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of Organizational Innovation

# **PROCEEDINGS OF 2015 ICOI THE INTERNATIONAL CONFERENCE ON ORGANIZATIONAL INNOVATION**

**Aug., 4 – 6, 2015**

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**IMPROVING LOCAL GOVERNMENT PERFORMANCE THROUGH  
E-GOVERNANCE WITH HUMAN RESOURCES BASE STRATEGIC  
(A CASE STUDY IN LOCAL GOVERNMENTS IN DEMAK PROVINCE,  
INDONESIA)**

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**Abstract**

This research tries to analyze the performance effectiveness and efficiency of Demak district government through the implementation of good governance with the support of information technology and human resource management strategic. The population of this research is the entire work unit region (SKPD) in Demak as many as 28 SKPDs with the unit of analysis of the head of SKPD as policy maker. The analysis is administered by using qualitative analysis and quantitative analysis. Based on the hypotheses test results, it is concluded that good governance, information technology and strategic human resource management positively influence the performance of local governments

**Keywords: Good Governance, information technology, human resource management strategic, Government Performance**

**Introduction**

The implementation of regional autonomy has been almost 1.5 decades since the legislation of regulation No. 22 of 1999 on regional autonomy. Then in 2004, it was revised by the regulation No. 32 of 2004 on Regional Government, as a result, it brings a lot of changes in local government in terms of both positive and negative. On the positive side, this law has changed the face of local government to be more independent, advanced and developed. However, on the negative side, corruption committed by the head area and the other areas is rising.

Although the negative impact always emerges, the running of regional autonomy cannot be said to fail. It precisely triggers local governments to always fix the

governance so that the goal of autonomy can be achieved to improve the welfare of the community. Therefore, it is important for local governments to constantly improve the system of governance to be better. Edy (2014) find that to improve the performance of local governments in Demak district, government should consider three factors: strategic human resource management, information technology, and good governance.

Demak district government currently has planned to use Information Technology to create good governance system or called by *E-Governance*. The concept of e-government is more emphasis on the application of IT in the four programs related to services and public participation; the management facilities and infrastructure; and regional economy, health and education improvement.

As already mentioned in the proposal of the second year, the problem that arises is, first, not optimal coordination and supervision of the implementation of IT in the context of local government organization in Demak; second, the existence of inadequate information technology infrastructure and the lack of user awareness; third, utilization is not optimal; fourth, human resource constraints in terms of quantity and quality, and fifth, there is no standard procedures and policies for the management of IT systems. For these reasons, the government of Demak district applies this system so that the four performances priority of Demak district government can be achieved.

Demak district government slowly but surely applies E-Governance for this system. This is evident from the increasing openness of information from the local government, public service and also a decrease in the number of public complaints about public services in the district of Demak. However, the implementation of E-governance has not had a significant impact for local government performance in Demak district. This study is a replication of two previous studies by Edy (2013) on the effect of good governance, information technology and strategic human resource management on the performance of local governments in Demak and Edy (2014) on the effects of commitment, executive capabilities, financial and legislative support for information technology capacity.

## **LITERATURE REVIEW**

### ***Good Governance***

The concept of governance according to Stoker (1998) refers to the style of government in which the boundary between the public and the private sector becomes blurred. This blurring is in line with the needs of modern countries for a greater involvement of political mechanisms and recognition on the importance of issues related to feelings and empathy from the public to get involved so as to provide an opportunity for the mobilization of both social and political. This makes participation through the development of networks between the government and the public becomes a very important aspect for the sustainability of a legitimate policy.

The concept of governance is then developed into good governance, as we know, in order to distinguish between the good and the bad. The concept of good governance has emerged some challenges such as:

- a. The government is expected to be proactive on the positive economic opportunities.
- b. Demographic changes in many countries have provided a considerable influence on the governance as well as public servant and employer.
- c. The public sector has to deal with a set of new expectations for the community in which the public is now more educated and up to date on information.
- d. Expectations of more optimistic employees
- e. The availability of modern information, technology and communication.

### **The Definition of Empowerment,**

According to Murno (2008) *Empowerment* is a construct that is used for the theoreticians on how to explain the effectiveness of an organization. These constructs are expanded on how organizational behavior develops issues for minorities such as women, blacks and the disabled (Conger, Kanungo, 1988). However, empowerment is generally defined as variety of interventions that can provide more autonomy and increase powers for the subs (Pearson, Catterjee, 1996). Jim Cummins (1994) gives the conception of *student empowered* as students who are developed his ability, maturity (*confidence*), as well as their motivation to succeed academically. Cummins

identifies a framework to promote empowerment among students of the dominant social group.

Kahn (1997) defines empowerment as an ongoing personal relationship to build trust between management and employees. Ford and Fottler (1995) state that empowerment will involve granting authority to make decisions and give the responsibility of managers to employees. There is an unwritten assumption that the empowerment of employees in general is an effective management strategy (Quinn & Spreitzer, 1997). The benefits obtained are to increase employees' loyalty, work satisfaction, performance and the belongingness of the business organization where they work (Bowen & Lawler, 1992).

Appelbaum and Honeggar (1998) describe the terminology of *empowerment* as a unity of vision as a substantial increase in the influence of low-level employees to understand and adopt the philosophy of empowerment. Empowerment is not a static activity but more than fluctuations of dynamic evolutionary process among managers, employees and all of the team involved (Pastor, 1996).

The conceptual and operational definition which has been the subject of analysis concern with the relational and motivational constructs (Rudolph & Peluchette, 1993). As a relational construct, empowerment deals with the relationship of power between the individual and the individual relative supervision whether as good as *sharing* and *transmittal* of power and control of the individual when on a low power level. As a motivational construct, empowerment is a cognitive behavior and perception that the basis of behavioral and psychological empowerment perceived are investments in their work (Conger & Kanungo, 1988; Spreitzer, 1995.1996; Zimmerman, 1990).

The aspects of personality and demographic characteristics greatly affect the feeling of being empowered to employees. These factors are: age, gender, ethnicity, self-concept, self-esteem, self-efficacy, motivational needs, profession, and cultural background (Eylon & Au, 1996; Spreitzer, 1995.1996). The research by Spreitzer (1995, 1996) builds a construct that the psychological empowerment will have dimensions of understanding (Meaning), Competence, Self-determination and influence (impact); antecedent form of Locus of Control, Self-esteem, Access to information, Reward; and outcomes in the form of managerial effectiveness and innovation.

Coursun and Enz (1999) develop a research of Spreitzer (1995) that empowerment will consist of internal *organizational relationships* built by the construct of *Peer Helping Behavior* and *Environment Organizational Support*. Moreover, empowerment is also determined by *employee customer relationship* built by the construct of *Supportive Customer* and *Employee-Customer Value Congruity*. By Koberg, et.al (1999), all of the above factors are studied by developing the complex dimensionality, in addition to having already demonstrated previously (Spreitzer, 1995). The Koberg's research is a continual research, so that, what are studied focus on *Locus of control, Tenure, Sex, Education* and *Ethnics*.

Education and organization pressure affect the perception of empowerment. The higher the level of education of a person, the type of career and professional orientation, is, the higher the mobility of his career would like to be to develop an identity and personality (Kram, 1983, p.608). In addition, the educated person will be happy to be empowered, he is capable (competent) and easier to understand and greatly influence his work (Cordery, Sevastos, Muller & Parker, 1993; Rudolph & Peluchette, 1993). While, the organizational pressures that can be adapted to the work situation, learnt from experience and efforts to survive in the leadership process are good experience to increase empowerment (Schneider, 1987). The context of higher education institutions is determined by the level of education of the lecturers, the higher the one's education is, the more supportive the empowerment will be, so that, the pressure of the company to increase the education level is reasonable for teachers as efforts to increase empowerment.

Denton and Kleiman (2001) examine the working pressure as a moderator linked with autonomy and job satisfaction. Autonomy is measured by the scale done by Breugh's (1985) and job satisfaction is through three scales of Job Descriptive Index by Smith, Kendall and Hulin (1969) in Marno (2008). Gender is supposed to influence the general empowerment of eastern nations; men are more empowered than women. High or low influence is determined by the characteristics of the industry. If the industry is in the form of hospital, many women are more empowered. Koberg study finds insignificant effect of this; it is because of the awareness of employee diversity paradigm. Modern organizations are no longer looking at that woman as a barrier so that the company's performance career both men and women are equal (Luthan, 1994). The



research conducted by the writer also negates the gender factor in decision-making of empowerment. *Locus of Control*, employees with an *internal locus of control* believe that they have control over their personal life experiences, chances, lucks, and others that determine their decisions and behavior to succeed and fail.

### **The correlation of Empowerment with Management Effectiveness and Innovation Technology**

Employees with internal and organizational factors that support empowerment (in perspective of Cognitive, Affective and conative) will give the results (outcomes) both for individuals and the organization as a whole. Perceptions of empowerment can enhance the value of work individually, increase job satisfaction and contribute to the productivity and success of the work. These results (Especially the Cognitive) have been shown by Eylon & AU, 1996; Fulford & Enz, 1995; Spreitzer, 1995). Unfortunately, Hayes (1994) fails to find a correlation of empowerment and intensity to resign from work.

Corsun and Enz (1999) and Spreitzer (1995) examine the influence of the support-based relationships to employee empowerment. The measures of performance as a result of the empowerment process will involve constructs of *Personal Influence*, *Self Efficacy* and *meaningfulness*. The qualified, advanced, and reliable human resources will be able to create innovations in terms of both product or policy and technology that can benefit the company's performance.

### **Capacity of Local Government Information Technology**

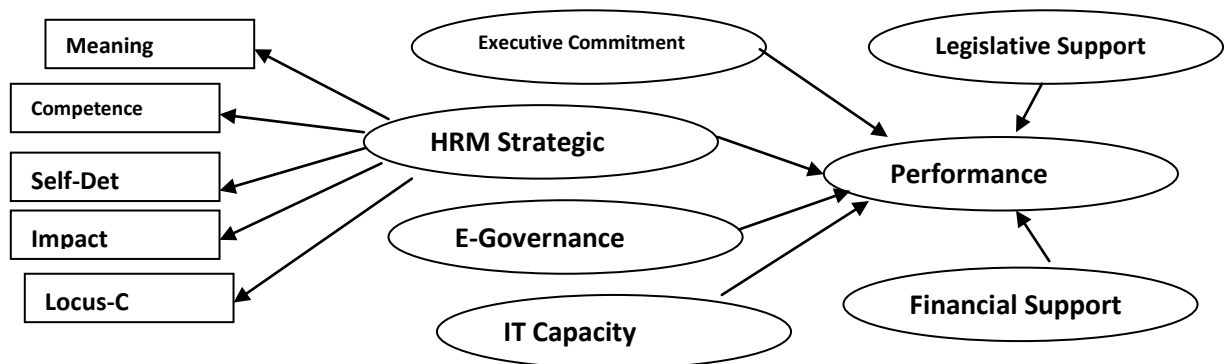
Several factors have been found and recorded in the literature and research results, perhaps, it gives contribution in the development of models that explain whether these factors in the organization becomes a critical point for the level of capacity of information technology (Kim & Stuart, 2004). Mohr (2004) explains that innovation is a function of motivation to create something that is affected by two things: the power constraints and the availability of resources to overcome the obstacles.

In local government, the obstacles encountered in information technology innovation emerge from the information system users, top management (executive) as a decision maker, an understanding of information technology innovation and regulatory support from the legislature. Those factors are obstacles that must be eliminated in order to create appropriate information technology and support local government performance

in providing services to the public for the better. The capacity of local government information technology is divided into two that is the human and non-human resources capacity. Both capacities are divided into three levels ranging from IT infrastructure, office automation and Integration. In detail, it is shown in Figure 1.

Information Technology capacity is influenced by several things. According to Kim and Stuart (2004), the capacity of Information Technology Capability is influenced by the Executive, Legislative and Financial Support. These three factors determine the success of information technology in support of local government performance. Osmad (2006) adds Organizational Commitment as the important factor too in addition to those three.

Figure 1.  
Theoretical Research Framework



## Research Method

### Population and Sample

The population of this research is the entire work unit region (SKPD) of Demak district as many as 28 SKPD with the unit of analysis of the head of SKPD. Samples are taken by using proportional random sampling method. The technique is with a paper roll raffle of SKPD name written in it, so that, all SKPDs have opportunity to be selected as sample.

### Operational Definition and Measurement of variables

In this research, there are six independent variables, they are variables of strategic human resource management, information technology, executive commitment, Financial, Good Governance and Legislative Support; and the dependent variable is the

variable of performance. Here is the operational definition of each variables and measurement:

**Table 1**  
**Operational Definition of Variables**

Variable l	Indicator	Measurement
Executive Commitment	<ol style="list-style-type: none"> <li>1. Being proud of becoming part of the organization</li> <li>2. Persuading friends to participate in the organization's work.</li> <li>3. Having a sense of belonging of organization more than just as an employee.</li> </ol>	Interval Scale Questionnaire with 5 points of Likert scale. (Jaramillo <i>et al</i> , 2009).
Financial Support	<ol style="list-style-type: none"> <li>1. Percentage of Budget in IT</li> <li>2. Investment in IT</li> <li>3. Size of Local Government</li> <li>4. Type of Government</li> </ol>	Interval Scale Questionnaire with 5 points of Likert scale. (Kim & Stuart, 2004)
Legislative Support	<ol style="list-style-type: none"> <li>1. Innovation Ability by Legislative</li> <li>2. The tendency of taking risks for IT support</li> <li>3. Courage to authorize allocation of IT budget</li> <li>4. The ability to influence executive for IT innovation</li> </ol>	Interval Scale Questionnaire with 5 points of Likert scale. (Kim & Stuart, 2004)
Dimensions of HRM Strategic	<ol style="list-style-type: none"> <li>1. Understanding the problem</li> <li>2. Competence and confidence</li> <li>3. Independent</li> <li>4. Having Influence</li> </ol>	Interval Scale Questionnaire with 5 points of Likert scale.
Study of Information Technology	<ol style="list-style-type: none"> <li>1. Scope of Technology</li> <li>2. Accounting Tools Process</li> <li>3. Satisfaction Use of Technology</li> <li>4. Innovation Technology</li> </ol>	Interval Scale Questionnaire with 5 points of Likert scale.
study of Good Governance	<ol style="list-style-type: none"> <li>1. Justice</li> <li>2. Transparency</li> </ol>	Interval Scale Questionnaire with 5 points of

	3. Accountable 4. Responsibility	Likert scale.
Performance	1. The amount involved 2. Growth Group 3. the Increase of Economic Activity 4. the Decrease of the level of Poverty	Interval Scale Questionnaire with 5 points of Likert scale.

Source: Marno & Edy (2010) and edy (2013).

### **Finding and Discussion**

In this research, it is acquired 60 samples resulted from the 60 respondents. Then Partial Least Squares (PLS) is administered based on these following steps:

#### **First Step: Analyzing the result of Outer Model /Measurement Model**

There are three criteria to measure the Outer Model; those are convergent validity, discriminant validity and composite reliability. From the four constructs or latent of this research, all of the indicators result more than 0.5 value of Loading Factor of each indicators. Therefore, based on the result mentioned before, all of the construct or latent of this research has met high Convergent Validity. The same is true with the Composite Reliability. It can be concluded that each construct and latent has a high reliability of more than 0.50. Therefore, it can be stated that the data obtained in this research are so reliable. The Discriminant validity can be seen from the Cross Loading Factor. The correlation value of indicators toward their constructs or latent must be higher than the correlation value among indicators and other constructs. Based on the result of the data analysis, it is resulted that the loading value of all indicator has higher value than the correlation value of other construct indicators. The same is true with other constructs.

**Table 2**  
**The Result of Hypothesis Test**

	Entire Sample Estimate	Mean of subsamples	Standard error	T- Statistic
HRM Strategic->Performance			0.2593	3.8109

	0.291	0.4191		
Commitment->Performance	0.744	0.2215	0.1972	4.6673
Financial Support->Performance	0.035	0.3361	0.1869	2.5029
Legislative Support->Performance	0.515	0.0227	0.2289	2.0633
GCG->Performance	0.568	0.4234	0.2629	2.9735
Info. Technology->Performance	0.672	0.0445	0.2418	2.0178

Source : Data analyzed in 2015

Annotation :  $t(0.05, 60) = 1.96$ .

### **The First Hypothesis Testing**

The first hypothesis proposed is that the human resources management strategic has a significant effect on the performance of local government. Based on the result of PLS test on the table 2 above, it results  $t$ -statistic value of 3.8109 and the  $t$ -table is 1.96. While the estimated coefficient value ( $\beta$ ) is 0.291. Therefore, it can be concluded that  $H_a$  is supported and  $H_o$  is not which means that the strategic human resources has significant effect on the performance of local government. Therefore, based on the result above, the first hypothesis is supported.

### **The Second Hypothesis Testing**

The second hypothesis proposed is that the executive commitment has a significant effect on the performance of local government. Based on the result of PLS test on the table 2 above, it results  $t$ -statistic value of 4.6673 and the  $t$ -table is 1.96. While the estimated coefficient value ( $\beta$ ) is 0.744. Therefore, it can be concluded that  $H_a$  is supported and  $H_o$  is not which means that the executive commitment has significant effect on the performance of local government. Therefore, based on the result above, the second hypothesis is supported.

### **The third hypothesis Testing**

The third hypothesis proposed is that financial support has a significant effect on the performance of local government. Based on the result of PLS test on the table 2 above, it results  $t$ -statistic value of 2.5029 and the  $t$ -table is 1.96. While the estimated coefficient value ( $\beta$ ) is 0.035. It can be concluded that  $H_a$  is supported and  $H_o$  is not which means that financial support has significant effect on the performance of local government. Therefore, based on the result above, the third hypothesis is supported.

### **The Fourth Hypothesis Testing**

The fourth hypothesis proposed is that legislative support has a significant effect on the performance of local government. Based on the result of PLS test on the table 2 above, it results t–statistic value of 2.0633 and the t-table is 1.96. While the estimated coefficient value ( $\beta$ ) is 0.515. It can be concluded that  $H_a$  is supported and  $H_o$  is not which means that legislative support has significant effect on the performance of local government. Therefore, based on the result above, the fourth hypothesis is supported.

### **The Fifth Hypothesis Testing**

The fifth hypothesis proposed is that Good Governance has a significant effect on the performance of Local Government. Based on the results of PLS test calculation in Table2, it is obtained t-statistic value of 2.9735 and t-table of 1.96. While the estimated coefficient value ( $\beta$ ) is 0.568. So that, it can be concluded that  $H_a$  is supported and  $H_o$  is not, which means that Good Governance has a significant effect on the performance of Local Government. Thus, the fifth hypothesis is supported.

### **The sixth Hypothesis Testing**

The sixth hypothesis proposed is that Information Technology has a significant effect on the performance of Local Government. Based on the result of PLS test calculation in Table 2, it is obtained t-statistic value of 2.0178 and t-table of 1.96. While the estimated coefficient value ( $\beta$ ) is 0.672. Therefore, it can be concluded that  $H_o$  is not supported and  $H_a$  is supported, which means that Information Technology has a significant effect on the performance of Local Government. Thus, the sixth hypothesis is accepted.

### **Discussion**

The local government is said to be successful in implementing the mandate of Law No.32of 2014 concerning the autonomy of local government if it is able to explore the potential resources of both financial and non-financial in the area optimally and utilize the results of these resources for the welfare of the region including the people's welfare. One of the indicators of people's welfare is the fulfillment of all people's need including clothing, food board, education, health and others

To achieve these objectives, it is the duty and authority of every local government which is mandated to the district head. Therefore, the district heads should

be able to optimize the performance of local governments and all local government staffs. The improvement of local government's performance can be seen from the quality of local government officials, the quality of public service, or the condition of the society directly. From the number of indicators of government's performance improvements, it is the responsibility of local government to be able to achieve it. Hence, all ways and maximum efforts must be done by the local government.

This research has proven that to improve the performance of local governments in Demak regency, local government should pay attention to six main factors, namely good governance, strategic human resource management, the support from the legislative, executive commitment, maximum financial support as well as optimal and up to date information technology support. From those six variables, one which has the greatest role is the commitment of government officials or executives. No matter how much the financial, legislative, information technology support and any system of governance that is owned by the local government is, if there is no maximum commitment from the local government staff, the good local government performance will be stuck in place and will not give any change significantly. Therefore, the head of the region must maximize all its potential to improve the performance of local government work in the future.

From the explanation above, we can suggest that the performance of local government was affected by six factors, namely good governance, strategic human resource management, the support from the legislative, executive commitment, maximum financial support as well as optimal and up to date information technology support. This research support the previous research which conducted by Kim and Stuart (2004), Osmad (2006), Edy & Marno (2010) and etc. It was indicated that for all local governments in Indonesia has to consider all of variable which mentioned before.

## **Conclusion**

The conclusions of this research are as follows: first, Strategic Human Resource Management has a significant effect on the performance of SKPD in Demak Regency. Second, Good Governance has a significant effect on the performance of SKPD in

Demak Regency. Third, Information Technology has a significant positive effect on the performance of SKPD in Demak Regency. Fourth, financial support is significant and has positive effect on the performance of SKPD in Demak Regency. Fifth, legislative support has a significant positive effect on the performance of SKPD in Demak Regency, and sixth, the commitment of the executive has a significant positive effect on the performance of SKPD in Demak regency.

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