

High Performance Working System of Local Government in Aceh

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ABSTRACT

The purpose of this research is to investigate the effect of high performance working system on government performance which is mediated by government innovation capability. This research was conducted in Aceh Province, covering 23 regencies/cities. The sample size in this study is 120 government employees. The sampling technique is based on Stratified Random Sampling technique. The data obtained were analyzed qualitatively and quantitatively with Structural Equation Modeling (SEM) and Confirmatory Factor Analysis (CFA) methods. The results showed that there is a significant effect between high performance working system on the performance of government and the capability of government innovation. Furthermore, this study also finds the role of government innovation capability in mediating the effect of high performance working system on government performance by partially.

Keywords: High Performance Working System; Government Innovation Capability; Government Performance

INDRODUCTION

The Success in the implementation of good government can be measured by the capability of local governments to utilize their fiscal capabilities effectively, efficiently and economically in achieving their stated goals (Mattoasi and Samsuddin, 2015). The success of the government in carrying out its duties largely depends on the way the management of all its resources, which can then be viewed from the impact (outcomes) generated by the execution of the task. Managing human resources in government agencies, different and even more difficult than the private organization, which is caused by the complexity of the work area. Government employees are not only working to achieve the goals or success of the institution itself, but also the success of the overall development program. This is because government agencies have the duty and function to provide services to the community through the design of policies and the implementation of a very broad development program (Liff, 2011).

In general, the Indonesian government has issued constitution governing regional financial management that can guide the achievement of regional governance goals. The success in achieving the high performance of local government will be largely determined by the performance of the process of the implementation of programs and development activities, which in turn will contribute to the performance of the impact (outcome performance) that provide value at every penny of public funds spent (Basri and Nabiha, 2014). However, the local government in Indonesia is still faced with the problem of the weakness of processes and poor quality of the preparation of Budget (APBD) which is characterized by two conditions, namely: the delay time of the establishment and delivery of the budget and the weakness of the budget in answering the question of development effectively.

In the case of Aceh, the delay in the ratification Budget Aceh (APBA) has taken place every year for the last decade. Based on observations carried out in the field, the relations between the executive and the legislature in both Aceh and other regions in Indonesia are not good enough, which is indicated as a result of the lack of the ability of the parties to build mutual understanding. The APBD planning process should not only involve the executive and the legislative, but also must involve the community as a form of participatory planning. Despite the delay in the ratification of each year, but the Government of Aceh since 2012 has received numerous awards in development planning. The issue of delay in budget approval and conditions are inversely proportional to the awards obtained indicate problems in the planning and budgeting process.

The problem of the slow determination and low quality of the APBD is indicated as a result of various complex problems. Basri and Nabiha (2014) state that delays in setting and low quality of APBD implementation are caused by the lack of commitment of the parties to fulfill the time set in accordance with the legislation, lack of responsibility for budget management, lack of consistency between planning, budgeting and implementation, the intervention of other parties, as well as the lack of capacity and capability of government employees.

Governance in the context of regional autonomy requires local governments to mobilize resources, especially human resources, as well as improved governance of governance (government governance) because the central government has transferred almost a third of financial resources and two-thirds of the resources the apparatus to the local government (Maher and Bedawy, 2014). Regional development planning currently only concentrates on financial resources and has not made human resources a strategic pillar to achieve its vision and mission. In fact, to produce quality and effective development planning, the local government not only requires human resources who are able to work hard, but also who can work intelligently, reliably, and professionally so that they can produce mature and systematic planning and can have an optimal welfare impact and sustainable.

Innovation has not been entrenched in local government, where employee performance is only measured by productivity and efficiency, there has been no effort to develop all of its potential so that it can contribute to a very comprehensive governance performance. Alberti and Bertucci (2006) argues that innovations carried out by the government will be able to provide positive results for public services, including maximizing the use of resources, helping the government to gain the trust and legitimacy

of the community, providing opportunities to produce sustainable innovation, increasing self-confidence in serving community, and can encourage the establishment of institutional relations among government institutions.

Optimizing the utilization of human resources and various other resources in governance, which is manifested in the form of the budget, it should be measurable impact on the welfare of the community. Therefore, the purpose of this study is to investigate the effect of high performance working system on government performance which is mediated by government innovation capability.

LITERATURE REVIEW

GOVERNMENT PERFORMANCE

Organizational performance is defined as the effectiveness of the organization as a whole to meet the needs of each group defined through systematic efforts and enhance the organization's capability continuously to achieve its needs effectively. Organizational performance is a complicated activity, as stated by Ben Zaied *et al.* (2015) performance measurement is a complex work and uses the concept of progress and multi-dimensionality.

Organizational Performance Measurement can be done using financial or non-financial dimensions or approaches. Kaplan & Norton (1996) stated that a company to achieve its strategic objectives so as not only depends on the financial aspects, but must pay attention to non-financial aspects. Kaplan & Norton (1996) introduced the Balanced Scorecard (BSC), which divides performance into two dimensions, namely the financial and non-financial dimensions. The non-financial dimension consists of three perspectives, namely; customer perspective, internal procedure perspective, and learning and growth perspective. These dimensions are known as the 4 Performance Measurement perspectives using BSC.

BSC is the most popular and practical concept that can be used to measure innovation performance and overall organizational performance. The BSC concept aims to transform the vision and strategy of the company or organization into a set of comprehensive performance indicators that provide a framework to oversee the implementation of the strategy and their management system (Zizlavsky, 2014).

Organizational performance measurement can also use other tools, namely; Baldrige Criteria for Performance Excellence. According to Soemohadiwidjojo (2015), the Baldrige Criteria for Performance Excellence consists of seven criteria, namely: (1) Leadership, (2) Strategic Planning, (3) Customer Focus, (4) Measurement, Analysis and Knowledge Management, (5) Workforce Focus, (6) Operations Focus, and (7) Results.

The performance measurement system is a system used to measure, assess and systematically and continuously compare the performance of regional governance. Performance measurement and assessment itself is carried out using Key Performance Indicators (IKK), namely: key performance indicators that reflect the successful implementation of a government affair.

HIGH PERFORMANCE WORK SYSTEM

The High Performance Work System (HPWS) has become a topic of great interest in the management of organizations, both private and public, because its contribution is considerable in maximizing organizational performance (Garg and Punia, 2017). HPWS is considered to be able to contribute positively to improve organizational performance through improving employee performance which can be done in 3 ways, namely; increase employee capacity, increase employee motivation, and provide opportunities to increase employee potential (Boxall and Purcell, 2003; Garg and Punia, 2017).

The application of HPWS in an organization is believed to provide benefits to both employees and organizations. Benefits for the organization, including; high productivity, high quality, high flexibility, and can provide satisfaction to customers (Cook, 2008). Implementation HPWS in a modern organization are very important today because the system can improve the level of trust in the workplace, increase employee motivation in working, and improve the relationship between superiors and subordinates so that it will contribute to improving organizational commitment, as Appelbaum *et al.* (2000) that HPWS is very important and contributes and benefits greatly to both the organization and its employees (Ozceliket *al.*, 2016).

The government as a large organization can implement HPWS in achieving High Government Performance. A research conducted by Yadav and Sagar (2013) found that companies in India have been expanding to implement HPWS as a tool to optimize both quantitative and qualitative performance. Furthermore, it is said that currently HPWS is considered as a revolutionary paradigm of performance excellence (Garg and Punia, 2017).

Researchers suspect that the High Performance Work System (HPWS) will positively contribute to High Workforce Performance (HWP), which will then positively impact the achievement of High Government Performance (HGP). And the High Performance Work System (HPWS) contributes both incrementally and radically, and the capability to innovate from an organization. (Wang and Chen; 2013).

H₁: High Performance Work Systems Affect Government Performance

H₂: High Performance Work System Affects Innovation Capability

INNOVATION CAPABILITY

Wu and Sivalogathan (2013) state that Innovation capability is as the ability to create new and useful knowledge based on previous knowledge. Furthermore, it is also said that "The innovation capability is a comprehensive set of characteristics of an organization that facilitates and supports innovation strategies.

The use of the word capability to demonstrate the ability to manage various key organizational capabilities and resources that can stimulate the success of innovation activities. Damanpour (1991) in Ipek Kocoglu, *et al.* (2011) defines Innovation as adoption of internally generated or purchased devices, systems, polior services, programs, processes,

products, or services that are not necessarily new to the world but specifically for adopting organizations".

Meanwhile, Kalkan (2014) said that It is widely accepted that an organization's capability to innovate is closely tied to its intellectual capital, or its ability to utilize its knowledge resources.

However, learning from experience innovations of Gorontalo Province Local Government, Jembrana and Sragen, the government bureaucracy in Indonesia basically has the potential to perform a wide range of innovations in governance and development. The first thing they should know is the innovation capability of government bureaucracy, including: Vision and strategy, Gluing basic competence, Strengthening information and intelligence organizations, Market and customer orientation, Management ideas and creativity, Systems and organizational structure and management of technology

H₃: Influential Innovation Capability to Government Performance

H₄: High Performance Work System Affects Government Performance Through Innovation Capability

PROPOSED CONCEPTUAL FRAMEWORK

To achieve the objectives of this research, then we built a framework with High Performance Working System variables as exogenous variables that will affect the Government Innovation Capability and Performance Government. The Government Innovation Capability variable in this model also acts as a mediation variable. Each of the variables used in this study has a dimension that will explain each variable.

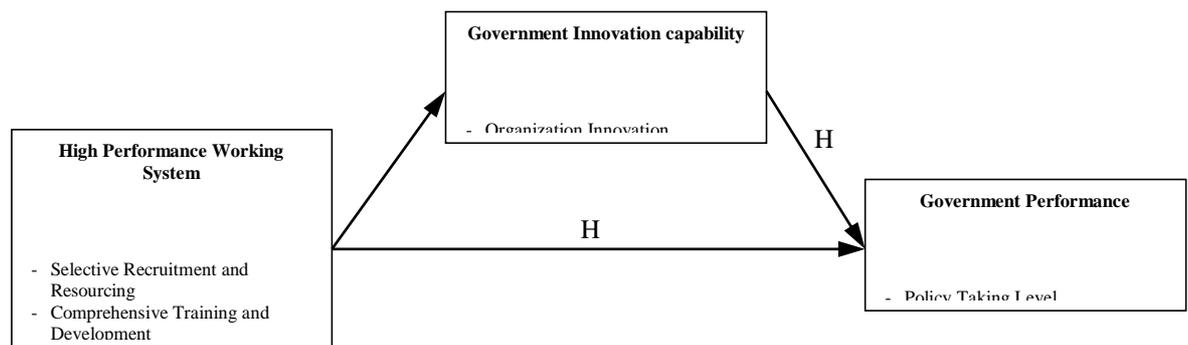


FIGURE 1. Conceptual Model

METHOD

The research was conducted at the level of Local Government, namely; Provincial Government and District/City. The location of this research is the province of Aceh, which include; Aceh government based in Banda Aceh and the government's 23 districts/cities that are domiciled in the respective districts/cities in Aceh. The unit of analysis in this study is

the Unit of Work Aceh (SKPA) in the Government of Aceh and Work Unit District/City (SKPK) in the Government of Regency/City. Meanwhile, the observation unit in this study was a structural official with the Aceh Equipment Working Unit (SKPA) and the District/City Equipment Unit (SKPK) as the executor of the development program. The sample area was determined by purposive sampling method using regional zoning, while the selection of respondents was done by probability sampling approach, especially with the Stratified Random Sampling technique to obtain a sample of 120 civil servants. This study uses interval scale measurement with Likert Scale technique which is stated in 5 (five) scale points. In this study the data obtained were analyzed using quantitative methods. The design of the verification analysis in this study uses analytical techniques with Structural Equation Model (SEM) with the AMOS 22 program.

RESULT

Table 1. shows the demographic of respondent, including gender, rank/class, education and echelon position. Based on data obtained from the respondents, 65% were male and 35% were female. Then, for the most rank/class is III/b (31.7%). Furthermore, the most recent education is bachelor (51.7%). And the last, the most echelon position is echelon IV (66.7%).

TABLE 1. The Demographic of Respondent

Description	Numbers	Percentage
Gender		
Male	78	65%
Female	42	35%
Rank/Class		
III/a	10	8.3%
III/b	38	31.7%
III/c	27	22.5 %
III/d	21	17.5%
IV/a	12	10%
IV/b	7	5.8%
IV/c	3	2.5%
IV/d	2	1.7%
Education		
Bachelor	62	51.7%

Master	47	39.1%
PhD	9	7.5%
Prof.	2	1.7%
Echelon Position		
Echelon I	2	1.7%
Echelon II	6	5%
Echelon III	32	26.6%
Echelon IV	80	66.7%
Total	120	100%

DATA ANALYSIS

In this study, the data that has been collected will first be analyzed using the CFA method to see the value of loading factors generated by each indicator and dimensions. For indicators, based on the results of the first order in measurement model, the value of the loading factor generated by each indicator has fulfilled the requirement that is greater than 0.60. Furthermore, based on the results of the second order at measurement model, the value of loading factors for each dimension has also met the specified criteria. Therefore, based on these results each indicator and dimension can be used later to build a structural model. The value of Goodness of measurement model is $\chi^2 = 235,134$ DF = 126, $p = 0.002$, CMIN/DF = 1.866, RMSEA = 0.048, GFI = 0.913, AGFI = 0.898, NFI = 0.936, CFI = 0.977, TLI = 0.961, PNFI = 0.890 dan PGFI = 0.851.

Before building structural models, we have also searched for SEM assumption values for each variable that will be used. First, the outlier assumption using the mahalanobis method, the cut of value value of mahalanobis is obtained from the number of indicators used, the number of indicators in this study is 59 so that the mahalanobis cut of value is 87.166 (significant at = 0.01). After outlier testing, out of 120 data samples, 118 data samples were left to be analyzed. Second, the assumption of normality with the value of skewness and kurtosis, after testing normality, the results obtained show that the overall values are at -1.96 and +1.96 (significant at = 0.05) so that the overall data is considered normal. Third, the assumption of multicollinearity, based on the previous CFA analysis, the resulting determinant of covariance matrix value is 1,021, and this value can be accepted because it is far from zero.

Furthermore, for more convincing results, we tested the validity with Average Variance Extracted (AVE) and Reliability with Cronbach Alpha (α) and Composite Reliability (CR). The results show that the value has met the requirements specified for each value, for AVE values ≥ 0.5 , Cronbach Alpha values (α) ≥ 0.6 and Composite Reliability ≥ 0.7 , for the overall results can be seen in Table 2.

TABLE 2. Normality, Validity and Reliability

Dimension	Skewness		Kurtosis		AVE	α	CR
	Value	c.r	Value	c.r			
High Performance Working System (HPWS)							
SRR	-0.224	-1.390	-0.457	-1.418	0.579	0.782	0.888
CTD	0.249	1.545	-0.390	-1.210	0.512	0.802	0.891
IDM	-0.301	-1.867	-0.441	-1.368	0.601	0.753	0.862
PMR	-0.092	-0.571	0.156	-0.484	0.552	0.744	0.842
Government Innovation Capability (GIC)							
OI	-0.271	-1.681	0.083	0.257	0.531	0.810	0.833
PI	0.290	1.799	-0.087	-0.269	0.623	0.921	0.901
PSI	-0.177	-1.098	-0.215	-0.667	0.574	0.811	0.812
Government Performance (GP)							
PTL	0.163	1.011	0.421	1.306	0.562	0.791	0.876
PIL	-0.230	-1.427	-0.510	-1.582	0.502	0.820	0.832
FRL	-0.051	-0.316	-0.096	-0.298	0.522	0.750	0.881

After fulfilling the loading factor and multidimensionality test on each variable and dimension by using Confirmatory Factor Analysis (CFA), and next we will build the structural model. After constructing the structural model, the model has been considered as the final model for testing the hypothesis. The value of Goodness of measurement model is $\chi^2 = 246,277$ DF = 128, $p = 0.000$, CMIN/DF = 1.924, RMSEA = 0.049, GFI = 0.902, AGFI = 0.890, NFI = 0.911, CFI = 0.969, TLI = 0.972, PNFI = 0.881 dan PGFI = 0.844.

TABLE 3. The Results of Structural Model

	Total Effect	Direct Effect	S.E	C.R	Indirect Effect	Sobel Test	S.E (Ind)	P
GP ← HPWS	0.504	0.261	0.101	2,684				0.001
GIC ← HPWS		0.528	0.134	3,991				0.000
GP ← GIC		0.460	0.123	3.839				0.000
GP ← GIC ← HPWS					0.243	2.668	0.091	0.007

The results of hypothesis testing show that all variable were significant with t_{value} greater than $t_{\text{table}} = 1,980$ ($n=120$). First, the direct effect of High Performance Working System toward Government Performance ($\beta = 0.261$; $t_{\text{value}} = 2.684$) is significant, with this result then hypothesis H_1 in this study is accepted. Second, the direct effect of High Performance Working System toward Government Innovation Capability ($\beta = 0.528$; $t_{\text{value}} = 3.991$) is significant, with this result then hypothesis H_2 in this study is accepted. Third, the direct effect of Government Innovation Capability toward Government Performance ($\beta = 0.460$; $t_{\text{value}} = 3.839$) is significant, with this result then hypothesis H_3 in this study is accepted. Finally, for indirect effects, the role of Government Innovation Capability in mediating the effect of High Performance Working System on Government Performance is significant with total effect 0.504 ($\beta = 0.243$, $sobel = 2.668$) and mediated partially. With this result then hypothesis H_4 in this study is accepted.

DISCUSSION AND CONCLUSION

After testing the research hypothesis, it can be concluded that each variable has a positive and significant influence. This is consistent with the results of previous studies which stated that a high-performance work system influences government performance in a positive and significant manner. Na Fu, et al. (2015: 2) stated that previous research found that HPWS had an effective impact on organizational financial outcomes, retention, productivity, efficiency and flexibility, as well as employee commitment. The government as a large organization can implement HPWS in achieving high performance (High Government Performance). The High Performance Work System (HPWS) will positively contribute to High Workforce Performance (HWP), which will then have a positive impact on achieving High Government Performance (HGP). The application of HPWS in an organization is believed to provide benefits to both employees and organizations. Benefits to employees include; more involved in the organization, experiencing growth and satisfaction, and having more value as contributors in the organization. Meanwhile, benefits for the organization, including; high productivity, high quality, high flexibility, and can provide satisfaction to customers (Charli Cook, 2010).

As well as the High Performance Work System (HPWS) contribute both incrementally and radically, and the capability to innovate from an organization. (Wang and Chen; 2013). The empirical study conducted by Wu and Sivalogathan (2013) found that Intellectual Capital components have a positive and significant relationship to Innovation Capability and Organizational Performance. This is in line with the results of research that has been tested that there is a positive and significant influence between the variables of capability innovation on government performance. Wu and Sivalangostan (2013) found in their research that "Intellectual capital positively affects innovation capability, and thus, leads to higher performance, which is in line with other researchers, organizations that need to develop their innovation capabilities beyond technical innovation" .

Overall, the high work performance system variable influences government performance, mediated by the capability of innovation. The results show that the success of the creation of HPWS is very dependent on the role of leadership, starting from the top level of an organization. The High Performance Work System (HPWS) will positively

contribute to High Workforce Performance (HWP), which will then have a positive impact on achieving High Government Performance (HGP). Achieving government performance requires the innovation Capability of its leaders when running an organization.

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APPENDIX 1: Structural Equation Model

