

# The Role of Good Government Governance Principles in Enhancing the Performance of Public Organization in Aceh, Indonesia

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**Abstract** - The main objective of this study is to investigate the role of good corporate governance principles on employee performance; then on the performance of its organization from the public service sector in Aceh Province. Population of this study is Aceh's Public Servants. There have been as many as 270 respondents involved by using probability sampling technique. Proportional sampling method is utilized. Multiple linear and hierarchical regression Analyses are employed to conduct data analysis. The principles of transparency and accountability have positive and significant effects on the employee performance, while the principle of responsibility impacted on organizational performance. The role of employee performance is as a fully mediator between the relationship of the good corporate governance principles (transparency and accountability) and the organizational performance. This finding that the service sector in Aceh encourages its performance through implementing good government governance principles and enhancing the performance of employees.

**Keywords** - Good Government governance; Employee performance; Organizational performance

## I. INTRODUCTION

Weaknesses good governance in public services sectors are characterized by inefficient of organizational bureaucratic, poor quality of service to the public, the difficulty of eradicating corruption, collusion and nepotism and the lack of community participation in development. A world high attention on governance, and the Development Programmed conducted by United Program in 1999 (Sedarmayanti: 2012) promoted to that good governance in the public sector is defined as a process of good governance, with the involvement of stakeholders, to various economic activities, social, political, and utilization a variety of resources such as natural resources, financial and human to the interests held by adhering to the principle: fairness, equity, equality, efficiency, transparency, and accountability.

Nurwahida (2012) argued that as a concept, GCG can be used to measure the performance of a specific organization with the principles of an organization in order to overcome the power balance and the authority to provide accountability to its stakeholders. As an example of this phenomenon occurred at the public service sector in Aceh Province, that organizational performance is still weak. It is marked by the completion of work takes a long time, but it is because of a lack of transparency, accountability, responsibility, independence, fairness, causing delays to serve to the public.

Therefore, to look beyond the facts mentioned above, it is necessary to do further research to investigate "Effect of Implementation of Good Government Governance (GGG) on Employee Performance and Impact on Public Service Sector in Aceh Province".

Specifically, this aims to: (1) investigate the role of GCG principles (Transparency, Accountability, Responsibility, Independence and Justice) to employee performance and subsequently its impact on performance of the public service sector in Aceh Province; and (2) analyze indirect effect of GGG principles on performance of public service sector in Aceh Province.

## II. LITERATURE REVIEW

### A. Organizational Performance

Understanding organizational performance is the totality of work achieved by an organization (Pasolong, 2013). Meanwhile, according to Wibowo (2011), Atmosudirjo (1997) in Pasolong (2013), explains the definition of organizational performance is as the overall organizational effectiveness to the needs set from each group concerned through systematic efforts and improve the ability of the organization continuously to achieve their needs effectively. Pasolong (2013) justifies that organizational performance is influenced by employee performance.

### *B. Employee Performance*

Employee performance is the work of individuals within an organization (Pasolong, 2013). Furthermore, according to Pasolong (2013), there are several opinions about the performance of that as the level of achievement. Performance is the result of an evaluation of the work performed by employees than previously established criteria (Robbin, 1998). Performance is determined by the ability and motivation to carry out the work (Gibson and Donnelly, 2010). Performance is determined by environmental factors and management behavior to provide its good corporate governance.

### *C. Good Government Governance (GGG)*

According to Brown, et al (2004) in Purwani (2010) suggests that Good Corporate Government is a system of corporate which have substance a set of rules that govern the relationship between Its stakeholders including shareholders, management team, the creditors, government, employees, and other external interested parties. In other words, a system holds by the company to create its added value for all interested parties (Holida and Suryadi, 2012). From the above definition of good corporate governance, there are some of the key principles contained in the GGG that are relevant to the location and place of study, namely transparency, accountability, responsibility, independency, and fairness.

### *D. The Effect of GGG Principles on Employees Performance*

Moeldjono (2005) in Widuri and Paramita (2007) explains that transparency, accountability, responsiveness, fairness, and independency effect on better decision making and open system by providing truly information about the company. Marniati (2010) concluded that there is positive and significant correlation between transparency, accountability, responsiveness, fairness, and independency on performance of employees.

### *E. The Effect of GGG on Organizational Performance*

The principles of GGG are one crucial factor to improve the performance of organization. Implementing the principles of GGG by the management/leadership of the employees, it will have an impact on the achievement of the plan/target. Thus, the principles of GGG affect the performance of organization.

### *F. The Effect of Employee Performance on Organizational Performance*

Performance is the result of an evaluation of the work performed by employees than previously established criteria (Robbin, 1998). Performance is determined by the ability and motivation to carry out the work (Gibson and Donnelly, 2010). Meanwhile, the performance of the organization is the totality of the work achieved an organization (Pasolong, 2013). Thus, the performance of the Office will be determined by the overall performance of the employees. If every member of the organization to contribute good performance, then this will have an impact on the high performance of the organization.

### *G. The Indirect Effect of GGG on Organizational Performance via Employee Performance*

As mentioned above, organizational performance is the result of the work performed by employees (Robbin, 1998; Gibson and Donnelly, 2010), and the principles of GGG affect the performance of organization; therefore, indirect effect may be investigated via performance of employee. Thus, it can be proposed that there is an indirect effect of GGG on the public organizational performance via employee performance. Meanwhile, the performance of the organization is the totality of the work achieved an organization (Pasolong, 2013). Thus, the performance of the Office will be determined by the overall performance of the employees. If every member of the organization to contribute good performance, then this will have an impact on the high performance of the organization.

### *H. Theoretical Framework of Study*

Based on the background of the problem, literature review and hypothesis described above, a conceptual model or theoretical framework can be developed in this research, i.e. as shown in the following diagram:

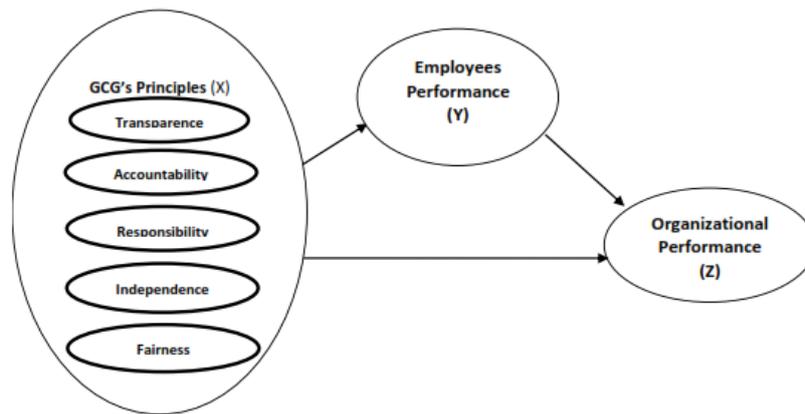


FIGURE 1. PROPOSED MODEL STUDY

*I. Hypothesis*

*1. Direct Effect*

Ha1: There is a positive and significant effect of GGG Principles on employee performance.

Ha2: There is a positive and significant effect of GGG Principles on organizational performance.

Ha3: There is a positive and significant effect of employee performance on organizational performance.

*2. Indirect Effect*

Ha4: There is indirect effect of GGG Principles positively and significantly on organization performance mediated by employees' performance.

**III. METHOD**

*A. Location and Object of Study*

The study was conducted at the public service sector in Aceh Province. While, the object of this study is related to the Implementation of GGG and its effects on employee performance and; subsequently on its performance of the public service sector in Aceh Province.

*B. Population and Sample*

Populations of in this study are all employees of the public service sector in Aceh Province as many as 165.904 staffs, and there are 270 staffs being sample with the status as Civil Servants. This study' sample is as in line with the opinion of Birn J. Robin (2000: 149).

*C. Questionnaire Design*

The research questionnaire is divided into seven sections. The first part is the question of transparency. The second part contains questions about accountability. The third part is a question of responsibility, the fourth part of independence, the fifth part of justice, the sixth part of an employee's performance and the last part is the question of organizational performance. For a clearer picture, it can be seen as in the following table:

**TABLE I. OPERATIONALIZED VARIABLES**

No	Variable	Sub-Variable/Dimension	Indicator	Scale
<b>1</b>	<b>Good Corporate Governance (GCG)</b>	Transparency (X1)	1. Accurate information 2. Accessibility information 3. Complaints mechanism 4. Flow of information through cooperation with the media	Interval
		Accountability (X2)	1. Decisions are made in writing 2. Accuracy of information 3. Clarity of objectives 4. Appropriate target 5. Dissemination of information through media 6. Accessibility of information. 7. Management information system	Interval
		Responsibility (X3)	1. Clarity of responsibility 2. Commitment to responsibility 3. Human Resource Management 4. Financial management 5. Management of infrastructure facilities 6. Policies on working methods	Interval
		Independence (X4)	1. Be able to take the initiative 2. Able to overcome problems 3. Full of perseverance 4. Obtained the satisfaction of his business 5. Trying to run something without the help of others.	Interval
		Fairness (X5)	1. No arbitrariness. 2. Action based on the norm. 3. Fulfill the rights of others to which they are entitled 4. Not one-sided. 5. Knowing the rights and obligations.	Interval
<b>2</b>	<b>Employees Performance (Y)</b>		1. Quality 2. Quantity 3. Timeliness 4. Effectiveness 5. Independence	Interval
<b>3</b>	<b>Organizational Performance (Z)</b>		1. Public: a. Public satisfaction b. Communicating with its stakeholders 2. Internal Process: a. Process effectiveness b. Functuality 3. Learning and Growth: a. Job satisfaction b. Motivation 4. Finance: a. Cost efficiency b. Improved programs	Interval

#### IV. FINDING AND DISCUSSION

##### A. Validity and Reliability Test

###### 1. Validity Test

The results of the research instruments involving 270 respondents indicated that all items statement for independent variables have a correlation of r-values greater than 0.176. This means that the statement is valid for all variables.

###### 2. Reliability Test

The results of the research instrument in terms of the reliability of item-total as indicated in the following table:

**TABLE 2: RELIABILITY TEST**

Variable/Sub Variable	Cronbach Alpha	Reliability
X <sub>1</sub> Transparency	0.879	<b>Reliable</b>
X <sub>2</sub> Accountability	0.910	<b>Reliable</b>
X <sub>3</sub> Responsibility	0.890	<b>Reliable</b>
X <sub>4</sub> Independency	0.915	<b>Reliable</b>
X <sub>5</sub> Fairness	0.864	<b>Reliable</b>
Y Staff Performance	0.913	<b>Reliable</b>
Z Organization Performance	0.939	<b>Reliable</b>

Source: Output of Data Analysis, 2017

Based on the results as the above table, all expressed a reliable research instrument.

**B. Testing of Classical Assumptions**

- *Normality Testing*

With the diagonal lines give the pattern a normal distribution, so the regression model was fit to be utilized (Ghozali, 2005: 110).

- *Multicollinearity Testing*

There is no multicollinearity exist because the tolerance values are above 0.1, and the value of Variance Inflation Factor (VIF) below 10 as suggested by Ghozali (2005:91).

- *Heteroscedasticity Testing*

Because there is no particular pattern in the scatter plot graph and the points are no specific form regular patterns (wavy, widened then narrowed), and the points are scattered above and under 0 on the Y axis; therefore, there is no heteroscedasticity according to the opinion expressed by Ghozali (2005).

**C. Multiple Linear Regression Analysis**

- *Hypothesis Testing of Direct Effect*

Here are the results of testing hypotheses simultaneously as follows

TABLE III. ANOVA

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	825.380	5	165.076	97.861	.000 <sup>a</sup>
	Residual	197.361	117	1.687		
	Total	1022.741	122			

a. Predictors: (Constant), Fearnes (X5), Transparancy (X1), Independency (X4), Responsiveness (X3), Akuntability (X2)

b. Dependent Variable: Employee Performance (Y)

Based on the table it can be explained that there has been is a significant effect of the principles of GGG on employee performance. Furthermore, t-test was performed to determine whether principles of GGG partially, positively and significantly impact on employee performance as follows:

TABLE IV. RESULT OF MULTIPLE REGRESSION ANALYSIS

Variable	Standardized Coefficients (B)	Standard Error	T <sub>test</sub>	t <sub>table</sub>	Sig.
Constanta (a)	0.791	0.689	1.149	1.976	0.253
Transparency (X1)	0.264	0.116	2.291	1.976	0.024
Accountability (X2)	0.207	0.082	2.514	1.976	0.013
Responsibility (X3)	0.076	0.088	0.864	1.976	0.390
Independency (X4)	0.081	0.085	4.935	1.976	0.371
Fairness (X5)	-0.064	0.069	-0.916	1.976	0.362

Note :

R	: 0.898	Total of Observation : 270 Dependent Variable: Employees Performance Level of significance .95 %
Adjusted R square	: 0.799	
F test	: 97.861	
F table	: 2.29	

Source: Output of SPSS (Analyzed)

The effect of independent variables on dependent variable is about 0.799, or 79.9%. In other words, if there is an increase in good corporate governance, it will improve the performance of employees amounted to 79.9% of the value of those changes. The above regression outcome provide that there is a partial, positive and significant correlation between the variables of transparency with the performance of employees amounted to 0.115, or 11.5% (P <0.05). Furthermore, accountability has a partial relationship, positively and significantly with the performance of employees with a correlation coefficient of 0.280 or 28.0% (P <0.05). The rest, variables of responsiveness, independence and fairness does not have a significant relationship to the performance of employees.

The following table describes the results of the influence of marketing relationship, image of service, and image of service simultaneously on loyalty as the following table:

TABLE V. ANOVA

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2513.788	6	418.965	109.021	.000 <sup>a</sup>
	Residual	445.784	116	3.843		
	Total	2959.572	122			

- a. Predictors: (Constant), Employee Performance (Y), Fearness (X5), Transparancy (X1), Independency (X4), Responsiveness (X3), Accountability (X2)
- b. Dependent Variable: Organizational Performance (Z)

Based on the table it can be explained that the F test significance level of 0.000 or F-test (109.021) > F table (2.290), meaning that there is significant influence of GGG and employee performance on organizational performance. Furthermore, t-test can be described as follows:

TABLE VI. RESULT OF MULTIPLE REGRESSION ANALYSIS

Variable	Standardized Coefficients (B)	Standard Error	T <sub>test</sub>	t <sub>table</sub>	Sig.
Transparency (X1)	0.116	0.178	1.459	1.976	0.147
Accountability (X2)	0.030	0.128	0.299	1.976	0.765
Responsibility (X3)	0.224	0.133	2.445	1.976	0.016
Independency (X4)	0.056	0.141	3.058	1.976	0.335
Fairness (X5)	0.041	0.105	0.715	1.976	0.476
Employees Performance (KP)	0.326	0.140	3.979	1.976	0.000

Note:  
 R : 0.922  
 Adjusted R square : 0.842  
 F test : 109.021  
 F table : 2.29

Total of Observation : 270  
 Dependent Variable: Organizational Performance  
 Level of Significance 95 %

**Dependent Variable: Organizational Performance**  
**Source: Output of SPSS (Analyzed)**

The above regression results show that there is a positive and significant relationship between variables of responsibility and performance of employees with organizational performance. Variable of transparency, accountability, independence and fairness do not have a significant relationship to organizational performance. Thus, independent variable is able to explain the dependent at about 0.842 or 84.2%.

- Hypothesis Testing of Indirect Effect

Hierarchical regression model (Baron and Kenny, 1986) was employed to analyze the indirect relationship between the variables included in the model.

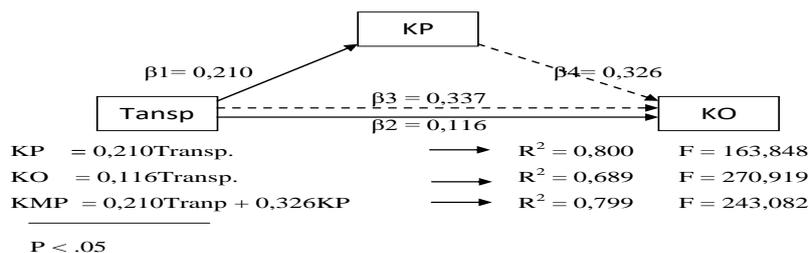


FIGURE II. MEDIATED EFFECT OF EMPLOYEE PERFORMANCE ON THE TRANSPARENCY-ORGANIZATIONAL PERFORMANCE RELATION

Based on the above description, employee performance has a role as a fully mediation between the transparency and Organizational Performance. Furthermore, the following figure will explain the influence of mediating variables (employee performance) between the relationships of accountability and organizational performance.

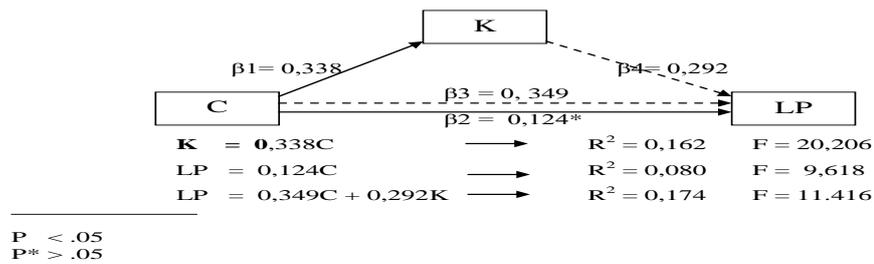


FIGURE III. MEDIATED EFFECT OF EMPLOYEE PERFORMANCE ON ACCOUNTABILITY-ORGANIZATIONAL PERFORMANCE RELATION

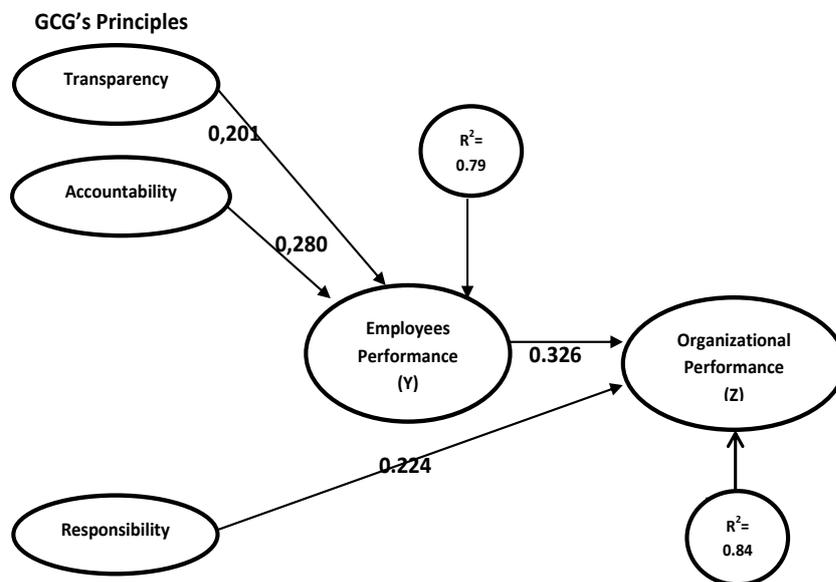
The above picture shows that role of employee performance is as fully mediator among the relationships. Summary of accepted or rejected the hypothesis is described in the following table.

TABLE VII. SUMMARY OF HYPOTHESIS TESTING

	<b>Hypotheses</b>	<b>Condition</b>	<b>Note</b>
H <sub>A1</sub>	There is a positive and significant effect of GCG Principles (transparence and accountability) on employee performance.	✓	Significant
H <sub>A2</sub>	There is a positive and significant effect of GCG Principles (transparence, accountability and responsiveness) on organizational performance	✓	Significant
H <sub>A3</sub>	There is a positive and significant effect of employee performance on organizational performance.	✓	Significant
H <sub>A4</sub>	There is indirect effect of GCG Principles (transparence and accountability) positively and significantly on organization performance mediated by employees performance.	✓	Significant

Note : ✓ = hypothesis is not rejected  
 X = hypothesis is not accepted

Regarding outcome of statistical testing, description of the relationship/direct influence (direct effect) rather than variables that are built into the model of this research can be seen clearly as in the picture below.



Note:  $p < .05$ ; ns = not significant

FIGURE IV. CONDITION OF SIGNIFICANCE OF RELATIONSHIPS AMONG CONSTRUCT MODEL

## V. CONCLUSION

The employee performance of public service in Aceh is influenced by the principles of GGG (transparency and accountability). The Public organization performance in Aceh Province then is influenced by principle of GGG (responsibility). Furthermore, there is an indirect effect of GGG's principles (transparency and accountability) on the public organizational performance via employee performance.

To be able to create better performance, then the leadership of the Public service sector in Aceh Province should be able to improve good government governance.

Having limitations of this study; therefore, next researchers need to incorporate others factors to strengthen the current study.

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