

# The Effect of Good Governance on Performance Employees through Intellectual Capital in the Sumatera Utara Regional Police

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## ABSTRACT

The purposes of this study are to: (1) determine the direct relationship of good government governance with employee performance in the Sumatera Utara Regional Police (2) determine the relationship of good government governance to structural capital, human capital, and relational capital (3) find out the correlation of structural capital, human capital, and relational capital with employee performance (4) find out whether structural capital, human capital, and relational capital are able to mediate in the relationship between good government governance and employee performance in the Sumatera Utara Regional Police. This research is explanatory research. The population in this study are police officers in the Sumatera Utara Regional Police who occupy structural positions, while the sample of this study involved 100 respondents to meet the sample criteria that were deemed most suitable for maximum likelihood analysis in SEM. Data is processed using structural equation modeling (SEM) techniques using SmartPLS software. The results showed that (1) good government governance has a significant positive correlation with employee performance (2) good government governance has a significant positive correlation with structural capital, human capital, and relational capital, (3) structural capital, and relational capital has a significant positive correlation with employee performance and human capital is positively correlated but not significant with employee performance (4) structural capital, human capital, and relational capital can act as intervening variables that mediate the relationship between good government governance and employee performance.

**Keywords:** good government governance, structural capital, human capital, relational capital, and employee performance

## BACKGROUND

In the context of economic recovery, the Indonesian government and International Monetary introduced and planned the concept of Good Government Governance (GGG) as a healthy organizational governance. Pratolo (2011) states that in implementing GGG there are five main principles, namely justice, transparency, accountability, responsibility and independence.

This policy is also followed by the National Police (POLRI) as a government institution. POLRI carries out reforms so that in the future the Police will become a good, clean, transparent, accountable and authoritative institution. Polri is required to prioritize good governance in every performance. The application of the principles of good government governance is then translated by the Police into the National Police Grand Strategy which is divided into 3 stages, namely: Trust Building (2005-2010), Partnership Building (2010-2015), and Strive for Excelent (2016-2025). The Sumatera utara Regional Police as one of the Polri institutions in Indonesia are also implementing this strategy. However, in its implementation, the Sumatera Utara Regional Police faced various problems, such as a decrease in the level of public confidence in the National Police's performance and lax supervision in

the field. The results of a survey by the Lingkar Survey Indonesia (LSI) (Republika, 2019) which state that public trust in the Police has decreased to 72.1%. The decline in public trust is due to the low quality and professionalism of the police apparatus, as well as low productivity and discipline. The Rena Bureau which is tasked with fostering and carrying out planning and budgeting functions including monitoring and evaluation of staff can make RPD data and budget realization as a measure of the performance of the Sumatera Utara Police staff.

Changes and improvements in the quality of performance of the Police are needed to restore and restore public trust. Good governance and clean governance of course have implications for the competence of the apparatus, whose dimensions include knowledge, skills and attitudes that require basic elements, among others, elements of reliability of government actors and administrators. Mulyati (2012) states that government officials must be carried out with a high spirit of professionalism, namely by people who have high knowledge, skills and attitudes.

Intellectual capital is a set of knowledge, information and intellectual property, experience, competence, and organizational learning that can be used for welfare creation. Stewart (1998) states that intellectual capital consists of human capital, structural capital and relational capital. Human Capital is defined as an important element to increase organizational assets and is used to increase productivity in order to maintain a competitive advantage (Bontis, 1998). Structure capital relates to the organization's ability to meet community needs (Habiburrachman, 2008). Relational capital is the result of an organization's ability to interact positively with society. The management of the three elements of intellectual capital will assist the police in achieving success. Based on the results of a survey conducted on 32 Sumatera utara Police officers, the implementation of GGG and IC management had an effect on

employee performance. This is of course a phenomenon amid the decline in public trust in police performance.

### **Good Government Governance Implementation Factors**

The requirements for the success of implementing GGG have two factors that play the following roles (Ristifani, 2009):

#### **a. External Factors**

- 1) There is a good legal system.
- 2) Support for the implementation of GGG from the public sector / government agencies.
- 3) There are examples of proper GGG implementation (best practices).
- 4) The development of a social value system that supports the implementation of GGG in the community.
- 5) The anti-corruption spirit that develops in the public environment where the organization operates is accompanied by improvements in education quality problems and expansion of job opportunities.

#### **b. Internal factors**

- 1) There is an organizational culture (corporate culture) that supports the implementation of GGG.
- 2) Various regulations and policies issued by the organization refer to the implementation of GGG values.
- 3) The management of organizational risk control is also based on GGG standard principles.
- 4) There is an effective audit (inspection) system in the organization.
- 5) There is information disclosure for the public.

### **Intellectual Capital**

Intellectual capital is an intangible asset (intangible asset) owned by an organization, and is one of the largest assets owned by the organization. Harrison et. al. (2000) argued that organizational success is greatly influenced by the organization's routine efforts to maximize the values of the intellectual capital the organization has.

Intellectual capital provides a diversity of different organizational values such as increased profit 4 acquisition of innovation from other organizations, community loyalty, reduced costs, and improved productivity. There are still many different views on how to measure intellectual capital among experts. However, many agree that there are 3 intellectual capital models, namely human capital, structural capital, and customer capital (organizational capital).

### Employee Performance

Many factors affect the performance of individual workers including abilities, motivation, support received, the existence of the work they do, rewards or incentives, their relationship with the organization and

many other factors. Organization or company, its performance depends more on the performance of individual workforce. According to Mangkunegara (2001) (Hatane, I., & Sastrawati, 2017) "performance is the result of work in quality and quantity achieved by an employee in carrying out his duties in accordance with the responsibilities assigned to him". Based on the understanding of performance (work performance) is the work result that can be shown by an employee either in the form of quantity or quality of his work at the company. Intellectual capital is very important for a company because it can determine the extent of progress and capabilities of its employees and can also be used as a consideration for developing the organization in the future.

### Conceptual Framework

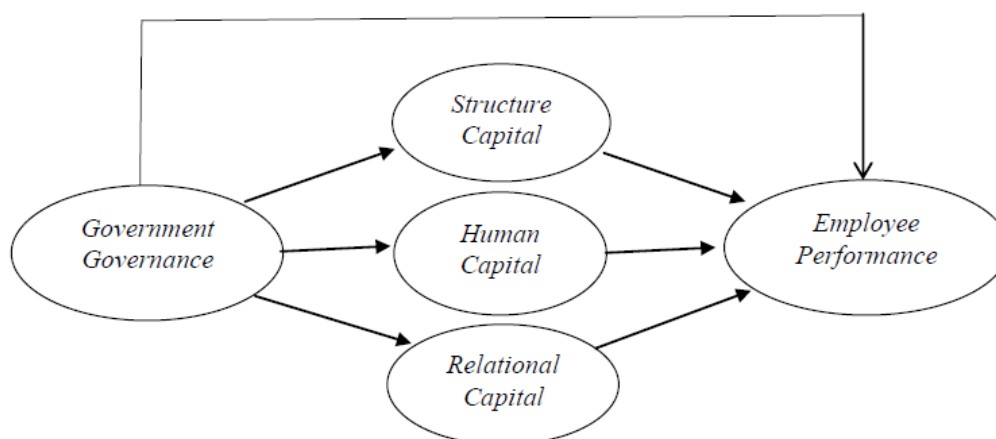


Figure 1: conceptual framework

### Hypothesis

1. Good Government Governance has a positive effect on Human Capital at the Sumatera Utara Regional Police's Renault Bureau
2. Good Government Governance has a positive effect on Structure Capital at the Sumatera Utara Regional Police's Renault Bureau
3. Good Government Governance has a positive effect on Relational Capital at the Sumatera Utara Regional Police's Renault Bureau
4. Good Government Governance has a positive effect on Employee Performance at the Sumatera Utara Regional Police's Renault Bureau
5. Human Capital has a positive effect on Employee Performance at the Sumatera Utara Regional Police's Renault Bureau
6. Structure Capital has a positive effect on Employee Performance at the Sumatera Utara Regional Police's Renault Bureau
7. Relational Capital has a positive effect on Employee Performance at the Sumatera Utara Regional Police's Renault Bureau

8. Human Capital has a significant effect in mediating the relationship between Good Government Governance and Employee Performance at the Sumatera Utara Regional Police's Renault Bureau
9. Structure Capital has a significant effect in mediating the relationship between Good Government Governance and Employee Performance at the Sumatera Utara Regional Police's Renault Bureau
10. Relational Capital has a significant effect in mediating the relationship between Good Government Governance and Employee Performance at the Sumatera Utara Regional Police's Renault Bureau

influence between one variable and another. This study aims to determine and analyze the effect of Good Government Governance on Employee Performance through the Intellectual Capital variable at the Sumatera Utara Regional Police. This research is conducted through data collection and quantitative analysis (questionnaire) and testing using path analysis. The populations in this study were employees of the Sumatera Utara Regional Police who held structural positions, namely 5362 people. While the sampling method using Slovin technique between 10-20% of the study population with a total sample of 100 people. Data collection techniques used in this study were by distributing questionnaires and conducting direct interviews with parties related to the research being carried out. The data were processed using structural equation modeling (SEM) techniques using SmartPLS software.

## RESEARCH METHODS

The type of research used is explanatory research. According to Sugiyono (2014) explanatory research is a research method that intends to explain the position of the variables under study and the

## RESULTS AND DISCUSSION

### Hypothesis Testing Direct Influence (Inner Model)

Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
GG (Q) -> EP (Y)	0.167	0.163	0.056	2.998	0.003
GG (Q) -> HC (M2)	0.501	0.517	0.106	4.721	0.000
GG (Q) -> RC (M3)	0.282	0.286	0.100	2.818	0.005
GG (Q) -> SC (M1)	0.555	0.570	0.097	5.696	0.000
HC (M2) -> EP (Y)	0.129	0.138	0.096	1.341	0.180
RC (M3) -> EP (Y)	0.243	0.245	0.120	2.032	0.043
SC (M1) -> EP (Y)	0.459	0.454	0.088	5.225	0.000

Figure 2: Path Coefficient Value and Significance Testing

1. The path coefficient value of GGG (Q) to HC (M1) is positive, namely 0.555 (Original Sample column). Because the path coefficient is positive, it means that GGG (Q) has a positive effect on HC (M1). It is known that the P-Values value is 0.000 < 0.05, so GGG (Q) has a positive and significant effect on HC (M1).
2. The path coefficient value from GGG (Q) to SC (M2) is positive, namely 0.501 (Original Sample column). Because the path coefficient value is positive, it means that GGG (Q) has a positive effect on SC (M2). It is known that the P-Values value is 0.000 < 0.05, then GGG (Q) has a positive and significant effect on SC (M2).
3. The path coefficient value from GGG (Q) to RC (M3) is positive, namely 0.282 (Original Sample column). Because the path coefficient value is

positive, it means that GGG (Q) has a positive effect on RC (M3). It is known that the P-Values value is  $0.005 < 0.05$ , so GGG (Q) has a positive and significant effect on RC (M3).

4. The path coefficient value from GGG (Q) to EP (Y) is positive, namely 0.167 (Original Sample column). Because the path coefficient value is positive, it means that GGG (Q) has a positive effect on EP (Y). It is known that the P-Values value is  $0.003 < 0.05$ , so GGG (Q) has a positive and significant effect on EP (Y).
5. The path coefficient value of HC (M1) to EP (Y) is positive, namely 0.459 (Original Sample column). Because the path coefficient value is positive, it means that HC (M1) has a positive effect on EP (Y). It is known that the P-Values value is  $0.000 < 0.05$ , so HC (M1) has a positive and significant effect on EP (Y).
6. The path coefficient value from SC (M2) to EP (Y) is positive, namely 0.129 (Original Sample column). Because the path coefficient value is positive, it means that SC (M2) has a positive effect on EP (Y). It is known that the P-Values value is  $0.180 > 0.05$ , so SC (M2) has a positive effect on EP (Y), but not significant.
7. The path coefficient value from RC (M3) to EP (Y) is positive, namely 0.243 (Original Sample column).

Because the path coefficient value is positive, it means that RC (M3) has a positive effect on EP (Y). It is known that the P-Values value is  $0.043 < 0.05$ , so RC (M3) has a positive and significant effect on EP (Y).

**Table 1: Coefficient of Determination**

	R Square
HC (M1)	0.308
SC (M2)	0.251
RC (M3)	0.080
GGG (Q)	0.611

Based on Table 1, the coefficient of determination (R-Square) of HC (M1) is 0.308. This value can be interpreted that GGG (Q) is able to affect HC (M1) by 30.8%. The coefficient of determination (R-Square) of SC (M2) is 0.251. This value can be interpreted that GGG (Q) is able to affect SC (M2) by 25.1%. The coefficient of determination (R-Square) of RC (M3) is 0.080. This value can be interpreted that GGG (Q) is able to affect RC (M3) by 8%. The coefficient of determination (R-Square) of GGG (Q) is 0.611. This value can be interpreted that GGG (Q) is able to affect EP (Y) by 61.1%.

### Mediation Testing

Furthermore, the mediation test is carried out, namely testing whether HC (M1), SC (M2), RC (M3) are significant in mediating the relationship between GGG (Q) and EP (Y).

**Table 2: Mediation Testing Results**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values
GGG (Q) -> HC (M1) -> EP (Y)	0.396	0.425	0.005	4.681	0.000
GGG (Q) -> SC (M2) -> EP (Y)	0.262	0.283	0.091	2.899	0.004
GGG (Q) -> RC (M3) -> EP (Y)	0.158	0.181	0.064	2.468	0.014

1. P-Values of GGG (Q) -> HC (M1) -> EP (Y) is  $0.000 < 0.05$ , it is concluded that HC (M1) is significant in mediating the relationship between GGG (Q) and EP (Y).
2. P-Values of GGG (Q) -> SC (M2) -> EP (Y) is  $0.004 < 0.05$ , it is concluded that SC (M2) is significant in mediating the

relationship between GGG (Q) and EP (Y).

3. P-Values of GGG (Q) -> RC (M3) -> EP (Y) is  $0.014 < 0.05$ , so it is concluded that RC (M3) is significant in mediating the relationship between GGG (Q) and EP (Y).

### **The Effect of Good Government Governance on HR Capital**

Good Government Governance has a positive effect on HR capital. This indicates that Good Government Governance has a positive effect or plays a role in the formation of human capital which consists of learning and education, experience and expertise and innovation of employees at the Sumatera Utara Regional Police. The better the implementation of the principles of Good Government Governance will encourage the creation of quality human capital. The better the application of the principles of Good Government Governance will encourage employee creativity and innovation, encourage employees to carry out education and training and can improve employee skills.

### **The Effect of Good Government Governance on Structural Capital**

Based on the results of data analysis, it is found that Good Government Governance has a positive effect on structural capital. This indicates that the implementation of the principles of Good Government Governance will increase the structural capital of the Sumatera Utara regional police which consists of systems and programs, facilities and services. The better the implementation of the principles of Good Government Governance will encourage the police to develop good systems and programs, encourage an increase in the completeness of facilities and services provided by the Sumatera Utara Regional Police to the community.

### **Effect of Good Government Governance on Relational Capital**

Good Government Governance has a positive effect on relational capital. This also indicates that the better the implementation of Good Government Governance in the Police, the police will have a better understanding of knowledge with the community, closer relations with the community and develop synergy with related parties.

### **Effect of Good Government Governance on Employee Performance**

Good Government Governance has a positive effect on employee performance. This can also be noticed through the regression coefficient which shows that the GGG variable has an influence of 61%. Employee performance or the performance of Human Resources (HR) is the level of achievement of a person's achievements or results from the targets that must be achieved or the tasks that must be carried out within a certain period of time. The results of this work can be increased supported by the implementation of the GGG which consists of the principles of fairness, transparency, accountability and responsibility that have been set.

### **Effect of HR Capital on Employee Performance**

Based on the results of data analysis, it is found that HR capital has a positive effect on employee performance. This indicates that HR capital will improve the performance of Sumatera Utara police officers. Human resource capital development is very important for the police, as reflected in the statements of respondents through questionnaires which agreed that education and experience in accordance with the position held can improve employee performance. Many factors affect the performance of individual workers including abilities, motivation, support received, the existence of the work they do, rewards or incentives, their relationship with the organization and many other factors. At the Sumatera Utara Regional Police, education for employees, especially those holding structural positions, is a concern for decision makers. In addition to education, personal factors in human capital are able to provide meaningful input on the development of individual employee performance, such as creative and innovative attitudes and competence in their field of work.

### **The Influence of Structural Capital on Employee Performance**

Structural capital has a positive but insignificant effect on the performance of the Sumatera Utara Regional Police. Structural capital includes routine organizational process activities and structures that support employee efforts to produce optimal intellectual performance and service performance to the community as a whole, for example: the Sumatera Utara Regional Police operational system and organizational culture. In general, the systems and procedures of the Sumatera Utara Police are very supportive of employees to excel in carrying out their activities. Various supporting facilities and infrastructure such as computers and access to information are widely open to all Sumatera Utara Police employees. The organization also supports the development of new employee ideas, so that intellectual capital can support performance improvement.

### **The Effect of Relational Capital on Employee Performance**

Relational capital has a positive and significant effect on employee performance. Employees at the Sumatera Utara Regional Police have confidence in stakeholders or in this case the community and environment around the Sumatera Utara Regional Police. There is a positive feedback from the public about the Sumatera Utara Regional Police and a good reputation in the eyes of the community. Simultaneous employee performance will lead to increased organizational performance. Employee performance seen in this study includes the quality of work, quantity of work, responsibility and employee attitudes at work. The intellectual capital of the employees is generally able to support the completion of work at the Sumatera Utara Regional Police.

### **The influence of intellectual capital in mediating the influence of GGG on employee performance**

To carry out its duties in protecting the community, the Sumatera Utara Regional Police should need human capital. Thus, the role of intellectual capital becomes the main requirement after Good Governance Government. In summary, it can be stated that intellectual capital, be it human capital, structural capital or relational capital, is the main driver of improving organizational performance after good government governance.

Based on the test results that human capital, structural capital, and relational capital have a significant effect in mediating the relationship between Good Government Governance and employee performance. Both directly and indirectly, Good Government Governance is an important element to be applied in organizational culture so as to improve the performance of the Sumatera Utara Regional Police.

### **CONCLUSION**

1. Good Government Governance has a positive and significant effect on HR capital.
2. Good Government Governance has a positive and significant effect on structural capital.
3. Good Government Governance has a positive and significant effect on relational capital.
4. Good Government Governance has a positive and significant effect on employee performance.
5. HR capital has a positive and significant effect on employee performance.
6. Structural capital has a positive but insignificant effect on employee performance.
7. Relational capital has a positive and significant effect on employee performance.
8. HR capital is significant in mediating the relationship between Good Government Governance and employee performance.
9. Structural capital is significant in mediating the relationship between

Good Government Governance and employee performance.

10. Relational capital is significant in mediating the relationship between Good Government Governance and employee performance.

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