CHAPTER 1

INTRODUCTION

1.1 Introduction

Job performance has received much attention from researchers and practitioners in both private and public organizations, mainly because it is considered among the major means by which to manage and control organizations. Performance management framework highlights the role of job performance in achieving organizational goals (Othman & Norfarizal, 2014, Campbell, 1990). Organizations periodically conduct job performance evaluation to make administrative decisions, such as pay raises, discharges, or promotions, in a fair and legally defensible manner, as well as to improve job performance through developmental feedback (Miao, Kim & Oh, 2018). Through performance feedback, employees are likely to gain better understanding of themselves and the developmental activities that are of value to them, which in turn could improve their performance (Aguinis, 2012). Therefore, it is the main agenda of organizations to maintain and improve job performance among employees. Included among those organizations are state-owned construction firms in Indonesia, known collectively as BUMN Karya. BUMN Karya comprises nine state-owned firms whose departments, divisions, and sister companies are spread across Indonesia, from the extreme west of Aceh to the extreme east of Papua. Table 1.1 lists the nine state-owned construction firms under BUMN Karya.

Table 1.1: BUMN Karya Firms

No.	Firm name	Number of employees
1	PT. Adhi Karya (Persero)	2,204
2	PT. Amarta Karya (Persero)	204
3	PT. Brantas Abipraya (Persero)	1,110
4	PT. Hutama Karya (Persero)	1,900
5	PT Istaka Karya ((Persero)	165
6	PT Nindya Karya (Persero)	760
7	PT. Pembangunan Perumahan (Persero)	1,700
8	PT Waskita Karya	1,810
9	PT. Wijaya Karya (Persero)	1,750
	Total	11,603

The main responsibility of BUMN Karya is to carry out the Nawacita (lit. nine goals), the Indonesian Mid-term Development Plan (RPJMN) 2015–2019 (Ministry of National Development Planning/BAPPENAS RI, 2015). Among these goals is to develop various public infrastructure, such as bridges, highways, tolls, dams, airports, jetties, seaports, semi-apartment buildings for middle- and lower-income groups, rural development, and other revitalization projects with an estimated value of Rp4,700 trillion ($333.48 billion). Aloysius, the Deputy Minister of the Ministry of State-owned Enterprises, stated in 2017 that BUMN Karya was selected for their strong points, which include their superior financial performance and operational and technical construction experience compared to private construction firms in Indonesia.

BUMN Karya considers it critical to have employees who excel and demonstrate good job performance, especially in accomplishing its mission of realizing infrastructure development in Indonesia. Therefore, it is essential to have adequate understanding of the determinants of employee job performance in this context. The organizations under BUMN Karya can set up appropriate plans to improve their employee job performance if they understand the factors that can influence job performance.

In general, the determinants of employee job performance can be divided into two categories. The first category is work environment–related factors relating to the work environment, such as human resource management practices and transformational leadership, while the second category is employee–related factors, such as organizational citizenship behaviour and employee work motivation (Diamintidis & Chatzoglou, 2018).

1.2 Problem Statement

There have been numerous studies on the determinants of employee job performance in organizations. Based on a review of the extant literature, the main determinants of employee job performance are human resources practices (Chukwuka & Nwakoby, 2018), transformational leadership (Andreani & Petrik, 2016), and organizational citizenship behavior (Dinka, 2018). Human resource management practices include compensation, career planning, performance appraisal, training, and employee involvement (Tabouli, Habtoor & Nashief, 2016).

The relatinships between those three factors and employee job performance have been examined in previous studies, but the results are still inconsistent, necessitating further verification, particularly in the context of state-owned enterprises in Indonesia. Monalis et al. (2020) found that human resource management practices have no significant effect on job performance in Toyota Service Company, Indonesia. Kasenda et al. (2016) found similar results in the Ministry of Finance at Manado, Indonesia. The relationship between transformational leadership and job performance has also been found to be insignificant. For example, Muarif (2015) found no significant relationship between transformational leadership and the job performance of employees in the Islamic banking sector of Indonesia. Gulo and Yupiter (2014) also found that there is

no significant relationship between transformational leadership and job performance in the freight forwarder industry in Indonesia. The link between organizational citizenship behavior and job performance is also insignificant (Hanafi et al., 2018). Hanafi and colleagues found that organizational citizenship behavior does not significantly influence employee job performance in the industrial sector of South Sumatera, Indonesia. Accordingly, there is a need to further re-examine the influence of human resource management practices, transformational leadership, and organizational citizenship behavior on job performance in different organizations in Indonesia, particulary BUMN Karya.

BUMN Karya can increase its competitiveness by transforming its human resources (employees) and their job performance (Aditama, Sriyanto & Marpaung, 2023). In recent years, employee job performance at BUMN Karya has declined, causing concern among management (Nuryanti, Masharyono & Faishal, 2021). A similar decline in performance occurred in 2016 and 2018, far below the expectations of the organization (Nuryanti, Masharyono & Faishal, 2021). Rakhim (2020) and Tahir (2012) reported that the job performance of employees at BUMN Karya is not at an optimal level. Thus, it is essential to understand the factors that influence employee job performance at BUMN Karya. Understanding these factors could inform the best strategy to improve the job performance of employees at BUMN Karya and to accomplish its goals.

A review of the literature reveals that only a few studies have examined the factors that may mediate the effects of work environment (i.e. human resource management practices, transformational leadership) and individual factors (i.e. organizational citizenship behavior) on job performance. Therefore, some researchers, such as Andreani and Petrik (2016), have recommended further investigation of the mechanism

that links work environment (i.e. human resource management practices, transformational leadership), individual factors (i.e. organizational citizenship behavior), and job performance. Recent studies have tested the mediating role of organizational commitment between human resource management practices and job performance (Tabouli, Habtoor & Nashief, 2016) and between transformational leadership and job performance (Al-Amin, 2017). Because of the paucity of research on this issue, this study fills this gap by testing the mediating role of work motivation. There are two reasons to support the potential mediating role of work motivation. First, work motivation has a positive impact on job performance (Olusadum & Anulika, 2018), including the job performance of employees in small and medium-sized organizations (Barkley, 2017). Second, work motivation does play the role of a mediator, as has been found in previous studies. For instance, Evelyn, Muathe, and Kilika (2018) found that work motivation mediates the relationship between job characteristics and employee job performance. Work motivation also mediates the effect of employee competence on employee job performance (Haluk, Rante, Risamasu & Syauta, 2016). For these reasons, work motivation is expected to mediate between human resource management practices, transformational leadership, organizational citizenship behavior, and job performance. This mediating effect has not yet been empirically tested in the literature.

This study intends to fill the gap identified earlier by testing simultaneously the effects of human resource management practices, transformational leadership, and organizational citizenship behavior on job performance in the context of BUMN Karya. Two reasons underlie this objective. First, empirical evidence on the effects of these three factors on job performance are still mixed. Second, previous studies have only tested the effects of those factors on job performance separately and in different contexts

in Indonesia (Monalis et al., 2020; Hanafi et al., 2018; Kasenda et al., 2016; Muarif, 2015; Yupiter, 2014). This study also fills the identified gap by testing the mediating role of work motivation between human resource management practices, transformational leadership, and organizational citizenship behavior with job performance. This can extend understanding about the role of work motivation as a mediator, which has been verified previously in different relationships (Muathe & Kilika, 2018; Haluk, Rante, Risamasu & Syauta, 2016).

1.3 Research Questions

1. What are the relationships between human resource management practices, transformational leadership, and organizational citizenship behavior with job performance at BUMN Karya, Indonesia?
2. What are the relationships between human resource management practices, transformational leadership, and organizational citizenship behavior with work motivation at BUMN Karya, Indonesia?
3. Does work motivation influence job performance at BUMN Karya, Indonesia?
4. Does work motivation mediate between human resource management practices, transformational leadership, and organizational citizenship behavior with job performance?

1.4 Research Objectives

1. To examine the the relationships between human resource management practices, transformational leadership, and organizational citizenship behavior with job performance at BUMN Karya, Indonesia.

2. To examine the the relationships between human resource management practices, transformational leadership, and organizational citizenship behavior with work motivation at BUMN Karya, Indonesia.
3. To examine the relationship between work motivation and job performance at BUMN Karya, Indonesia.
4. To analyze the mediating effect of work motivation between human resource management practices, transformational leadership, and organizational citizenship behavior with job performance.

1.5 Scope of the Study

The main focus of this study is to examine factors that may influence job performance. Three independent variables (human resource management practices, transformational leadership, organizational citizenship behavior) were estimated against job performance. In addition, the mediating effect of work motivation on the relationships between human resources management practices, transformational leadership, and organizational citizenship behavior with job performance were also tested. The Work Performance Theory (Bumberg & Pringle, 1982) and the Social Exchange Theory (Blau, 1964) underpinned this study to explain the relationships between the variables.

The respondents were employees of BUMN Karya, a group of Indonesian state-owned construction companies. Its roles include contributing to the Indonesian economy by providing goods and services that are not covered by private companies; providing employment; providing support and guidance to small and medium businesses; and as a source of government revenue. The government controls BUMN

Karya through the Ministry of State-owned Enterprises, which acts as the chief executive officer of a holding company.

1.6 Significance of Study

1.6.1 Theoretical Perspective

From the theoretical perspective, this study contributes to the job performance literature by examining simultaneously the effects of human resources management practices, transformational leadership, and organizational citizenship behavior on job performance at BUMN Karya. Several studies have examined these relationships separately and in different contexts in Indonesia. For example, the influence of human resource management practices on job performance has been examined in Toyota Service Company, Indonesia (Monalis et al., 2020) and the Ministry of Finance at Manado, Indonesia (Kasenda et al., 2016). The relationship between transformational leadership and job performance was examined previously in the Indonesian Islamic banking sector (Muarif, 2015) and freight forwarder industry (Gulo & Yupiter, 2014). Meanwhile, the link between organizational citizenship behavior and job performance was examined in the province of South Sumatera (Hanafi et al., 2018). Examining the effects of these factors simultaneously on job performance can generate more robust conclusions in a particular context.

This study also contributes empirical evidence about the role of work motivation as a mediator between human resources management practices, transformational leadership, and organizational citizenship behavior with job performance. The role of work motivation as a mediator has been verified in different relationships in several studies. For example, work motivation mediates between job characteristics and employee job performance (Evelyn, Muathe, & Kilika, 2018); between employee

competence and job performance (Haluk, Rante, Risamasu & Syauta, 2016); between working conditions and job performance (Jayaweera, 2015); and between job involvement, perceived supervisor support, and job performance (Taghipour & Dejban, 2013). This study improves this line of research by examining the role of work motivation as a mediator on the relationships between human resources management practices, transformational leadership, organizational citizenship behavior, and job performance. These relationships have not been tested in the literature.

1.6.2 Practical Perspective

From the practical perspective, the findings could offer practical solutions for organizations, particularly for the management of BUMN Karya, to improve the job performance of their employees. By understanding the effects of work factors (e.g., human resource management practices and transformational leadership) and individual factors (e.g., organizational citizenship behavior) on job performance, BUMN Karya management can develop guidelines and initiatives to improve job performance. Management could also gain better understanding of the role of work motivation as a mediator. Overall, this study could help the management of BUMN Karya to develop strategies to improve job performance among their employees by considering the factors included in this study.

1.7 Operational Definitions

1.7.1 Human Resource Management Practices

Human resource management practices consist of compensation and benefits, training and development, career development, and work-life balance (Raymond et al., 2015).

1.7.1.1 Compensation

Compensation is a reward system that an organization provides to individuals in turn for their willingness to perform various jobs and tasks within the organization (DeNisi & Griffin, 2001).

1.7.1.2 Training and Development

Training refers to any event organized by an organization to enhance employee competencies (knowledge, skills, affective) so that they can perform their current task. Development refers to any event organized by an organization to enhance employee competencies (knowledge, skill, affective) to prepare them for a future job (Noe, 2017).

1.7.1.3 Career Development

Career Development Association of Alberta (2012) defined career development as the lifelong process of managing learning, work, leisure, and transitions in order to move towards a personally determined and evolving preferred future. Leibowitz et al. (1986) explained that career development involves an organized, formalized, and planned effort to achieve a balance between the individual's career needs and the organization's workforce requirements.

1.7.1.4 Work-life Balance

Work-life balance usually refers to one of the following: organizational support for dependent care, flexible work options, and family or personal leave (Estes & Michael, 2005).

1.7.2 Transformational Leadership

Transformational leaders motivate followers to achieve performance beyond expectations by transforming followers' attitudes, beliefs, and values as opposed to simply gaining compliance (Bass, 1985; Al-Amin, 2017). In this study, transformational leadership consists of four dimensions: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Rafferty & Griffin, 2004).

1.7.2.1 Idealized Influence

This dimension is exhibited when a leader is trusted and respected by his/her subordinate. This type of leader tends to put his/her subordinates' needs before his/her own.

1.7.2.2 Inspirational Motivation

This is shown in a leader when he/she acts in a way that causes subordinates to perform better by instilling a sense of meaning in their work.

1.7.2.3 Individualized Consideration

This type of leader is usually thought of as a coach or mentor. He/she tends to be concerned for each of their subordinates' independent needs.

1.7.2.4 Intellectual Stimulation

This dimension is exhibited when a leader asks questions to increase innovation and creativity.

1.7.3 Organizational Citizenship Behavior

Organizational citizenship behavior refers to anything that employees choose to do, spontaneously and of their own accord, which often lies outside of their specified contractual obligations (Organ, 1988, 1997, 2006). In this study, organizational citizenship behavior consists of four dimensions, namely altruism, helping, sportsmanship, and civic virtue (Asiah, 2018; Paille, 2009).

1.7.3.1 Altruism

Altruism refers to voluntarily helping others with a specific work-related task, such as helping a co-worker with a heavy workload (Organ, 1997).

1.7.3.2 Helping Behavior

Helping behavior is targeted at others to alleviate their struggles with work-related problems or perhaps prevent problems from appearing in the first place (Organ et. al., 2006).

1.7.3.3 Sportsmanship

Sportsmanship means enduring hardship and interference without complaining (Organ, 1988), keeping a positive attitude when things do not go as planned, and not taking offense when others reject one's suggestions and ideas, thus improving the determination and morale of the workgroup (Podsakoff, MacKenzie, Paine, & Bachrach, 2000; Lo et. al., 2009).

1.7.3.4 Civic Virtue

Civic virtue is keeping oneself knowledgeable about the organization as a whole rather than merely focusing on one's job or department (Organ, 1988; Hart et. al., 2016).

1.7.4 Work Motivation

Work motivation describes those cognitions, effects, and behaviors that employees utilize to succeed at their job (Kanfer et al., 2013). This type of motivation encourages employees to engross themselves further in their job, using their skills, knowledge, time, and effort to the organization's advantage by accomplishing tasks (Hirschfeld & Field, 2000; Kanfer et al., 2013).

1.7.5 Job Performance

Job performance is anything that is done by employees in their work in accordance with the goals and ideals of the organization (Berry, 2003).

1.8 Chapter Summary

This chapter has described the background of the study and the problem that it seeks to address. Following this, the research questions and objectives are listed. These are followed by an explanation of the scope and significance of the study. Finally, the chapter provides the operational definitions for each research variable.