

The Role of Organizational Investment in Social Capital, Information Technology and Service Commitment on Employee Performance With Good Governance Principles as Intervening Variables

Direza Mustafa¹, Sulaiman², Ridwan Nurdin³

¹Magister Manajemen Program Pascasarjana University of Syiah Kuala Banda Aceh

^{2,3}Faculty of Economics and Business University of Syiah Kuala

{mirezamustafa@gmail.com}

Abstract. This study aims to determine the effect of the organizational investment in social capital, information technology and service commitment on the employee performance with the implementation of good governance as an intervening variable. This study was conducted in the education agency of Aceh province, Indonesia, with a sample of 189 civil servants. The data were collected using a questionnaire and analyzed by statistical means of structural equation model (SEM). It was found that organizational investment in social capital, information technology, and services commitment have a positive and significant effect on the implementation of good governance and employee performance. Furthermore, the implementation of good governance mediates the effect of organizational investment in social capital, information technology and services commitment on employee performance. Nevertheless, the mediation role of the variable is partial mediation.

Keywords: *Employee's performance, Implementation of good governance, organizational investment in social capital, information technology, and service commitment*

1 Introduction

The Aceh Education Agency is a public institution that is expected to be able to support the Aceh government program relating to the activities of the education sector, especially primary and secondary education. The existence of these services has a very important role in providing public services in education. To serve its role and carry out its operational activities, the Aceh Education Agency currently employs 404 personnel.

To date, the government of Aceh has been trying to improve the service performance of the entire Aceh Government Work Unit (Satuan Kerja Pemerintah Aceh/ SKPA) in providing public services including the Aceh Education Agency. The application of good governance principles in the service is characterized by the transparency of service activities, responsive services and oriented to the interests of the community, fairness in service, efficiency and effectiveness of services, service accountability, and the willingness of the agency to accept criticism and suggestions from the public regarding services provided. All of these elements are crucial in

ensuring that efforts to improve service delivery also involve the active participation of the community in providing advice and input for the advancement of Aceh's education in the future.

The results of the initial survey that were found by the authors indicate that not all employees at the Aceh Education Agency have a good perception of the successful implementation of the principles of good governance. There are still some employees who have the view that the implementation of the good governance principles in these institutions has not succeeded at all. Lack of transparency and accountability in budget management, for example, is one indication that there are still some principles of good governance that are neglected. In this study, the measurement of good governance refers to 9 principles of good governance which consist of participation, a fair legal framework, transparency, responsiveness to stakeholders, orientation towards the interests of society, equality, efficiency and effectiveness, accountability and strategic vision.

Regarding employee performance, organizational investment in social capital, application of information technology and commitment to service, the results of the initial survey also showed that employees of these agencies had a different performance from each other. Indications of differences in employee performance can be seen from the differences in attitudes and behaviors in the workplace. Some employees actually appear to have low work motivation, lack enthusiasm in carrying out work hence at certain times they are not able to complete work in a timely manner. This phenomenon is not uncommon to occur among employees of the Aceh Education Agency.

Employee's evaluation of organizational investment in social capital is also relatively different. Organizational investment in social capital seen from the employee's assessment among others consist of perceptions about the frequency of top management in encouraging employees to work better, perceptions of leadership figures, consistency of communication direction between leaders and employees, organizational or management appreciation for employees and the willingness of top management to spend time off with employees.

In connection with service commitments, initial information obtained indicated that the commitment of employees to support efforts to improve public services at the Aceh Education Agency is relatively varying among the employees. On the one hand there are employees with relatively high service commitments and on the other hand, there are also employees with relatively low service commitments.

The results of the initial survey relating to employee appraisal of information technology also indicate differences in perceptions among employees. The conception of information technology in this study is based on a number of indicators including the adequacy of information technology hardware such as Assistant (PDA), Laptop, Server, and Mainframe and so on, the adequacy of software, data management, and storage, internet network availability and so on. Some employees are of the opinion that information technology which is an important infrastructure in supporting the operational activities of the Aceh Education Office is relatively good and supports the smooth running of the tasks they carry out. Those who belong to this group are generally employees who have relatively higher positions with better work facilities that are viewed from their accessibility to the use of information technology owned by the agency. On the other hand, there are also a number of employees who have the opposite perception.

Research on the relationship between good governance and employee performance has been carried out extensively by many previous researchers. Nevertheless, the variables they use to predict good governance and employee performance are relatively different from each other. For example, research conducted by Trakulmututa & Chaijareonwattana [1] in Thailand concluded that the success of implementing good governance is influenced by employee

performance. Furthermore, the results of the study of Mazidi, Reza, Amini, & Latifi [2] and Imran[3] who used information technology as a predictor of variables for employee performance found that employee performance is influenced by information technology. Other studies that also examined employee performance were carried out by Ellinger et al [4] which examined the effect of organizational investment in social capital on service commitment and employee performance. They concluded that investment in social capital has an effect on employee performance.

Despite the contributions of the abovementioned prior studies, a number of research gaps can be identified. First, they examine the relationships between variables separately. This means that studies of good governance and employee performance using a number of predictor variables such as information technology and investment in social capital, for example, are carried out separately and do not include all of these variables at once. Second, some of the research was conducted on private companies as in the study of Mazidi et al [2] about the relationship between information technology and employee performance which was carried out on a number of employees in the manufacturing company.

In contrast to the previous research, this study analyzes the linkages between employee performance, the application of the principles of good governance, investment in social capital, information technology, and service commitments simultaneously with the analysis unit are government agencies namely the Aceh Education Agency. In this study, good governance is also placed as an intervening variable or intermediate variable between investment in social capital, information technology and service commitment with employee performance. Therefore the findings derived from this study are not only expected to strengthen the findings of previous research but also be able to express the role of employee performance in mediating the influence of the three exogenous variables on the application of the principles of good governance in government agencies.

2 Literature Review

2.1 The Influence of Investment in Social Capital on Employee Performance

Employee performance is very important in pushing the achievement of organizational goals [5]. Therefore every organization leader needs to make efforts to improve the performance of its employees [6], [7]. Organizational investment in social capital is subsequently vital in developing a sense of togetherness among employees. Organizational investment in social capital can be interpreted as a policy intervention by leaders and top management with the objective of increasing the sense of togetherness among fellow employees so that good cooperation is established [8]. Cohen & Prusak[9] stated that every leader's actions and decisions could represent the embodiment of investment in social capital. Investments in the social capital of organizational members are identical to developing strategic resources so that organizations can achieve their intended goals [10]. Organizational investment in social capital reflects management behavior that seeks to improve employee performance [11].

2.2 The Influence of Information Technology on Employee Performance

Many previous researchers have empirically proved the influence of information technology on employee performance. Vozikis, Ypofanti, & Papadopoulos [12] in his research conducted in Greece found that the use of information technology can improve employee performance.

Similar results were also found in the study of Imran[3] who also concluded that information technology has a positive and significant effect on employee performance.

2.3 The Influence of Service Commitment on Employee Performance

Employee commitments or employees' attachment to the organization they work for can have an impact on their performance. For government agencies that provide public services, for example, there is a need for employee commitment to support all services provided. Service commitment determines the sincerity of employees in carrying out the tasks assigned to them. When employees have a relatively good service commitment, they will be motivated to carry out their duties at their best. Thus there is a unidirectional relationship between service commitment and employee performance. Service commitment has a positive and significant effect on employee performance [13]. Employees who have a strong commitment will tend to work seriously and earnestly in completing the work that is assigned to them so that their performance increases [14].

2.4 Investment in Social Capital and the Implementation of Good Government Governance

Organizational investment in social capital can be interpreted as an organization's effort to build up a sense of togetherness among fellow employees hence good cooperation can be established in work [8]. Leaders and management have a decisive role in organizational investment in social capital. Each leader's actions and decisions can represent the embodiment of investment in social capital[9]. Whereas Hitt & Ireland [10] state that investments in the social capital of organizational members are identical to developing strategic resources so that the organization can achieve its intended goals.

Based on the above discussion, it is clear that organizational investment in social capital is related to the efforts made by leaders and managers in an organization to improve good cooperation among fellow members of the organization. The intended cooperation is to support the operational activities of the agency in accordance with the stipulated procedures. The success of the implementation of good governance principles in government agencies is certainly inseparable from the support of all employees as a result of the investment in social capital. Organizational investment in social capital represents a development strategy that is useful for improving the work environment by encouraging an internal culture that can increase employees' commitment to improving service quality. Ellinger et al [4] concluded that organizational investment in social capital has an effect on service commitment as an important indicator of the implementation of good governance principles.

2.5 The Influence of Information Technology on the Implementation of Good Government Governance

The existence of information technology can also influence the implementation of good government governance (GGG). This is due to the efforts in using information technology in work that can support transparency, accuracy, and effectiveness of work. Consequently, these three things are the most important part of GGG implementation in government agencies. The influence of information technology on the implementation of GGG has been proven by Trakulmututa & Chaijareonwattana [1] in their research in Thailand which concluded that the attainment of good governance in government agencies was influenced by several factors including information technology.

2.6 The Influence of Service Commitments on the Implementation of Good Government Governance

Implementation of GGG in government agencies requires employee commitment. This is because employees are the main resources of agencies that play a role in running all activities in the agency. The implementation of GGG is basically expected to be able to improve the quality of public services to meet the needs of the community. Hence the commitment of employees to support institutional activities, especially related to service, is important in the implementation of the GGG itself. The findings of empirical research conducted by Trakulmututa & Chaijareonwattana [1] in Thailand prove that one of the factors that determine the success of GGG implementation is HR management and employee commitment in carrying out their duties.

2.7 The Influence of the Application of Good Governance Principles on Employee Performance

The application of good governance principles in government agencies is not only expected to be able to provide benefits to the community as users of public services but also encourage employees to work better. As explained earlier, the implementation of good governance has several basic principles that must be met including responsiveness, consensus orientation, efficiency and effectiveness, accountability and strategic vision.

The responsiveness principle implies that government institutions must be quick and responsive in serving their stakeholders, especially the community. Furthermore, the consensus orientation principle requires that the activities carried out must be directed towards the interests of the wider community. The principle of efficiency and effectiveness means that the management of public resources is carried out efficiently and effectively. Meanwhile, the accountability principle is related to the existence of public accountability for the activities carried out. Finally, the strategic vision principle implies that every government organizer and society must have a far-reaching vision. Implementation of the principles of good governance in government agencies requires that every employee work better. They must be able to work effectively and efficiently, improve the quality of services provided, and be able to ensure the realization of performance accountability related to all the activities they undertake.

Empirically there is a correlation between the application of the principles of good governance and employee performance as evidenced by Trakulmututa & Chaijareonwattana [1] in their research on achieving good governance in Thailand. They concluded that there was a very close relationship between the application of good governance principles and employee performance.

3 Research Method

This research was conducted at the Aceh Education Agency. Research object relates to the relationship between the application of the good governance principles and the performance of employees with investments in social capital, information technology, and service commitments. In this case, the application of the principles of good governance is also used as an intervening variable in testing the relationship between employee performance and investment in social capital, information technology, and service commitment.

Sample of this study consist of 189 civil servants who work for the public agency. Data was collected through questionnaires containing closed-ended questions. Data were analyzed using Amos 21 statistical structural equation model (SEM) equipment.

4 Results And Discussion

Investment in social capital, information technology infrastructure, and service commitment influences the implementation of good governance principles and employee performance. In addition, the implementation of the principles of good governance also directly affects the performance of employees. Therefore the existence of the implementation of the principles of good governance can be interpreted as an intervening variable in the relationship between investment in social capital, information technology infrastructure and service commitment and the performance of employees. In other words, the three exogenous variables not only directly influence employee performance, but also can be through the implementation of the principles of good governance as an intervening variable (intermediary).

Table 1. Path coefficient values for research variables

			Estimate	C.R.	P
GG Principles	<---	Services Commitment	.305	3.982	***
GG Principles	<---	Information Technology	.227	4.098	***
GG Principles	<---	Investment in Social Capital	.240	3.046	.002
Employee Performance	<---	Services Commitment	.184	4.201	***
Employee Performance	<---	Information Technology	.213	4.795	***
Employee Performance	<---	Investasi_Modal_Sosial	.211	4.638	***
Employee Performance	<---	GG Principles	.461	6.733	***

*** = 0,001

The path coefficient value of each exogenous construct towards the implementation of good governance principles is 0.240 for investment in social capital, 0.227 for information technology infrastructure and 0.305 for a service commitment. These coefficient values can be interpreted that the direct effect of investment in social capital on the implementation of the principles of good governance is 5.760 percent, the direct influence of information technology infrastructure on the implementation of good governance principles is 5.153 percent and the direct effect of service commitment on the implementation of good governance principles is 9.303 percent. Furthermore, the third path coefficient value of exogenous construct on employee performance is 0.211 for investment in social capital, 0.213 for information technology infrastructure and 0.184 for a service commitment. Referring to the coefficient value of each variable can be interpreted that the direct effect of investment in social capital on employee performance is 4.452 percent, the direct influence of information technology infrastructure on employee performance is 4.537 percent and the direct effect of service commitment on employee performance is 3.386 percent.

Based on the table above, it can also be seen that the path coefficient value of the implementation of the principles of good governance on employee performance is 0.461. This figure can be interpreted that the direct effect of the implementation of the principles of good governance on employee performance is 21.252 percent.

The path coefficient of the investment in social capital towards the implementation of the principles of good governance is 0.240 and the path coefficient for the implementation of the principles of good governance on employee performance is 0.461. Thus the indirect effect of investment in social capital on employee performance through the implementation of the principles of good governance is 11.064 percent, greater than the direct effect of investment in social capital on employee performance by 4.452 percent. Therefore it can be interpreted that the existence of the implementation of the principles of good governance can strengthen the influence of investment in social capital on the performance of employees of Aceh Education Agency.

The path coefficient value of information technology infrastructure on the implementation of good governance principles is 0.227 and the path coefficient value of the implementation of the principles of good governance on employee performance is 0.461 hence the indirect influence of information technology infrastructure on employee performance through the implementation of good governance principles is 10.465 percent. This figure is also greater when compared to the direct influence of information technology infrastructure on employee performance by 4.537 percent. Thus it can be interpreted that the implementation of the principles of good governance can also strengthen the influence of information technology infrastructure on employee performance.

5 Research Implication

The findings of this study reveal that the influence of organizational investment in social capital on employee performance is in accordance with the opinion of Shub & Stonebraker [11] which states that organizational investment in social capital reflects management behavior that seeks to improve employee performance. This finding supports the results of research by Cohen & Prusak [9] who also found that investment in social capital has a positive and significant effect on employee performance.

Furthermore, the findings of this study that indicate the influence of information technology infrastructure on the implementation of the principles of good governance and employee performance at the Aceh Education Agency are consistent with the results of the Trakulmututa & Chaijareonwattana [1] study in Thailand which concluded that several factors influenced the achievement of good governance in government including information technology. In addition, this study is also in accordance with the results of the study of Vozikis et al.[12] and Imran[3] found that the use of information technology can improve employee performance.

As previously discussed, this study found that service commitment influences the implementation of good governance principles and employee performance. This finding is consistent with the research findings of Trakulmututa & Chaijareonwattana [1] which concluded that one of the factors that determine the success of GGG implementation is HR management and employee commitment in carrying out their duties. Employees who have a strong commitment will tend to work seriously and earnestly in completing the work assigned to them so that their performance increases [14].

The managerial implications of this study are concerned with relevant parties especially for the head of the Aceh Education Office. The findings of this study that indicate a positive and significant influence of investment in social capital, information technology infrastructure and service commitment to the implementation of the principles of good governance in these agencies have implications that efforts to increase the intensity of the application of good governance principles to these institutions can be done through intervention policies in the form of increasing organizational investment in social capital, improving the quality of information

technology infrastructure and increasing employee commitment in providing public services to meet the interests of the community.

Additionally, the existence of the implementation of the principles of good governance is proven to mediate the effect of investment on social capital, information technology infrastructure and service commitment on employee performance. This implies that consistency in the application of the principles of good governance is an important requirement for improving the performance of staff at Aceh Education Agency. Hence it can be concluded that these variables can strengthen the investment effect on social capital, information technology infrastructure and service commitment to the performance of the agency's employees.

6 Conclusion and Recommendation

This study has provided evidence that organizational investment in social capital, information technology, and service commitment has a positive and significant effect on the implementation of the principles of good governance at the Aceh Education Agency. The better organizational investment in social capital, the better the availability of information technology and the better the employee commitment of service, consequently the better the principles of good governance in the agency. Conversely, the decline in organizational investment in social capital has an impact on the quality of good governance principles.

Apart from that, investment in social capital, information technology, and service commitment has a positive and significant effect on the performance of employees at the Aceh Education Agency. The better organizational investment in social capital, information technology, and service commitment, hence the better the performance of employees. In contrast, the decline in the quality of organizational investment in social capital, information technology and service commitment can have an impact on reducing employee performance.

Interestingly this study has also found that implementation of the principles of good governance can mediate the influence of investment in social capital, information technology and service commitment to the performance of employees at Aceh Education Agency. The mediating effect raised by the variable is however partial mediation.

Referring to the conclusion above, the Head of the Aceh Education Agency must be able to improve the performance of its employees. Efforts to improve employee performance must be oriented towards improving the skills and work skills of employees in accordance with the field of work assigned to them. In addition, the emphasis on the importance of thoroughness and precision must be done by building their awareness of the need for quality work results from every work performed.

REFERENCES

- [1] J. Trakulmututa and B. Chaijareonwattana, "Factors affecting the achievement of good governance in HRM: The empirical study of local governments in southern part of Thailand," *Int. J. Bus. Soc. Sci.*, vol. 4, no. 7, pp. 34–39, 2013.
- [2] R. A. K. Mazidi, A. Amini, and M. Latifi, "The impact of information technology capability on firm performance; a focus on employee-customer profit chain," *Iran. J. Manag. Stud.*, vol. 7, no. 1, pp. 95–120, 2014.
- [3] M. Imran, "Impact of technological advancement on employee performance in banking sector," *Int. J. Hum. Resour. Stud.*, vol. 4, no. 1, p. 57, 2014.
- [4] A. E. Ellinger, C. (Casey) F. Musgrove, A. D. Ellinger, D. G. Bachrach, A. B. E. Baş, and Y.-L. Wang, "Influences of organizational investments in social capital on service

- employee commitment and performance,” *J. Bus. Res.*, vol. 66, no. 8, pp. 1124–1133, 2012.
- [5] D. Kurniawan, A. R. Lubis, and M. Adam, “Pengaruh budaya kerja dan motivasi kerja terhadap kinerja karyawan international federation red Ccross (IFRC) Banda Aceh,” *J. Ilmu Manaj.*, vol. 1, no. 1, pp. 132–146, 2012.
- [6] Z. Akmal, A. R. Lubis., and M. Yunus, “Pengaruh kompensasi terhadap motivasi dan disiplin serta dampaknya kepada kinerja pegawai sekretariat daerah Aceh Unsyiah,” *J. Manaj.*, vol. 2, no. 1, pp. 116–131, 2012.
- [7] M. Yazid, S. Musnadi, and S. Chan, “Pengaruh gaya kepemimpinan, budaya organisasi dan motivasi kerja terhadap prestasi pegawai administrasi serta dampaknya pada kinerja politeknik negeri lhokseumawe Aceh,” *J. Ilmu Manaj.*, vol. 2, no. 1, pp. 78–87, 2013.
- [8] C. Hui, C., Lee and D. M. Rousseau, “Psychological contract and organizational citizenship behavior in China: Investigating generalizability and instrumentality,” *J. Appl. Psychol.*, vol. 89, no. 2, pp. 311–321, 2004.
- [9] D. Cohen and L. Prusak, *In good company: How social capital makes organizations work*. Boston: Harvard Business School Press, 2001.
- [10] M. A. Hitt and D. R. Ireland, “The essence of strategic leadership: Managing human and social capital,” *J. Leadersh. Organ. Stud.*, vol. 9, no. 1, pp. 3–14, 2007.
- [11] A. N. Shub and P. W. Stonebraker, “The human impact on supply chains: evaluating the importance of ‘soft’ areas on integration and performance,” *Supply Chain Manag. An Int. J.*, vol. 14, no. 1, pp. 31–40, 2009.
- [12] A. Vozikis, M. Ypofanti, and I. Papadopoulos, “Attitudes towards the use of information and communication technologies (ICT) at work: Findings from the health care sector in Greece,” *Spoud. - J. Econ. Bus.*, vol. 60, no. 1, pp. 82–96, 2010.
- [13] T. A. Wright and D. G. Bonett, “The moderating effects of employee tenure on the relation between organizational commitment and job performance: A meta-analysis,” *J. Appl. Psychol.*, vol. 87, no. 6, pp. 1183–1190, 2002.
- [14] A. B. Elmadağ, A. E. Ellinger, and G. R. Franke, “Antecedents and consequences of frontline service employee commitment to service quality,” *J. Mark. Theory Pract.*, vol. 16, no. 2, pp. 95–110, 2008.