The Effect of Organizational Change on Enhancing Government Employee Performance

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ABSTRACT

Bureaucratic simplification is one of the focuses of the 5 Priorities of the Advanced Indonesian Cabinet under the leadership of President Joko Widodo and Ma'ruf Amin for the 2019-2024 period. The bureaucratic simplification stage consists of three stages, namely simplifying the organizational structure to 2 levels, equalizing administrative/structural positions into functional positions, and adjusting the work system. The bureaucratic simplification is expected to create a dynamic, agile, and professional bureaucracy in supporting public service performance and can have a positive impact on employee performance. However, after the implementation of this policy, several reactions needed to be in line with expectations, especially in terms of employee job satisfaction. In this study, bureaucratic simplification is described by an organizational change in the government sector, with a research locus at The Ministry of Industry of The Republic of Indonesia. The purpose of the study was to determine the effect of organizational change on employee performance through job satisfaction. Data collection was carried out by questionnaire using Google form. The questionnaire results were processed using Structural Equation Modeling Partial Least Square (SEM-PLS) using SmartPLS 4.0 software. The results of this study indicate that organizational change has a direct effect on job satisfaction. Job satisfaction has a direct effect on employee performance. However, organizational change has no direct effect on organizational performance. Organizational change can affect employee performance through the mediation of job satisfaction.

INTRODUCTION

Indonesia is currently faced with the Industrial Revolution 4.0 era, which affects various aspects of life. This condition is often associated with the influence of VUCA, which stands for Volatility, Uncertainty, Complexity and Ambiguity (Firman Syah & Fahrani, 2019). In facing these conditions, the government must immediately improve itself from all aspects, especially in terms of bureaucracy. The government is required to be more agile in providing consistent public services in meeting the needs of the community in accordance with the times. According to Bramantyo & Mardjoeki (2020), the existing bureaucratic structure is a very fat and hierarchical structure, which causes inaction in decision making and bureaucratic work is inflexible and costly. Therefore, organizational change is needed in terms of bureaucracy. According to Blau & Meyer (2000) on Sawir (2020), bureaucracy is a type of organization intended to achieve large administrative tasks by systematically coordinating the work of many people in an organization.

One of the main priorities of the President of Indonesia, Joko Widodo administration for the 2019-2024 period is bureaucratic simplification. The President directed the simplification of the bureaucracy into 2 echelon levels, as well as replacing administrative/structural positions consisting of Administrative Officials (echelon III) and

Supervisors (echelon IV) transferred to functional positions by valuing expertise and competence. The Ministry of Administrative Reform and Bureaucratic Reform of The Republic of Indonesia followed up on this by issuing a Circular Letter of The Minister of Administrative Reform and Bureaucratic Reform of The Republic of Indonesia Number 393 of 2019 concerning strategy and concrete steps to simplify the bureaucracy. There are three stages in simplifying the bureaucracy, consisting of simplifying the organizational structure to 2 levels, equalizing administrative/structural positions into functional positions through adjustment/in passing, and adjusting the work system.

The expected condition of simplifying the bureaucracy is to be able to realize a dynamic, agile, and professional bureaucracy in supporting public service performance, which is expected to have a positive impact on employee performance (Nuviandra & Kustanto, 2023). Then added by Sukamtono et al., (2022), this policy is expected to increase the effectiveness of employee performance and change the mindset of government employees (ASN) who have tended to pursue positions rather than carry out the role of their primary duties and functions as public servants. In addition, decisions can be made more quickly so that the government structure becomes effective and efficient (Rakhmawanto, 2021).

However, after implementing this policy, there were several reactions, based on the results of research from Rakhmawanto (2021), that bureaucratic simplification has yet to be implemented effectively. The impact on the equalization of administrative positions into functional positions still overrides the merit aspect (qualifications and competencies). Added by Marthalina (2021), the implementation of the transfer of structural to functional positions has had no direct impact on the career development of government employees in The Ministry of Administrative Reform and Bureaucratic Reform of The Republic of Indonesia organization over the past year. That

statement is reinforced by a statement from Nuviandra & Kustanto (2023) that this policy can kill the careers of equalized officials because it was found that the functional positions resulting from equalization were not in accordance with their educational background and competence. Based on the above statement, there is still a gap between the expected conditions and the conditions in the field after this policy is implemented. This bureaucratic simplification policy still needs to be addressed because the ASN feels dissatisfied. This condition will actually hinder the goal of simplifying the bureaucracy, which is expected to improve employee performance.

Bureaucratic simplification is described as a form of organizational change within the scope of government. Organizational change aims to find new or improved ways of using existing resources in order to improve the quality improvement, effectiveness, and accountability of the organization to its stakeholders. Organizational change is a way to improve and improve employee performance (Poluakan, 2016). One of the factors that can affect employee performance is job satisfaction. According to Padmanabhan (2021), job satisfaction is a positive and optimistic emotional state over the assessment of work results and work experience. Job satisfaction and performance have a very close relationship. Usually, employees who have high job satisfaction will improve employee performance. That has effects on organizations that tend to be more productive and effective (Eliyana et al., 2019).

Law No. 3/2014 about Industry places industry as one of the pillars of the economy. The law gives a considerable role to the government to encourage the progress of national industry in a planned manner, which is needed to direct the national economy to grow faster and catch up with other countries that developed first. Therefore, as a government agency that has an essential role in the national economy, the Ministry of Industry of the Republic of Indonesia needs to have human resources that have high-

quality performance. The Ministry of Industry of the Republic of Indonesia has made organizational changes, namely by simplifying the bureaucracy in accordance with the mandate of the President of the Republic of Indonesia. The simplification of the organizational structure has been regulated by the Minister of Industry Regulation (Permenperin) No. 7 of 2021 concerning the Organization and Work Procedure of the Ministry of Industry, which has now been replaced by Permenperin No. 8 of 2023. Equalization of structural positions to functional positions in the Ministry of Industry of the Republic of Indonesia has been carried out from June to December 2020. A total of 175 administrator officials were equalized into middle-level functional officials, and 553 supervisory officials were equalized into junior-level functional officials. The implementation of the new work system has been carried out since the beginning of 2022. It has been implemented by all work units within the Ministry of Industry of the Republic of Indonesia. However, based on the results of in-depth interviews with several employees of the Ministry of Industry of the Republic of Indonesia, it was found that there was employee dissatisfaction with this bureaucratic simplification policy, such as increased workload from the previous structural work plus the current functional work, the time required to upgrade the grade becomes long, and the reduced official facilities obtained. Based on the above problems, the purpose of this study is to discuss the effect of organizational change and job satisfaction on employee performance at The Ministry of Industry of the Republic of Indonesia.

METHODS

This research was conducted at The Ministry of Industry of the Republic of Indonesia in May - June 2023. This research uses both primary and secondary data. Primary data was obtained by filling out a questionnaire conducted online using Google Forms. To answer the questionnaire statement, refer to the reference journal, which uses a five-point Likert scale of 1-5. Meanwhile, secondary data is obtained through sources in the form of government regulations and credible and relevant internet articles. The criteria for determining respondents are employees of the Ministry of Industry of the Republic of Indonesia who experience structural to functional position equalization. The total population that fits the criteria is 711 employees. Then, after calculating the number of samples using the Slovin formula in Sulisyanto (2006) with a sampling error of 5%, a sample size of 256 employees is obtained. The sampling method used in this study is stratified random sampling, a sampling method in which a heterogeneous population is divided into several homogeneous groups and then randomly selected from the group.

Research instruments need to be tested first with validity and reliability tests. The validity test is carried out to determine whether the research instrument used can measure the research object precisely and legitimately (Sugiyono, 2013). This research is done by testing the statement items on the research instrument or questionnaire using SPPS software. Based on the validity test, all statements in this study (42 indicators) were declared valid. The results of testing the reliability of all indicators on the variables used in this study are acceptable because they have a Cronbach alpha value of 0.956 (>0.6), so the reliability of the questionnaire statement is classified as good.

The research data were then analyzed using descriptive analysis to describe the characteristics of respondents in terms of gender, education, structural position level, and functional position level. Furthermore, the data analysis method used in this research is Structural Equation Modeling (SEM) with Partial Least Square (PLS) using SmartPLS 4.0 software. According to Ghozali (2006), PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based approach. Several stages are carried out to analyze this research, such as the evaluation of the measurement model

(outer model), evaluation of the structural model (inner model) and hypothesis testing.

Hypothesis:

H1: Organizational changes significant to job satisfaction;

H2: Organizational changes significant to employee performance;

H3: Job satisfaction significant to employee performance;

H4: Organizational change is significant to employee performance through job satisfaction.

RESULT

Among the 256 respondents, 55% are male, 66% are from 33-44 years old, 70% the level of education from magister, and 84% are from a junior functional position level.

Result of SEM-PLS Analysis

Outer Model Evaluation

An indicator is considered to be valid if it achieves the measurement goal from the appropriate latent variable. According to the rule of thumbs, which refers to Hair et al., (2010) and Ghozali (2006), a loading factor ≥ 0.5 is considered significant. From the result of the model Goodness of Fit test, the relatedness among the variables is obtained, as shown in Figure 1.

Based on the loading factor value contained in Figure 1, the Organizational Change variable is reflected by the context dimension because it has the highest value of 0.944 compared to the process dimension, which has a value of 0.903. The job satisfaction variable is reflected by the supervisor dimension because it has the highest loading factor value of 0.874, followed by the dimension of the job itself, which has a loading factor value not so far from the superior dimension, which is 0.855. Meanwhile, the dimension that least reflects job satisfaction is salary because it has the lowest loading factor of 0.604. Meanwhile, in the employee performance variable, the timeliness dimension has the highest loading factor value of 0.909, followed by the quality dimension, whose loading factor value is not so far from the timeliness dimension, which is 0.899. Meanwhile, the dimension that least reflects employee performance is presence because it has the lowest loading factor of 0.752.

The convergence validity test was conducted to determine the average variance extracted (AVE) value for each variable. The results showed that the AVE value was 0.5, which aligns with the recommended threshold (Hair et al., 2010). Based on Table 1, it can be observed that all AVE values and composite reliability values meet the specified requirements.
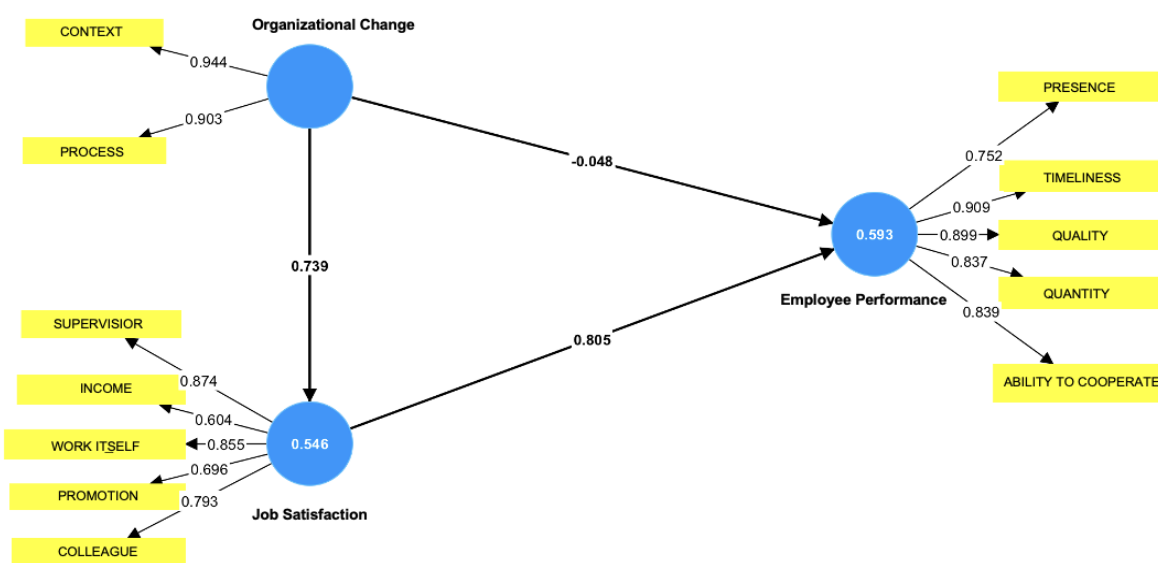

Figure 1. Diagram of structural equation path

Table 1. Average Variance Extracted (AVE), Cronbach's Alpha and Composite Reability Values

Laten Variabel	Average Variance Extracted (AVE)	Cronbach's Alpha	Composite Realibility
Organizational Change (OC)	0.853	0.831	0.921
Job Satisfaction (JS)	0.595	0.827	0.878
Employee Performance (EP)	0.721	0.902	0.928

Table 2. R-Square Value

Dependent Variabel	R-Square
Job Satisfaction (JS)	0.546
Employee Performance (EP)	0.593

Model Goodness

R-Square value in the SEM model for endogenous variables, namely job satisfaction and employee performance. R-Suquare value is used to measure the change variance level of the independent variable on the dependent variable. Based on Table 2, the R-Square value shows that the job satisfaction model explains organizational change by 54.6%, and the remaining 45.4% is explained by other variables. Based on the R-Square value in Table 2, it shows that the employee performance model is explained by organizational change and job satisfaction by 59.3%, and the remaining 40.7% is explained by other variables.

The R-Square value is used to calculate the Goodness of Fit (GoF) to show whether a model is fit or not. Based on Ghozali & Lathan (2017), GoF has three levels of value, namely small if the GoF value $\geq$ 0.10, medium if the GoF value $\geq$ 0.25, and large if the GoF value $\geq$ 0.36. The goodness of Fit (GoF) value: GoF = 1-[(1-R1)(1-R2)] = 1-[(1-0.546)(1-0.593)] = 0.815, which means 81.5 percent of the total variable diversity can be explained by the variables in the study. The GoF value obtained in this study is above 0.36, which means that the GoF value is large. Therefore, based on the GoF value, the performance between the structural model and the measurement model as a whole is excellent and can be used in different cases.

Hypothesis

The results of the SEM model estimation for direct and indirect effects are outlined in Table 3. The data analysis indicates that three hypotheses are accepted, while one is rejected. Table 3 provides the SEM analysis results to address the four research hypotheses.

Table 3. Result of path coefficient, t-stat, P Values of direct and inderect effect among the latent variables

Path	Path coefficient	t-statistics	*P Values*	Conculsion	Remark
OC $\rightarrow$ JS	0.739	19.280	0	significant	Accepted H1
OC $\rightarrow$ EP	-0.048	0.655	0.512	insignificant	Rejected H2
JS $\rightarrow$ EP	0.805	13.226	0	significant	Accepted H3
OC $\rightarrow$ JS $\rightarrow$ EP	0.595	10.231	0	significant	Accepted H4

Organizational Change on Job Satisfaction

Based on Table 3, it can be seen that the organizational change variable on employee performance has a path coefficient value of 0.739, which shows a positive value, which means that the relationship between variables is in the same direction (positive) as hypothesized. Based on the t-statistics of this hypothesis, which has a value of 19.280 (>1.96) and a P-value of 0 (<0.05), this proves that there is significance at the level α = 5% in the hypothesis. So, the organizational change variable has a positive and significant effect on job satisfaction. It means that organizational change can increase job satisfaction. The results of this study are in line with the results of Jannah's research (2020), which states that there is a positive and significant influence of organizational changes on job satisfaction at PT Pelindo III. Thus, the first hypothesis (H1) is proven and accepted in this study.

Organizational Change on Employee Performance

Based on Table 3, it can be seen that the organizational change variable on employee performance has a path coefficient value of -0.048. These results indicate a negative number, which indicates that the relationship between variables is not in the same direction (negative) as hypothesized. Based on the t-

statistics of this hypothesis, which has a value of 0.655 (<1.96) and a P-value of 0.512 (>0.05), this proves that the hypothesis is not significant at the level $\alpha = 5\%$. Based on these results, it states that organizational change has a negative and insignificant effect on employee performance. It means that the better the organization makes organizational changes, there is no significant effect on employee performance. The results of this study are supported by research from Zakiy et al., (2023), which states that organizational changes in Bank Syariah Indonesia have a negative and insignificant effect on employee performance. Other studies have contradictions with this study, namely research from Taufik & Supriadi (2022), which examines the simplification of bureaucracy, which is an organizational change that states that there is a positive and significant effect on the performance of educational staff of the state civil apparatus of UPN "Veteran" Jakarta. Therefore, the second hypothesis (H2) is not proven and rejected in this study.

Job Satisfaction on Employee Performance

Based on Table 3, it can be seen that the job satisfaction variable on employee performance has a path coefficient value of 0.805. These results indicate a positive value number, which means that the relationship between variables is in the same direction (positive) as hypothesized. Based on the t-statistics of this hypothesis, which has a value of 13.226 (>1.96) and a P-value of 0 (<0.05), this proves that there is significance at the level $\alpha = 5\%$ in the hypothesis. So, the job satisfaction variable has a positive and significant effect on employee performance. It means that increasing job satisfaction can improve employee performance. The results of this study are in line with the research of Damai et al., (2023), which states that job satisfaction has a direct (positive) and significant effect on employee performance at PT Bumitama Gunajaya Agro. Thus, the third hypothesis (H3) is proven and acceptable in this study.

Organizational Change on Employee Performance trough Job Satisfaction

Based on Table 3, it can be seen that the organizational change variable on employee performance through the intervening variable of job satisfaction has a path coefficient value of 0.595, which shows a positive value, which means that the relationship between variables is in the same direction (positive) as hypothesized. Based on the t-statistics of this hypothesis, which has a value of 10.231 (>1.96) and a P-value of 0 (<0.05), this proves that there is significance at the level $\alpha = 5\%$ in this hypothesis. So, the organizational change variable has a positive and significant effect on employee performance through job satisfaction. It means that the job satisfaction variable acts as a complete mediation of the relationship between organizational change and employee performance. This finding implies that the only way to improve employee performance is to focus on increasing job satisfaction on the basis of good organizational change management. The results of this study are in line with Rozanna et al., (2019), which states that job satisfaction is positively and significantly a mediating variable between organizational change variables and employee performance. Thus, in this study, the fourth hypothesis (H4) is proven and acceptable.

CONCLUSION

In this study, bureaucratic simplification is described as an organizational change in the Ministry of Industry of the Republic of Indonesia. Based on the Structural Equation Modeling Partial Least Square (SEM PLS) analysis, the organizational change variable is reflected by the context and process dimensions. Then, the job satisfaction variable is reflected by the dimensions of the supervisor and the job itself. The dimensions of timeliness and quality reflect the employee performance variable. Organizational change has a positive and significant effect on job satisfaction, and job satisfaction has a positive and significant effect on employee performance. However, organizational

change does not have a direct and significant effect on employee performance. Job satisfaction is needed to mediate organizational change in employee performance. Therefore, organizations need to focus more on job satisfaction so that the objectives of organizational change can be achieved in improving employee performance.

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