and make employees satisfied with the responsibilities they handle, such as: Conducting training and development to improve skills and skills for each employee on a regular basis, job placement according to the capacity and expertise of employees, especially for staff, designing the right work, to manage employee turnover rates, the personnel department should increase its role in terms of accommodating complaints and providing counseling for employees who have problems at work. Meanwhile, to increase job satisfaction, company leaders should: increase the value of salaries and increase the number of benefits in accordance with the contributions made by employees while taking into account financial conditions, provide awards in the form of bonuses / incentives for employees who excel, in conducting a payroll system, it should be done by taking into account the factors of job demand, individual skill levels, and competitive salary standards in the market. This study has several limitations. First, not all of the number of questionnaires distributed by researchers with a predetermined period of time were successfully collected again due to several factors such as study assignments both outside the city and abroad**.** Secondly, the respondents lack of understanding of the questions in the questionnaire as well as their care and seriousness in answering all the questions became an obstacle in this study. This is recognized by the researcher as a limitation because the researcher did not use the in-depth interview method with all respondents in this study. Learning from the shortcomings in this study, future research is recommended to add new variables such as organizational commitment, organizational culture, leadership and work environment which of course are tailored to the object of research. Then, secondary data-based indicators may also be developed in measuring research variables that pivot on turnover intention so as to provide a broader picture of turnover intention.

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