

INFLUENCE MEDIATION OF ORGANIZATIONAL INNOVATION ON PERFORMANCE AT THE TIRTA DAROY DRINKING WATER COMPANY (PDAM) AND TIRTA MOUNTALA ACEH

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Abstract

The purpose of this study is to determine the influence of Human Capital, Environmental Uncertainty through organizational innovation on non-financial business performance at the Tirta Daroy Drinking Water Company (PDAM) in Banda Aceh. The object of this study is the influence of Human Capital, Environmental Uncertainty through organizational innovation on non-financial business performance. The number of samples in this study was 159 employees. Research data were collected through questionnaires and documentation. Hypothesis testing in this study is presented based on research objectives. The level of confidence used is 95%, so the level of precision or inaccuracy limit is $(\alpha) = 7\% = 0.07$. And produces a t-table value of 1.96.

Keywords: *Human Capital, Environmental Uncertainty, Organizational Innovation and Non-Financial Business Performance*

INTRODUCTION

Human resources (HR) are the main factor that must be considered for its development because with good and professional HR it will greatly help in optimizing performance in a government or private agency. Performance is a work achievement, namely comparing the real work results with the established work standards. Every government or private agency will always improve the performance of its employees in order to achieve the goals that have been set. PDAM as one of the government agencies in the form of BUMD (Regional-Owned Enterprises) which has a type of service included in the goods service group, namely services that produce various forms/types of goods in this case is the provision of clean water. The Regional Drinking Water Company (PDAM) as a Regional-Owned Enterprise (BUMD) which carries out the task and obligation to manage drinking water for the benefit of the community/customers is not free from being faced with the demands to always be able to provide superior service in an effort to increase customer satisfaction. Public sector organizations are organizations that are related to the public interest and the provision of goods or services to the public that are paid for through taxes or other state revenues regulated by law. Public sector organizations are not merely non-profit oriented organizations.

Public sector organizations are of the quasi-profit type, namely those that aim to improve the welfare of the community with a surplus or profit motive so that the organization continues and contributes to state or regional income, for example state-owned enterprises (BUMN) and regional-owned enterprises (BUMD). PDAM is one of the BUMDs engaged in the provision of clean water and has a dual function, namely as a non-profit business and for profit business. Performance is a description of the level of achievement of the implementation of an activity/program/policy in realizing the goals, objectives, vision and mission of the organization as stated in the strategic planning of an organization. Performance assessment is basically a human activity in achieving organizational goals. Performance assessment as a periodic determinant of the operational effectiveness of an organization, organizational parts and employees based on previously determined standard targets and criteria. Performance assessment is

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actually an assessment of human behavior in playing a role in the organization (Mulyadi in Huda, 2013:5). The public sector performance measurement system aims to assist public sector managers in assessing the achievement of a strategy through financial and non-financial measurement tools. The performance measurement system can be used as an organizational control tool in determining rewards and punishments for employees. Financial performance assessment is measured based on the established budget. Non-financial performance assessment can be used as another benchmark. Non-financial information can increase confidence in the quality of the management control process. The most comprehensive and developed financial and non-financial performance measurement technique is the balance score card technique.

In the company's innovation activities to achieve goals cannot be separated from operational performance, where operational performance is a resource activity that has an influence on the company in achieving company achievements and performance. Achievement of company achievements and performance can be measured through financial performance and operational performance, financial performance can be measured through the company's financial condition from year to year. While operational performance can be measured through the conditions of achievement in the company's operations. Achieving good operational performance requires support from organizational performance, where organizational performance is a competitive advantage that is not the final goal, but a tool to achieve organizational goals, namely organizational performance that produces relatively high profits (Ferdinand, 2013). Whether or not innovation activities run is largely determined by the ability of human resources and innovations owned by the company to carry them out such as process innovation, product innovation, marketing innovation and organizational innovation.

Issues related to innovation organization in PDAM company in Aceh Province, namely the low level of innovation organization in government asset management the region gives rise to problems, to avoid problems such as those known, the Regional Government must improve innovation organization. Innovation in an organization is not something new, magnificent and luxurious. It takes a proper solution to solve various problems with the right method so that it drains existing resources. Talking about innovation in an organization does not have to involve sophisticated technology. Organizational innovation tends to be a solution to the obstacles being faced in an organization. Human capital is a characteristic of human resources determined by the knowledge possessed which is used to create value for the organization (Collin and Clark, 2016). Organizations with quality human resource expertise and higher knowledge are likely to create higher quality knowledge, so they will make the right decisions and have better innovation (Hitt et al, 2006).

Research Hypothesis

Hypothesis testing in this study is:

- H1: There is an influence human capital to innovation organization on Aceh Provincial Drinking Water Company.
- H2: There is the influence of environmental uncertainty to innovation organization on Aceh Province Drinking Water Company.
- H3: There is an influence of innovation organization against business performance on Company Drinking Water of Aceh Province.
- H4: There is an influence human capital to business performance on Aceh Province Drinking Water Company.
- H5: There is the influence of environmental uncertainty to business performance at the Aceh Provincial Drinking Water Company.
- H6: There is an influence human capital through innovation organization against business performance on Aceh Province Drinking Water Company.

H7: Is there an influence of environmental uncertainty? through innovation organization against business performance at the Aceh Provincial Drinking Water Company.

LITERATURE REVIEW

Theoretical basis

Performance Concept

In the formal control system, performance measures include financial and non-financial measures (Fisher 1998). Financial measures actually show various actions that occur outside the financial field. The increase in financial return is the result of various operational performances, including increasing consumer confidence in the products produced by the company, increasing the cost effectiveness of internal business processes used by the company to produce products and increasing employee productivity and commitment (Mulyadi & Setyawan 2001).

Performance Indicators

Performance Indicators according to Buyung (2007), state that: a. Quality of work results is for consumer satisfaction; b. Quantity of work results is to measure the level of productivity; c. Communication of working alone is to be reliable; d. Knowledge and work skills are to get quality work results; and e. Responsibility: is the responsibility of an employee towards Equipment and processes, Materials and work safety for others. Meanwhile, according to Mathis (2016), states that: a. Quantity of results; b. Quality of results; c. Timeliness of results; d. Attendance; and e. Communication of cooperation.

Table 2.1

Dimensions and Indicators of Performance-Based Commitment

Dimensions	Indicator
	1 Quantity of results
	2 Quality of the results
	3 Timeliness of results
	4 Presence
	5 Communication works together

Source :Mathis (20016),

Organizational Innovation

West (2017) innovation is introduction of new and better ways of doing things in the workplace. Innovation does not imply absolute renewal and a change can be considered an innovation if it is perceived as new to the person, group or organization introducing it. Innovations can range from minor innovations to major innovations.

Organizational Innovation Indicators

Organizational innovation as the development and use of new ideas or behaviors relate on new products, services, markets, and administration (Damanpour et al., 2009). This study, using the dimensions of organizational innovation refers to the study of Wang and Ahmed (2015) which includes: 1). Product innovation, namely products introduced in the market that are timely, 2). Market innovation, related to the targeted market. 3). The innovation process is related to methods, new management approaches and new technologies that can be used to improve production and management processes. 4) Behavioral innovation is related to innovative culture. 5). Strategic innovation is related to the organization's ability to manage ambitious.

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Human capital

Human capital interpreted as humans themselves who are personally lent to the institution with their individual capabilities, commitment, knowledge, and personal experience. Although not only seen from an individual perspective but also as a work team that has good personal relationships within or outside the institution (Stewart 2017 in Totanan 2015).

Human Capital Indicators

Measurement of human capital is not intended to determine the intrinsic value of Human Resources, but rather the impact of Human Resources behavior on organizational processes. This measurement is important to determine the effectiveness of the strategy implemented by the institution on how much employee contribution to performance improvement. In addition, Human Resources measurement is a very important performance management and as a tool for making improvements.

Fitz Enz (2017) in Endri (2011), institutions that do not measure Human Resources will not be able to:

1. Communicating performance expectations the specific
2. Knowing what's real occurs in the organization
3. Identify performance gaps that must be analyzed and eliminated
4. Provide feedback with compare performance against standard
5. Knowing the performance that must be given reward
6. Supporting related decisions with resource allocation, projections, and schedule

Environmental Uncertainty

Environmental uncertainty is a factor that affects business performance. Environmental uncertainty can be defined as a person's sense of inability to predict social and physical factors that affect the behavior of decision makers in an organization (Sari, 2014).

Environmental Uncertainty Indicators

Indicators for measuring environmental uncertainty variables (Adelia, 2015:17) are as follows:

1. State uncertainty
If someone feels that the environment is unpredictable, it means that someone does not understand how the components of the environment will change. A manager may feel uncertain about what actions to take in the face of the dynamics of relevant environmental changes, such as changes in technology, culture and so on.
2. Effect uncertainty
Related to a person's inability to predict the influence of the environment. This uncertainty of influence includes nature, depth, and time. A person is in uncertainty of influence, if he feels uncertain about how an event affects the nature, how far the event influences (depth) and when the influence will reach the organization (time). The uncertainty of the influence of events that occur in the future becomes even more prominent if the uncertainty of environmental conditions is very high in the future.
3. Response uncertainty
It is an attempt to understand what response options are available to the organization and the benefits of each response to be undertaken. Thus, response uncertainty is defined as the lack of knowledge about response options and the inability to predict the consequences that may arise as a result of response choices.

RESEARCH METHODS

Research Type

The research method used is a quantitative research method, where the research is aimed at describing and analyzing phenomena, events, social activities, attitudes, beliefs, perceptions, and thoughts of people individually. This research has four variables, namely Human capital, Environmental Uncertainty, Innovation organization, and non-financial business performance.

Research Location

The location taken in this study was the Regional Drinking Water Company (PDAM) Tirta Daroy, Banda Aceh City, which is located at Jl. Stadion H. Dimurthala No. 1, New City, Kuta Alam District, Banda Aceh City.

Population and Research Sample

The population in this study was all employees at PDAM Tirta Daroy and Tirta Mountala, namely 367 employees. The recruitment The sample in this study used random sampling, which is a type of probability sampling where every person in the entire target population has the same opportunity to be selected. The sample size is determined using the Slovin formula. Population = 367 with an error margin of 6%, then the size is obtained sample of 159 people.

$$n = \frac{N}{1 + (N \times e^2)}$$

Information :

n = sample size/ number of respondents

N = population size

e = percentage of tolerance for sampling error accuracy that can still be tolerated.

From the calculation results using the Slovin formula above, using a 6% margin of error, the result is 159 people.

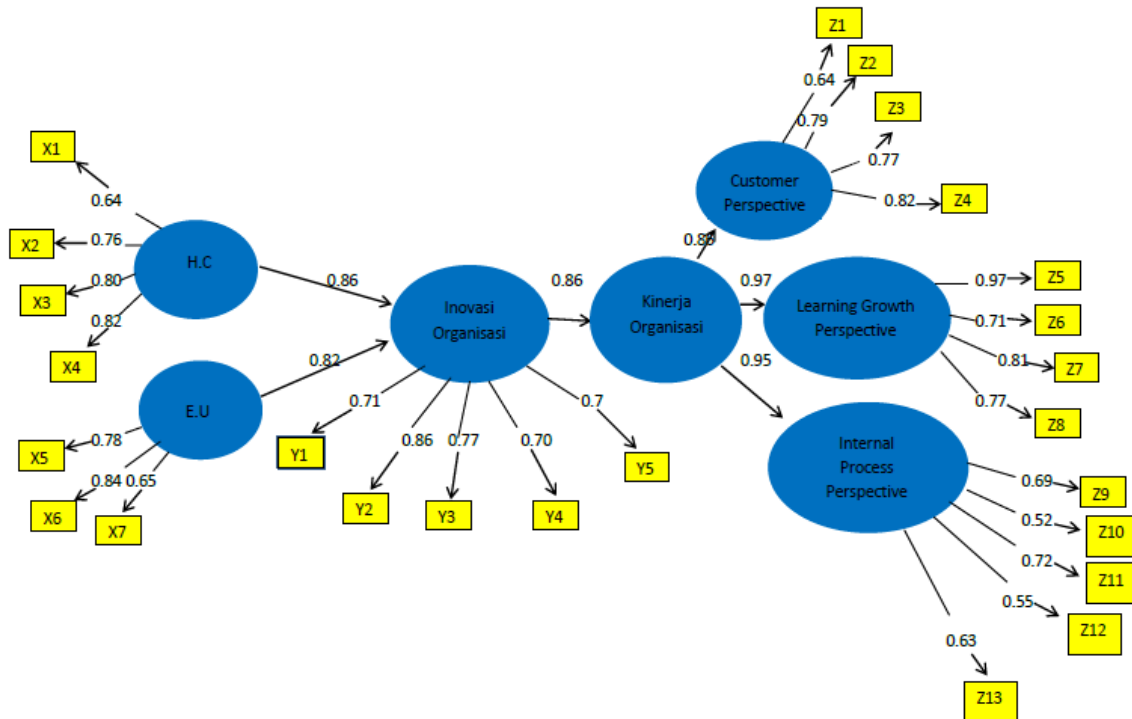
RESULTS OF ANALYSIS AND DISCUSSION

Outer Model Analysis

In the analysis using SmartPLS, the outer model test includes validity and reliability tests, as suggested by Rahmasari et al. (2019). The validity test aims to ensure that the indicator is able to measure the intended variable accurately, including convergent and divergent tests. Meanwhile, the reliability test is used to assess the reliability of the indicator in measuring the same construct. The results of these two tests are used to evaluate the quality of the model and the interpretation of relevant empirical data to support valid research decisions.

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Hypothesis Testing

Hypothesis testing will be conducted after all assumptions are met, as explained previously. Hypothesis testing of this study is conducted based on the Critical Ratio (CR) value of a causal relationship based on the results of SEM processing.

Hypothesis Testing

- H1: Human capital has a significant influence on organizational innovation at Drinking Water Companies in Aceh.
- H2: Environmental uncertainty has a significant effect on organizational innovation at the Tirta Daroy and Tirta Mountala Aceh drinking water companies.
- H3 : Organizational Innovationhas a significant influence on organizational performance at the Tirta Daroy and Tirta Mountala Aceh drinking water companies.
- H4: Human capitalhas a significant influence on organizational performance through organizational innovation at the Tirta Daroy and Tirta Mountala Aceh drinking water companies.
- H5: Environmental uncertainty has a significant effect on organizational performance through organizational innovation at the Tirta Daroy and Tirta Mountala Aceh drinking water companies.

Implications of Research Results

VariablesHuman Capitalused in two direct hypotheses, namely the influence of human capital on organizational innovation at the Drinking Water Company in Aceh and the influence of human capital on organizational performance at the Drinking Water Company in Aceh. The role of Human Capital in improving organizational Innovation and Organizational Performance is very real. This can be seen from the coefficient of influence of human capital on organizational innovation which is relatively large reaching 20.1%, as well as the coefficient of influence of human capital on organizational performance

which is even much larger, reaching 53.1%. To realize this, managers at PDAM Tirta Daroy Banda Aceh and Tirta Mountala Aceh Besar need to pay special attention, especially to indicators that provide the greatest contribution to the formation of human capital variables, namely "I consider the expertise of employees to be an important component in contributing to achieving company performance" In other words, the main focus that must be done by managers at this PDAM related to human capital is increasing their expertise either through internships, training and coaching, workshops or cooperation in improving human resources with similar companies from other regions.

CONCLUSION AND SUGGESTIONS

Conclusion

1. In the direct influence, there are five hypotheses developed concerning the determinants of organizational performance factors at PDAM Tirta Daroy Banda Aceh and PDAM Tirta Mountala Aceh Besar and all of them have a positive and significant influence.
2. Related to the direct influence compared to the indirect influence, organizational innovation plays two different roles. In the influence of Human Capital on organizational performance, its role is partial mediation. Then, in the influence of environmental uncertainty on organizational performance, its role is full mediation.

Suggestion

1. The Human Capital variable is used in two direct hypotheses, namely the influence of human capital on organizational innovation at the Drinking Water Company in Banda Aceh and Aceh Besar, the influence of human capital on organizational performance at the Drinking Water Company in Banda Aceh and Aceh Besar. The role of Human Capital in improving organizational Innovation and Organizational Performance is very real. This can be seen from the coefficient of influence of human capital on organizational innovation which is relatively large reaching 20.1%, as well as the coefficient of influence of human capital on organizational performance which is even much larger, reaching 53.1%. To realize this, managers at PDAM Tirta Daroy Banda Aceh and PDAM Tirta Mountala Aceh Besar need to pay special attention, especially to the indicators that provide the greatest contribution to the formation of the human capital variable, namely "I consider the expertise possessed by employees to be an important component in contributing to the achievement of company performance" In other words, the main focus that must be carried out by managers at this PDAM related to human capital is increasing their expertise either through internships, training and coaching, workshops or cooperation in improving human resources with similar companies from other regions.

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