# WHAT INFLUENCES INDUSTRIAL CLIMATE IN INDONESIA? – A QUALITATIVE STUDY

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DOI: https://doi.org/10.37178/ca-c.23.1.01

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## 1. Introduction

Organizations worldwide have experienced how workplace disputes have resulted in negative impacts on all related stakeholders. To organization, the impacts can be in the term of revenue loss, the destruction of the company assets, and sometimes it can cause lives[1]. Favorable workplace environment has also been reported to influence the individual level of job performance[2]. Conflict raised by unfavorable workplace climates can reduce organization productivity and affect the chance of organization survival[3]. In the opposite side, research has shown that an organization's Industrial Relations (IR) climate relates to productivity, efficiency, general employee satisfaction, union loyalty, and organizational commitment[4]. [5]proved that the industrial relations climate can improve performance at the individual employee level. Higher economic competition strengthens the need to foster a good IR climate. There is a need to establish a better organizational flexibility to establish a good workplace relation to ensure commitment among workers[3].

[6]has shown that collaborative IR Climate has a positive impact to profit and sales. [7]further explained that a positive IR climate caused to a more cooperative relationship between management and employees which further lead to a positive various related outcomes such as job performance, constructive behaviour, and both employees and organization commitment. A positive industrial relations climate influences positive attitude towards the supervisor and performance of the employees. Therefore, to have a positive industrial relations (IR) climate is an important goal for the organization.

The industrial relations climate (IR) of an organization is an overall measure of how labor-management relations are. It is part of Human Resources strategic approach. Human Resources policies in the organization is understood to influence company performance[8]. It is usually measured by a set of variables that represent norms, attitudes, feelings, and behaviors prevalent in the workplace including "fairness and mutual respect". Industrial relations define as "activities connected to dynamics of working places like the structure of plans, job agreements, management of labor, dispute

resolution, worker views' and conduct within working stations" in[1]. [9]define IR climate as the management, employees, and their representatives' perception regarding the way in which employees' relations is conducted and their interaction with each other. IR climate referred to labor-management relationship quality[4, 7]. Positive IR Climate is defined as with trustful, respectful, and healthy relationship between the management and employees in[7].

Despite the positive outcomes associated with a favorable IR relations climate, few studies are available<sup>[3]</sup>. The search result in Science Direct database for all time resulted only 149 hits for keywords "industrial relation". If those search results were limited to research and review article, the figure is shrinking into 118 articles and only 50 articles published since 2017.

What factors influencing a positive IR climate are critical to identify. Available studies revealed factors that influenced IR climates, such as the role of certain leadership styles (e.g. ethical leadership styles[7], social dialogue[10], employee voice[11], employee representation[12], employee participation[13], involvement of HR[14], trust[15], organizational justice[15], Corporate Governance[5], Union effectiveness[16, 17], perceived labor-management relation[2, 17], management participation [18]and Organization culture[19].

This study aimed to see assessment of IR climate rating in Indonesia as the first research question. Other objectives are to figure out possible variables influencing IR Climate. The first variable explored was leadership styles. Leadership is known to have an important role in the management function in terms of ensuring the organization to maximize efficiency and achieve organizational goals. Previous studies have proven that leadership plays an important role in organizational effectiveness[20]. Leadership plays a role in how to ensure the allocation of every resource can have an impact on the achievement of goals. Leadership role in IR climate was only discussed by[7]. Whether there was a perceived involvement of leader would be the second research question of this study.

Studies revealed there was no one leadership style fit in every condition. For innovation, the type of leadership which is claimed to be effective is Transformational leadership[21-24]. This type of leadership is also effective during turbulent environments and uncertainty[25]. However, study stated that during crisis, type of leadership should be beyond transformational[26]. In time of crisis, involvement and fast decision making is needed and it can be a tough one. What is the suitable leadership style for a positive IR climate? This is the third research question.

The second variable to be explored was communication in the context two-way communication or dialogue. [27]argued communication among member in organization or internal communication is critical for the organization effectiveness. in [28] described an analogy how communication is considered as a "lubricant" in corporate machinery. Communication within the organization plays important role in fostering the relationship between the employer and its employees[28]. Good employee attitude in the organization is also influenced by how the organization communicate with its employees[29]. Internal communication is strengthening organization-employees relationship[28]. Furthermore, good internal communication increase employee commitment and establish a shared interest[30]. All of those characteristics, will produce favourable outcomes such as better employee productivity and improvement of the performance of the organization. In IR climate, the role of dialogue has been raised by[10, 11, 13, 31]. How the perceived opportunity to speak up was the research question no four.

The structure of this paper is as follows: first, the introduction is presented and then followed by the methodology of the study. Thereafter, the findings are presented and

discussed. This paper will be closed by the conclusion which also includes the limitation of the study and the recommendation for future research.

#### 2. Methodology

#### Research design

This study was designed as a qualitative study. Structured questionnaires were used as the instruments for an online survey, conducted in October – November 2021. A disclosure statement about the nature of the study, informed consent, and the participants' willingness to join the survey were also included at the beginning of the questionnaires. Questionnaires without informed consent from participants were omitted from the analysis. Open Questions regarding the participants' opinion on IR climates, the employee participation culture, leadership characteristic and involvement were asked. Additional demographic information, such as participants' position, industry and gender, was also requested for descriptive analysis.

#### Participant

Target participants were staff, manager, labor union leader and director. The target sample was to get 20 participants. There is no sample requirement for qualitative study[32]. Selection of the participants was made using the convenience sampling method.

#### Analysis

Collected data were analyzed using NVIVO. Data were categorized based on overall positive and negative comments. For each assumed variable, the data were categorized based on rank (such as the rating of IR climate; leader involvement in IR; and opportunity to participate), key words (such as leadership characteristics). The most frequent words were also analyzed.

### 3. Result

### Demographic

Based on the industry the participants work for, 71% of participants work for the manufacturing industry, followed by plantation (10%) and other industries such as leasing, retail, banking, oil and gas, telecommunication, mining and trading (figure 1). Based on the size of the company, 45% are from big companies with more than 1000 employees, followed by medium size company (23%) with 500-1000 employees, and the remaining is small to medium size (figure 2). Most of the companies has existing labor union (85%). Based on the position (figure 3), 34% of participants were managers, 29% were employees, 18% were union leaders and 18% were directors.



## Analysis Result

## Word Count

Based on word count analysis, words related to interactions were showed frequently such as communication (1,18%), relations (1,08%), involving (0.58%), discuss (0,5%), meeting (0,47%), approach (0,46%) and relationship (0,41%). Employees, company, manager, workers and union as the main stakeholders in IR appeared on the top frequent words: 3.88%, 3.57%, 2.04%, 0.88% and 0.72% respectively. Leadership related words appeared in the term of manager (3.57%), leadership (0.28%) and leader (0.24%). The word frequency was depicted in figure 4.



Figure 4. Word Cloud All Participants

Table 1

Top 10 words from	all participants
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Word	Length	Count	Weighted	Similar Word
			Percentage	
Employees	9	287	3.88%	Employee, employees, employees
Company	7	264	3.57%	Companies, company
Good	4	177	2.39%	Good, goods
Manager	7	151	2.04%	Manage, managed, management, manager
Communication	13	87	1.18%	Communicate, communicated, communicates
Relations	9	8	1.08%	Related, relations, relatively
working	7	79	1.07%	Work, worked, working
Products	8	76	1.03%	Product, production, productive, productively
Performance	11	71	0.96%	Perform, performance, performed, performs
Climate	7	67	0.91%	Climate, climatic

Table 2

Top 10	words	from	Staff
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Word	Length	Count	Weighted	Similar Word
			Percentage	
Employees	9	88	4.90%	Employee, employees
Company	7	75	4.17%	Companies, company
Good	4	41	2.28%	Good
Management	1	28	1.56%	management, managing
Relations	9	28	1.56%	Related, relations, relatively
Communication	13	24	1.34%	Communicate, communicated, communicates
working	7	24	1.34%	Work, working
industrial	1	23	1.28%	Industrial, industry
Performance	11	18	1.00%	performance
productivity	12	16	0.89%	Product, production, productivity

# Table 3

## Top 10 words from Union

Word	Length	Count	Weighted	Similar Word
			Percentage	
Employees	9	35	3.77%	Employee, employees
Good	4	27	2.91%	good
Company	7	26	2.80%	Companies, company
Management	10	24	2.59%	management, manager
Communication	13	17	1.83%	Communicate, communication
Related	7	13	1.40%	Related, relations, relatively
union	5	12	1.29%	union
work	4	11	1.119%	Work working
far	3	11	1.119%	far
Climate	7	1	1.8%	Climate

Table 4

## Top 10 words from manager

Word	Length	Count	Weighted Percentage	Similar Word
Company	7	91	3.56%	Companies, company
Employees	9	79	3.95%	Employee, employees, employees
Manager	7	71	2.77%	Manage, management, manager
Good	4	63	2.46%	Good, goods
Workers	7	5	1.95%	Worker, workers, workers
Products	8	38	1.48%	Product, production, productivity, products
Problem	7	31	1.21%	Problem, problems
Working	7	31	1.21%	work, worked, working
Climate	7	27	1.06%	climate
performance	11	24	0.94%	Perform, performance, performed, performs

Table 5

Word	Length	Count	Weighted	Similar Word
			Percentage	
Employees	9	63	3.43%	Employee, Employees
Company	7	58	3.16%	Companies, company
Good	4	34	1.85%	Good, goods
Manager	8	33	1.80%	Managed, managements, manager, managers
Communicative	13	24	1.31%	Communicate, communication, communicative
Relations	9	23	1.25%	Related, relations
industrial	1	21	1.14%	industrial
performance	11	15	0.82%	performance
level	5	14	0.76%	Level, levels
open	4	14	0.76%	Open, opened, opening, openly, openness

Top 10 words from Director

The top 10 frequent words from all participants are Employees, Company, Good, Manager, Communication, Relations, Working, Product, Performance, Climate (Figure 5). Drilled down from each position, all agreed that Employees, Company, Good, and Management are important. The word "Communication" is in the top 10 of Staff, Union, and Director but not in Manager. The word "Relation" is in top 10 of Staff, Union, Manager but not Manager. The word "working" is in the top 10 of Staff, Union, Manager but not Director. The word "Performance" is in the top 10 of Staff, Manager and Director but not Union. The word "Climate" is in the top 10 of Union and Manager, but not Director and Staff (Figure 4-9).

### Positive and Negative Impression

The overall word analysis based of positive and negative connotation from all conversation, the result showed that most of the words used were positive and only few gave negative connotations. However, some words were found to have ambiguous meanings (Figure 10).



Figure 10. Positive – Negative Connotation from Overall Conversation

Some negative comments were about the poor condition of IR in the organization, lack of top management involvement, and the new regulation's impact (figure 6). The

positive comments were about the good IR condition, the positive opportunity to participate and speak up, the relationship between employees and employers, and top management involvement.

	Reference 1: 0.15% coverage
The industrial hub is currently not doing well because ther cooperation between union workers and the company	e has not been a point of
	Reference 2: 0.15% coverage
For sure the sound must be accommodated but for the	realization sometimes not
	Reference 3: 0.15% coverage
Industrial relations are not enough. Welfare role models also important	an approach from the heart is
	Reference 4: 0.15% coverage
The relationship is not good. "The relationship is not good bipartite relationship between SP and management in carry	
	Reference 5: 0.15% coverage
No. "No. Because management seems to be turning a blind	d eye."

Figure 11. The negative Comments

## IR Climate Rating

The opinion of participants in the rating of IR climate was depicted in figure 12. Most of the participants rated that the IR climate in their organization was very good or good. Only a few portions said the rating was not good. However, some participants still gave no clear evaluation. Figure 13 showed some of "very good" rating comments from the participants.



Figure 12. IR Climate Rating

Reference 1: 0.15% coverage

Very good. The spirit of kinship and professionalism is the basis of the relationship between personnel in the company.

Reference 2: 0.15% coverage

Harmonious, because if there are labor problems, they can be resolved side by side and familiar

Reference 3: 0.15% coverage

Conducive Because there is always communication between SP and HRD

Reference 4: 0.15% coverage

Harmonious and conducive

Reference 5: 0.15% coverage

Hubs. industrial in our company is harmonious and conducive. The parameter is a dispute that we can always resolve internally (no need to take it to the Mediation or PHI stage).

Reference 6: 0.15% coverage

Well established..the negotiations between management and sp are going well

Reference 7: 0.15% coverage

Very harmonious between employers and unions, the FY planning determined by the employer is discussed with the union so that the annual plan is achieved and the welfare of workers will increase.

Reference 8: 0.15% coverage

Conducive, because even during the pandemic, and the pick-up bus facilities were removed, the canteen facilities were closed for food allowances to avoid the spread of the covid-19 virus, there were no bonuses and salary reviews, employees still worked as usual and there were no rejection demonstrations, only reasonable just ask the basis of the policy, and after being explained can understand and accept the policy.

Figure 13. Conversation on IR Climate Rating

#### Top Management Involvement

The opinion of participants of the top management involvement was depicted in figure 14. Most of the participants claimed that they felt that top management had a good involvement. The majority stated that top management paid a good intention to IR climate. Second big part also said that the intention in there was only just enough. A small portion said that top management had no attention on IR climate. The good involvement conversation includes that Top management adheres to the new rules and regulations on manpower, concern on the well-fare of the employees, good response, put attention and effort to resolve conflict well and fast (Figure 15).





	Reference 1: 0.15% coverage
Yes, it's quite good where it tries consistently to comply company's branches are located in different countries	with local rules where the
	Reference 2: 0.15% coverage
Very considerate. The treatment as family is very impor- director of the company will call directly the employee number of personnel in our company is relatively small. corporate level groups, this culture still applies. Persona positive influence at work."	whose birthday is. Because the " However, even in Southeast Asian
	Reference 3: 0.15% coverage
Already, by providing a means for workers to be able to	voice their opinions
	Reference 4: 0.15% coverage
really maintain a good climate because any problems the as possible	at arise will be followed up as soon
	Reference 5: 0.15% coverage
Top Management participates in negotiations with labor immediately resolving issues that occur in industrial rela	
	Reference 6: 0.15% coverage
Pay attention, because the union is proposed for a comp CMW Japan	arative study with the unions in
	Reference 7: 0.15% coverage
Top management is very supportive of the IR climate. B interfere with productivity and will automatically interfer an impact on the company both in terms of finance, com	ere with customers which will have

Figure 15. Conversation on Good Top Management Involvement

### Leadership Styles

The opinion of participants of the top management leadership styles was depicted in figure 16. The three most common leadership styles raised were Democratic, Transformative and Servant leadership. Most words raised were affiliative, flexible, communicative, participatory, coaching (Figure 17).



# Figure 16. Leadership Style Assessment of Participants

	Reference 3: 0.15% coverage
Affiliate style. Because it will glue the harmony of each is emotions are not good.	ndividual when the team's
	Reference 4: 0.15% coverage
Flexible but still prioritizing the Compliance Aspect of th important, but about how to obey the rules is no less impo- can be achieved	,
	Reference 5: 0.15% coverage
Harmonious togetherness and family leadership	
	Reference 6: 0.15% coverage
Active, Communicative and solutive	
	Reference 7: 0.15% coverage
Modern leadership style but inseparable from the culture because it keeps up with the times but still embraces it in	and character of the company
	Reference 8: 0.15% coverage
Democratic leadership style because the leader considers important part so he expects suggestions from his subordi	
	Reference 9: 0.15% coverage
Democracy and participatory, because many millennials a	are already working
	Reference 10: 0.15% coverage
Authoritative, affiliative and coaching, because the three team feel comfortable and valued, by allowing the team's leader still accompanying in the right way	1 2

Figure 17. Conversation on Leadership Styles

#### **Opportunity to Speak Up**

The opinion of participants on their opportunity to speak up was depicted in figure 18. Most of the participants claimed that they had the opportunity to speak up. The majority stated that they had a good enough opportunities to speak up. They said a regular meeting between Union and management to discuss ideas and issues. Some also raised that management listened to them (Figure 19). Only few of them claimed they did not have opportunity to speak up. They felt that the management ego's to win in the discussion was big (Figure 20).





Reference 2: 0.15% coverage Already, through various methods such as the WA Group containing Employees with Management, Calls through Posters, involving SPTP in the preparation of Collective Labor Agreements + Socialization + Training, including the provision of Suggestion Boxes. The reason is that all of these methods are communication bridges, so workers/employees can voice their opinions Reference 3: 0.15% coverage it's good, for example when something is quite burdensome for employees, management is willing to listen. Reference 4: 0.15% coverage already because employees can express opinions through the union which are conveyed during monthly meetings with unions and management Reference 5: 0.15% coverage There are regular meetings between management and the union Reference 6: 0.15% coverage Already, namely by having regular bipartite meetings. Reference 7: 0.15% coverage Of course, the company invites a discussion about the achievement of a problem, the reason is that the company does not close its eyes and gives the opportunity to discuss Reference 8: 0.14% coverage Already, every trade union activity (positive propaganda in video campaigns) that is raised by employers, the results of these activities are very supportive and express their gratitude for these activitie

Figure 19. Conversation on Good Opportunity to Speak Up

Reference 1: 0.15% coverage For sure .. the sound must be accommodated .. but for the realization .. sometimes not Reference 2: 0.15% coverage

Really, now why am I saying that in the end we both lower our egos, so don't let management have a high ego and unions have egos that feel they have the masses and now they also want to voice anything we also facilitate, why do we facilitate? Of course, with the right channels so that they don't get overpowered too, so what I did first was to reactivate the Bipartite LK,

Figure 20. Conversation on Lack of Opportunity to Speak Up



Figure 21. Comparison of IR Climate Rating with Top Management Involvement, Leadership Styles, and Opportunity to Speak Up

Figure 21 revealed a similar pattern of a positive IR climate with the rate of top management involvement, democratic+transformational+servant leadership styles, and opportunity to speak up.

### 4. Discussion

Based on the word counts, all participants from various positions (Staff, Manager, Director and Union) agreed that employee, company, manager, communication, climate, performance, and good were the important words. For a positive IR climate, it seemed

that they all agreed that the focus should not only be on the employee but also on the company and performance. It seemed that there was a mutual understanding to have a positive IR climate. Employee advantages will only be made available if the company had a good performance. All participants also came to an agreement that to have a positive IR climate a good interaction between management and employees played an important role. Words such as communication, relations, involving, discuss, meeting, approach and relations contribute to more than 5% of the overall conversation. Based on this finding, one of the assumptions was the critical role of communication in a positive IR climate.

Even though the most common words were quite similar for each position, it seemed slightly different in each position. For example, the word 'performance' was not in the top 10 priority of Union. The word 'working' and 'climate' seemed not in the top priority of director. For staff, 'working' is not the top priority. The most interesting the word 'communication' and 'relation' were not in the top priority of management. For Union, it seemed even though they realized that company performance was importance but they more focus on addressing the agenda relationship, communication, working and climate. In manager, the agenda was more to working, problem, climate and performance. As for directors, their agenda was more into performance, communication, relation and openness (transparency). Based on this finding, it seemed that each position has a different concern. It seemed that there was a gap of the top priority of director and manager. When director tried to ensure improving the relationship, in manager level, it seemed that they focus more to fire fighting on the IR issues. This can be an important finding for HR, to create a strategic HR to ensure that all levels work on similar priority.

Confirming previous study, this study also showed that leadership plays important role in organization effectiveness. Just as many as participants claimed a positive IR climate, most of participants also claimed a somehow involvement of top management in IR climate. The involvement of top management for sure would make the better process. The involvement of top management also reflects the perceived knowledge of top management on IR issues. Both of those will lead to a better outcomes. The involvement of top management reflects cares, which would also create trust and reputation, leading to a better relationship.

Since interaction played a crucial role on a positive IR climate, leadership styles that encourage participation would be better for a positive IR climate. Democratic leadership is known as a participative leadership. Majority of respondents thought that was the type of leader suitable for a positive IR climate. [33] defines a democratic leader as a person who is sharing the decision-making process with the team members. Leadership who is democratic is known to increase the productivity of the team, their satisfaction and engagement, and team commitment [4, 33]Employee satisfaction is also one of the positives of democratic leadership. Some characteristics of democratic leadership [34] are distribution of responsibility, empowering, involvement, motivating and respecting the team, and a good listener. Since relationship, communication, involving and approaching were important keywords of a positive IR climate therefore no wonder that democratic leadership styles was important.

The second leadership style raised was the transformational leadership styles. Transformational leadership works with team to foster the team identity. With inspiration, the leader creates vision. Transformational leadership executes the change and builds team commitment. The transformational leadership style is charismatic, delegating, inspiring, communicating, encouraging innovation[35]. Leaders who have transformational style have four distinct factors; charisma (idealized influence), inspirational motivation, individualized consideration and intellectual stimulation, which are known as the four I's of transformational leader[36]. Transformational leadership

characteristic are such as building team confidence and trust, creating hope and sharing big picture, building team relationship and strengthening team work[37-39].

Transformational leadership styles foster the culture of sharing, team participation and growth and excellent role models. The 4'I's and characteristic of Transformational leadership styles suit the needs of participation, being listened, being trusted and ensuring a positive IR climate. Therefore, transformational leadership styles will be a suitable style for a positive IR climate.

The third leadership styles revealed in this study was the servant leadership style. [40]explained that servant leadership is characterized by first empowering and developing people. The second characteristic of servant leadership is humility, authenticity, interpersonal acceptance, and stewardship. The third characteristic is expressed by providing direction. Servant leadership styles have known to build a relationship, trust and fairness. This will lead to self-actualization, positive attitudes and performance. Based on the three types of leadership styles in this study, it seemed that leadership styles that encourage participation, relationship, openness, and trust would play a critical role in building a positive IR climate.

The last variable explored in this study was the opportunity to speak up. He opportunity to speak up is employees' opportunity to raise their concerns and be listened to. Or in the other way the communication in the organization is two ways.

Communication within the organizations or internal communication has been established as playing a vital role in influencing organization effectiveness[27]. When employees perceive that they get information from the organization in timely, accurately and relevant, they will feel less vulnerable and more able to trust their leaders[28]. [29]define internal communication as "the exchanges of information and ideas within an organization". [27]state that "communication between an organisation's strategic managers and its internal stakeholders, designed to promote commitment to the organisation, a sense of belonging to it, awareness of its changing environment and understanding of its evolving aims.

Communication within the organization is known to play a critical role in developing employee attitude[29]. It strengthens the relationship between the organization and employee[28]. Good communication can bring employee commitment and shared interest[41]. All these attitudes are associated with favourable outcomes such as an increased in employee productivity and organizational performance. Employees experiencing a quality exchange and having a sense of team membership will become more engaged to the organization[29]. One of the crucial quality exchanges is quality of the communication. Quality communication between the organization and employees foster a transparency and trusting environment. Therefore, the opportunity to be able to communicate back would foster a positive IR climate.

The study have shown a similar pattern of the state of positive IR climate, top management involvement, democratic+transformational+servant leadership styles, and opportunity to speak up. This pattern might show a probable relationship between the variable of top management involvement, democratic+transformational+servant leadership styles, and opportunity to speak up to a positive IR climate. Since this study was only an exploratory study, this study cannot be used to confirm those relationships.

### 5. Conclusion

Overall conversation on IR climate was positive conversation. This study tried to answers four research questions. For first research question about the state of IR climate, this study showed that the condition of IR climate in Indonesia was mostly positive. The majority claimed that the climate was positive enough, and only a small portion raised their dissatisfaction with the IR climate. The answer to the second question, this study revealed that current condition in various industries in Indonesia, the rate of top management was quite involved.

The third research question was the leadership styles. The study revealed three suitable leadership styles that might foster a positive IR climate. Those leadership styles were democratic, transformational and servant leadership. It seemed that leadership styles which encourage participation, relationship, openness, and trust would play a critical role in building a positive IR climate. The opportunity to have two-way communication was also considered to play a crucial role in developing a positive IR climate. Therefore, this study showed the probable relationship between the variable of top management involvement, democratic+transformational+servant leadership styles, and opportunity to speak up to a positive IR climate.

This study was qualitative, therefore, a quantitative study to confirm the relationship among variables is recommended for the future research. Since this study participants were from big industry and mostly in Java, having a different size of industry and other parts of Indonesia should also be considered. Other variables such as HR involvement, organization culture, and Union power might also be reviewed in future studies.

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