The Effect of Capacity Building with Increased Knowledge and Skills on Cooperative Chairmen's Performance Through Personal Value

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Abstract. This study aims to analyze: (1) the effect of knowledge on cooperative chairmen's performance, (2) the effect of skills on cooperative chairmen's performance, (3) the effect of knowledge on cooperative chairmen's performance through personal values, and (4) the effect of skills on cooperative chairmen's performance through personal values. This study applied a quantitative research approach. Population used was cooperative chairmen in the Lamongan Regency and used a random sampling technique to obtain a sample of 40 respondents. Data analysis method used in the study was Amos SEM analysis. The results of hypothesis testing show that knowledge has a significant positive effect on cooperative chairmen's performance, skills have no effect on cooperative chairmen's performance, knowledge has a significant effect on cooperative chairmen's performance through personal values, and skills have a significant effect on cooperative chairmen's performance through personal values.

Keywords: Knowledge · Skills · Personal Value · Cooperative Chairmen's Performance

1 Introduction

Cooperatives in Indonesia have been growing rapidly because their members are composed of the general public who have now benefited from cooperatives, which can help the economy and develop creative members. Cooperative refers to a joint effort from a group of people with the same interests to increase the well-being of its members. Cooperatives need strategic plans to increase competitiveness, service, and the business itself. The East Java Province focuses on capacity-building programs and increasing human resources. Human resources play a significant role in determining progress and developing an organization. In fact, an organization's progress is determined by its human resources quality and capability. The better quality of human resources will result in better performance of the organization. The existing phenomenon is the decline of cooperative chairmen's performance. All organizations intend to increase their human resources to increase their performance. Knowledge is an important factor in developing

the ability and power skills to utilize the knowledge optimally to conduct management knowledge optimally. However, there are some weaknesses as many managers manage organizational knowledge [1]. Besides knowledge, things that can influence performance are skills. Good skills will produce good performance and job. Irianto [2] said that skills are a combination of physical and non-physical abilities regarding knowledge acquisition application. Moreover, skill refers to mental, manual, motor, perceptual, and even someone' social ability problems.

2 Research Problem

Based on the above background, the following research problems are formulated: (1) Does knowledge have a significant effect on cooperative chairmen's performance in the Lamongan Regency? (2) Do skills have a significant effect on cooperative chairmen's performance in the Lamongan Regency? (3) Does knowledge have a significant effect on cooperative chairmen's performance in the Lamongan Regency through personal values? (4) Do skills have a significant effect on cooperative chairmen's performance in the Lamongan Regency through personal values?

3 Literature Review

3.1 Capacity Building

Capacity building is an effort to enhance human resources' abilities, skills, and knowledge to enable them to carry out various functions, design, find, and achieve desired goals. According to Brown [3], capacity building is a process that can increase the ability of someone, an organization, or another system to reach goals that have been set. Capacity building is defined as organizational and technical ability, relationships, and values that enable nations, organizations, teams, and individuals to level any society to operate, function, and reach specific development from time to time. Capacity refers not only to skills and knowledge but also to relationships, values, and attitudes [4]. The capacity building program is used to strengthen workers' ability to evaluate an organization's choices and policies and effectively make decisions. Capacity building relates not only to individuals' skills and abilities but also to the organization's ability to reach its mission effectively and sustain it for the long term. Capacity building can be done on the individual, organization, and environment levels, as shown in Fig. 1.

According to Jica [5], there are 3 levels of capacity building as exhibited on Fig. 1:

1. Capacity at the individual level is the most basic capacity. This is the base for an organization's capacity building and refers to the will and ability of an individual to set goals and achieve them with his knowledge and skills. Capacity at the individual level covers knowledge, skill, values, attitudes, health, and awareness. The capacity is developed through formal and informal education and training. The basic elements are knowledge, skills, values, attitudes, health, and physical resources awareness (facilities, equipment, materials, and capital)
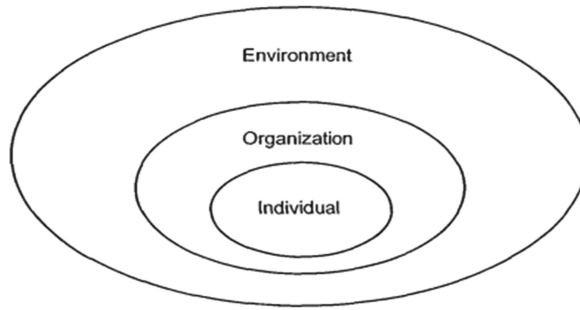
Fig. 1. Capacity Building's Levels

2. Capacity at the organization level. It determines how capacity is harnessed and strengthened. This refers to something that influences organization's performance and includes human resources (capacity of an individual in an organization), physical resources (facilities, equipment, materials), intellectual resources (organizational strategy, planning strategic, management, business knowledge, production technology, management program, business process (problem-solving, retrieval process decision, communication), between institution linkages (networks, partnerships), system incentives and rewards, organizational culture, leadership, and manager's commitment.
3. Capacity at the environment level. It refers to the environment and conditions needed to show the capacity of individual and organizational levels. It includes the system and framework necessary for forming or implementing organizational policies and strategies. Various dimensions of the environment are administrative, legal, technological, political, economic, social, and cultural to increase an organization's effectiveness and sustainability.

3.2   Knowledge

According to Latief [6], knowledge management is an important factor in the 21st century to achieve an effective managerial career in identifying and transferring human resources' knowledge in operating company activities on time. Technology and human resources must be balanced to operate an organization properly. Unlike past human resources that tended to be passive, today's human resources must be proactive. Influencing knowledge factors are: 1) Education, 2) Experience, 3) Intelligence, 4) Age, 5) Occupation, 6) environment, 7) Economic level, and 8) Mass Media.

3.3   Skills

Skills affect performance, and skillful workers may carry out many tasks and contribute to good performance, eventually affecting organizational performance [6–8]. According to Notoatmodjo [9], factors that influence skills are 1) Education Level; the higher the education level, the better the employees' skills. It also relates to better knowledge and easy acceptance of new things. 2) Age, as their age becomes older, workers are

more mature in thinking and working. 3) Experience acts as a source of knowledge for obtaining something truthful. All experiences that somebody has will influence his maturity in thinking and doing something. Individuals' skills level could be measured by: 1) Determining the complete task/job method, 2) Determining the best procedure for carrying out the task/job, 3) Determining the best task size/volume, and 4) Defining best profession.

3.4 Performance

According to Moeheriono [10], performance is a description of achievement level implementation of an activity program in realizing goals, objectives, vision, and mission stated by the organization through strategic planning. This is in line with Mathis and Jackson [11], who said that performance refers to what to do or not carried out by the manager organization. Performance is as working results seen by the quality and quantity achieved by the organization [12]. A company's success in reaching its goal does not depend on the existing infrastructure but on the performance of the organization's manager [13]. Performance is measured from activities carried out by workers in realizing organizational goals. Everyone is interested in routine work activities (IAI, 1996: 271). According to Sudarmanto (2009), influencing factors of organization's performance are: 1) Quality of success, suitability, and effectiveness levels, b) Quantity related to work, c) Time accuracy in working (timeline), and d) Cooperation that is related to teamwork with other people or departments.

4 Data Analysis Method

4.1 Descriptive Statistics

Statistics descriptive in the study consists of characteristics of the respondents based on gender, age, respondents' knowledge, personal values, and cooperative chairmen's performance.

4.2 Inferential Statistics

According to Hair [14], the Structural Equation Modeling (SEM) is a multivariate technique analysis that combines analysis factors and pathways to enable authors to test and estimate multiple exogenous and endogenous with many indicators. According to Ghozali [15], the necessary steps conducted are as follows:

1. The Structural Model (Full model) is a model that performs running programs with research models. This step looks at various necessary assumptions.
2. Confirmatory Factor Analysis (CFA), According to [14], Confirmatory Factor Analysis (CFA) is part of Structural Equation Modeling (SEM) used for test measurement models that describe the connection among latent variables with the indicator.
3. Evaluation Structural Equation Modeling (SEM). This step will test several assumptions evaluated using Structural Equation Modeling (SEM). The steps are as follows 1) Evaluation assumption on normality and linearity, 2) Evaluation on univariate outliers 3) Evaluation assumption on multicollinearity and singularity.

4. Evaluation Criteria Goodness of Fit (GFI). It measures the suitability of the observation input or indeed (matrix covariance or correlation) with the prediction of the proposed model. SEM models will produce parameter numbers to be compared with the cut–off value from the goodness of fit; the criteria are as follows: Chi-Square Statistic (χ^2), expected score probability more than 0.05 (5%), RMSEA ≤ 0.08. GFI between 0–1. AGFI ≥ 0.9. CMIN or DF ≤ 2.00. TLI ≥ 0.9. CFI > 0.9.
5. Hypothesis Testing. The testing is done using the significance testing rule manually. Hypothesis testing was conducted to test the individual hypothesis.

5 Results and Discussion

5.1 SEM Analysis

Full Model
The value of standardized loading factor variables KL, SL, PV, and PC has dropped. The score of standardized all loading factors indicator variables KL, SL, PV, and PC are $>$ 0.60. Thus, all indicators are valid, and the evaluation process model can be continued.

Confirmatory Factor Analysis (CFA)

1. The standardized loading factor (SLF) value shows that all indicators are > 0.5, so convergent validity characteristics based on good size SLF has been achieved. However, on the PV8 indicator, the SLF value is < 0.5, so PV8 does not fulfill convergent validity characteristics.
2. PV and PC variables have AVE values > 0.5. Whereas, the AVE value on the KL and SL variables are < 0.5 to characteristic convergent validity based on AVE size yet reached.
3. All CR values are > 0.7; thus, it could be said that all variables are reliable.

Structural Equation Modeling (SEM) Evaluation

1. The results of the univariate normality test for each research indicator, both the critical ratio of skewness value and the critical ratio value for kurtosis, are not < 2, so the data are normally distributed in the univariate. The results of the multivariate normality test show that the kurtosis critical ratio value is < 7, so the data are normally distributed in the multivariate.
2. The chi-square value was 141.029, and the highest value was at the median distance of 76.381 at 98 observations. Therefore, in this study, there were no multivariate outlier problems. The absence of multivariate outliers means that the data is feasible to use. The minimum and maximum Z scores for each indicator do not exist in the Z score if ≤ -3 and ≥ 3, so the data is said to have no outliers.
3. The results indicate that there is no indication that the data have multicollinearity and singularity problems, so the research data can still be analyzed further.

Evaluation Criteria of Goodness of Fit (GFI)
The testing was conducted using SEM models conducted. If it does not get the right model (fit), then the proposed model needs to be revised. The need for revision from

SEM models appears from existing problems that arise from analysis. They indicate that the study does not support the structural model that was formed. Thus, the model is necessary to revise existing theories to form a new model. The results of the SEM model show that it has been modified to form a good model. The modification of the model is shown in Fig. 2.

From the results model output in Table 1 for model fit test criteria, several criteria are at marginal value. Marginal value is condition measurement model fit under criteria size absolute fit nor incremental fit, but still could proceed to analysis more because close to the goodness of fit criteria (Seguro, 2008 in Fitriyana et al., 2013).
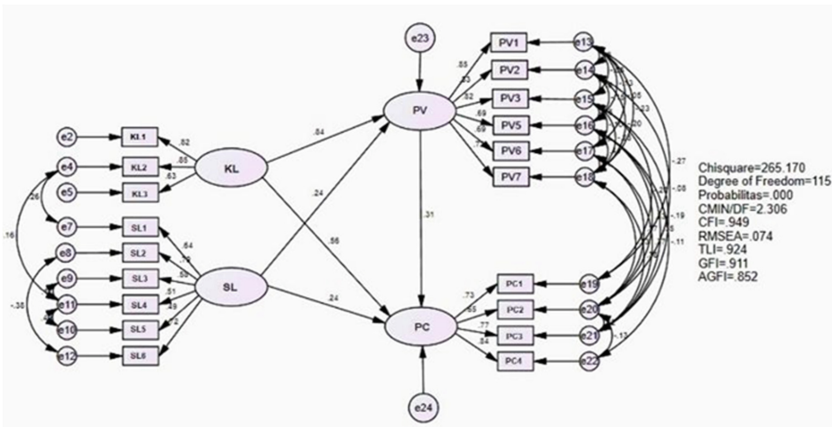

Fig. 2. Structural Model Test with modification

Table 1. The Results of the Goodness-of-fit Test from the Modification Model

GOF Size	Critical value	Results	Model Fit with Data
Chi-square	Approach zero	265.170	Poor Fit
Probability Levels	≥0.05	0.000	Poor Fit
CMIN/DF	<2.00	2.306	Marginal Fit
CFI	≥0.95	0.949	Good Fit
RMSEA	≤0.08	0.074	Good Fit
TLI	≥0.90	0.924	Good Fit
GFI	≥0.90	0.911	Good Fit
AGFI	≥0.90	0.852	Marginal Fit

5.2 Hypothesis Testing

Knowledge (KL) has a significant effect on cooperative chairmen's performance (PC)

The effect of knowledge on cooperative chairmen's performance shows a significant result with a significance level (P-value) of p = 0.003 (0.003 < 0.05). The standardized coefficient parameters are 0.808. It means the higher the knowledge variable, the better the cooperative chairmen's performance. H1 stated that knowledge has a significant effect on cooperative chairmen's performance in the Lamongan Regency. This implies that knowledge must be increased to increase cooperative chairmen's performance.

Skills (SL) have a significant effect on cooperative chairmen's performance (PC)

The effect of skills on cooperative chairmen's performance is not significant, with a probability value of p = 0.547 (0.547 > 0.05). The standardized coefficient parameter is −0.081. Thus, H2 is rejected as Skills (SL) do not affect cooperative chairmen's performance (PC) in the Lamongan Regency. It implies that better skills will not increase cooperative chairmen's performance.

Knowledge (KL) has a significant effect on cooperative chairmen's performance (PC) through personal values (PV).

The Sobel test was conducted to determine if the personal value can mediate knowledge of cooperative chairmen. If z ≥ 1.96, hypothesis 3 is accepted. On the other hand, if z ≤ 1.96, then hypothesis 3 is rejected. The influence of KL on PC obtained a sign value of 0.043 ≤ 0.05 and z value of 1.97 ≥ 1.96, so hypothesis 3 is accepted. It signifies that knowledge (KL) can increase cooperative chairmen's performance through personal values (PV).

Skills (SL) have a significant effect on cooperative chairmen's performance (PC) through personal values (PV).

The results of the Sobel test calculation obtained a sign value 0.080 ≥ 0.05 and a z value of 1.98 ≥ 1.96, meaning H4 is accepted.

6 Conclusion

Knowledge has a significant effect on influential to Cooperative chairmen's performance in the Lamongan Regency. It means that knowledge could have a real influence on increasing cooperative chairmen's performance. Cooperative chairmen, along with their cooperative administrators and members, with extensive knowledge, could solve problems in cooperatives. So H1 is accepted. Skills (SL) have no effect on cooperative chairmen's performance (PC) in the Lamongan Regency. So H2 is rejected. Knowledge has a significant effect on cooperative chairmen's performance through personal values. It means knowledge can increase cooperative chairmen's performance through personal values. So H3 is accepted. Skills (SL) have a significant effect on cooperative chairmen's performance (PC) through personal values (PV). So H4 is accepted.

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