

INFLUENCE OF JOB CHARACTERISTICS, WORK ENVIRONMENT, AND ENGAGEMENT ON EMPLOYEE PERFORMANCE IN INDONESIAN STATE-OWNED ENTERPRISES

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ABSTRACT

The purpose of this study was to determine whether employee performance is influenced by job characteristics, work environment, and employee engagement. The method used in this research was quantitative, employing a random sampling technique with 211 participants and data collection through a questionnaire. The data analysis technique used was Structural Equation Modeling Partial Least Square (SEM PLS). The results of this study indicate that (1) employee engagement is significantly influenced by job characteristics, (2) employee engagement is significantly influenced by the work environment, (3) employee performance is influenced by job characteristics, (4) employee performance is influenced by the work environment but not significantly, (5) employee performance is significantly influenced by employee engagement, (6) employee performance is significantly influenced by job characteristics through employee engagement, and (7) employee performance is significantly influenced by the work environment through employee engagement. It is expected that good employee performance will increase employee productivity.

Keywords: state-owned enterprises; Indonesia; job characteristics; employee engagement; employee performance

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INTRODUCTION

Low employee performance in the competitive era remains a significant challenge in human resource management. Improving employee performance is crucial for organizations to achieve their business goals (Raymond et al., 2016). Addressing low employee performance is a top priority for companies today, making maximizing performance a major organizational challenge (Khan et al., 2011; Mahazi et al., 2012; Osa, 2014).

Research on performance appraisal has been a study that began in the 1920s and continues to grow today (Busi & Bititci, 2006). References to performance management were first made in the literature by Warren in 1972 (Arakal & Mampilly, 2013). Despite decades of research on performance, experts still face difficulties and encounter various limitations in designing and implementing performance appraisal systems that effectively improve individual performance (Busi & Bititci, 2006).

Performance is the result of work that strongly relates to the organization's strategic objectives (Armstrong, 2010). Many studies have focused on the issue of employee performance in various sectors, such as the banking sector, nursing, retail industry, IT sector, retail pharmaceutical sector (Jing, Avery, & Bergsteiner, 2011), textile industry (Mittar & Mathew, 2014), education sector (Nazir & Islam, 2017), service sector precisely in the consulting services industry (Li & Mahadevan, 2017), as well as the public sector or government sector or government agencies (Anshari et al., 2014; Elhamaly et al., 2014; Elizar & Tanjung, 2018; Esther, 2011; Johari et al., 2018), 2014; Elhamaly et al., 2014; Elizar & Tanjung, 2018; Esther, 2011; Johari et al., 2018; Senen & Triananda, 2016). The trend of research results that have been carried out in various sectors shows that the level of performance is low (Johari et al., 2018).

One of the public sectors that is experiencing performance problems is state-owned enterprises (BUMN). In realizing a clean and accountable government, the Ministry of SOEs, over the past five years, has implemented the implementation of the Government Agency Performance Accountability System based on Presidential Regulation Number 29 of 2014 concerning the Government Agency Performance Accountability System (SAKIP) and Minister of PAN-RB Regulation Number 53 of

2014 concerning Technical Guidelines for Performance Agreements, Performance Reporting and Procedures for Reviewing Government Agency Performance Reports where the KemenPAN-RB LHE performance indicator with a target of 76 realization level is 73 (BUMN, 2019). Based on this data, it can be said the performance of BUMN is not meeting expectations.

Based on the background exposure, the purpose of this study is to investigate (1) the influence of job characteristics on employee engagement, (2) the influence of the work environment on employee engagement, (3) the influence of job characteristics on employee performance, (4) the influence of the work environment on employee performance, (5) the influence of employee engagement on employee performance, (6) the influence of job characteristics on employee performance through employee engagement, and (7) the influence of the work environment on employee performance through employee engagement.

LITERATURE REVIEW

Job Characteristics

Job characteristics are an assessment by employees of certain jobs (Hackman & Oldham, 1975). According to John R. Schermerhorn, G. Hunt, Osborn, & Uhl-Bien (2010), job characteristics are critical psychological conditions and basic individual work outcomes of designing jobs for employees related to job satisfaction issues, employee motivation, and employee performance.

Job Dimension Characteristics

The Job Diagnostic Survey (JDS) provides measures for several job-related variables. The study provides some guidance and analysis of independent variables such as key job characteristics, intervention factors based on the person's psychological state, and consideration of dependent variables in terms of outcomes that provide high intrinsic value to workers (Kondalkar, 2007). There are five dimensions of job characteristics (Core Factors) as developed by J. Richard Hackman and Greg Oldham, the job characteristics model (JCM) describes jobs in five core job dimensions (Robbins & Judge, 2019), namely:

- 1) Skill variety is the extent to which a job requires different activities using specialized skills and talents. The job of a garage owner-operator who does electrical repairs, rebuilds engines, performs bodywork, and interacts with customers scores high on skill variety. The job of a garage worker who sprays paint 8 hours a day scored low on this dimension.
- 2) Task identity is the extent to which a job requires completing all identifiable parts. A cabinetmaker who designs furniture, selects the wood, builds the object, and finishes it has a job that scores high on task identity. A job scoring low on this dimension is operating a lathe solely to make table legs.
- 3) Task significance is the extent to which a job affects the lives or work of others. A nurse's job helping patients in a hospital intensive care unit scored high on task significance; sweeping the floor in a hospital scored low.
- 4) Autonomy is the extent to which the job gives the worker freedom, independence, and discretion in scheduling work and determining procedures for carrying it out. A sales manager who schedules his work and customizes his sales approach for each customer without supervision has a highly autonomous job, whereas account representatives following a standardized sales script with potential customers have low job autonomy.
- 5) Feedback is the extent to which performing work activities results in immediate and clear information about your performance.

A job with high feedback is testing and inspecting iPads. Installing iPad components as they move down the assembly line provides low feedback.

Job Characteristics Model

The Job Characteristics Model proposes that five core job characteristics (variety, identity, significance, autonomy, and feedback or "VISAF") produce three high psychological states (Jason A. Scloquitt; Jeffery A. Lepine; Michael J. Wesson, 2013). Similarly, Hackman & Oldham (1975) stated that these five core dimensions of job characteristics, in turn, affect three critical psychological states, stating, making work tasks more satisfying, which include:

- 1.Experienced meaningfulness of the work. The extent to which individuals experience work as generally meaningful, valuable, and worthwhile.
- 2.Experienced responsibility for work outcomes. The extent to which individuals feel personally responsible and accountable for the results of their work.
- 3.Knowledge of results. The extent to which an individual knows and understands their job continuously performs their job, and how effectively they perform the job.

According to Hackman and Oldham, these three critical psychological states then influence work outcomes. The Job Characteristic Model allows for job redesign on five key job characteristics to get more beneficial results (J E Champoux, 2016; Schuurman, 2011), as in Figure 1.

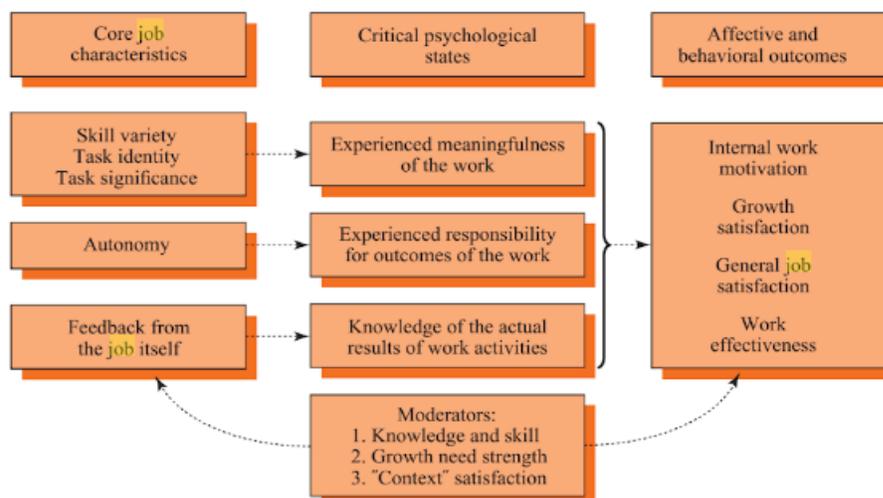


Figure 1: Job Characteristics Model

Source: Champoux (2016:201)

Work Environment

Sedarmayanti (2017) states that the work environment is the tools and materials encountered, the environment in which people work, how to work, and their work arrangements as individuals and as a group. The work environment is a condition where there are work systems, work designs, working conditions, and how people are treated at work by their managers and coworkers, which can affect employees' physical and psychological conditions directly and indirectly (Armstrong & Taylor, 2017).

Dimensions of Work Environment

Sedarmayanti (2017) divides the work environment into two categories, namely, the physical work environment and the social work environment. The physical work environment is everything in physical form around the workplace that can affect employees either directly or indirectly, while the social work environment is everything related to work relationships, both relationships with superiors and relationships with coworkers, or relationships with subordinates.

The social-organizational work environment refers to employees' social and organizational context in terms of job design, teamwork, reward systems, and leadership styles. The physical work environment refers to the employee's context in terms of the physical environment, such as the immediate workplace and surrounding buildings (Dul & Ceylan, 2011). The work environment consists of work systems, job design, working conditions, and how people are treated at work by their managers and coworkers (Armstrong, M and Taylor, 2014).

Work Environment Model

The work environment for creativity is not only important for employees with creative tasks, such as R&D personnel, product designers, or marketers: creative ideas can be generated by employees in any job and at any level of the organization (Shalley et al. 2004). Therefore, all employees in an organization can generate new and potentially useful ideas for:

1. New or improved products and services produced by the organization.
2. New or improved production processes for products and services.

3. New or improved work methods and procedures; solutions to problems encountered during daily work.

Employee Engagement

Employee engagement has been widely expressed by experts. Engagement is a positive, satisfying, work-related state of mind characterized by passion, dedication, and absorption. Engagement is a persistent and pervasive affective-cognitive state not focused on a particular object, event, individual, or behavior (Schaufeli et al., 2002; Schaufeli & Bakker, 2004, 2012).

Dimensions of Employee Engagement

The construction of work engagement consists of vigor, dedication, and absorption (Schaufeli et al., 2002). The opinion that states the three dimensions of employee engagement, consisting of vigor, dedication, and absorption, proposed by Schaufeli et al. (2002) (Kaswan, 2015) which can be defined as follows:

1. Vigor is characterized as a high level of energy and mental endurance while working, the ability to invest effort in work and perseverance even in the face of difficulties (Schaufeli et al., 2003, Allameh, et al, 2012). Passion is the energy that arises when working, increasing the ambition to work hard even in a difficult situation (Allameh, Shahriari, & Mansoori, 2012). The passion, focus, and energy required when working are also part of vigor (Kaswan, 2015).
2. Dedication refers to being deeply involved in work (Allameh et al, 2012), is related to meaningful work experiences, passion, inspiration, challenge, and is a sign that someone is proud of their work (Kaswan, 2015).
3. Absorption is characterized by increased concentration, pleasure when doing work, and difficulty breaking away from work (Kaswan, 2015).

Employee Engagement Model

Companies can build an employee engagement strategy that considers company culture, leadership, and other company aspects that increase the likelihood of success (Gupta & Sharma, 2016). Gupta & Sharma (2016) added

that feeling involved and valued are the main drivers that indicate employee involvement in decision-making, while positive feelings depend on many aspects of work life such as training, career development, direct management,

performance appraisal, and communication and friendliness (Gupta & Sharma, 2016). Based on this, certain organizations' components of feeling valued and engagement are relatively strong (see Figure 2).

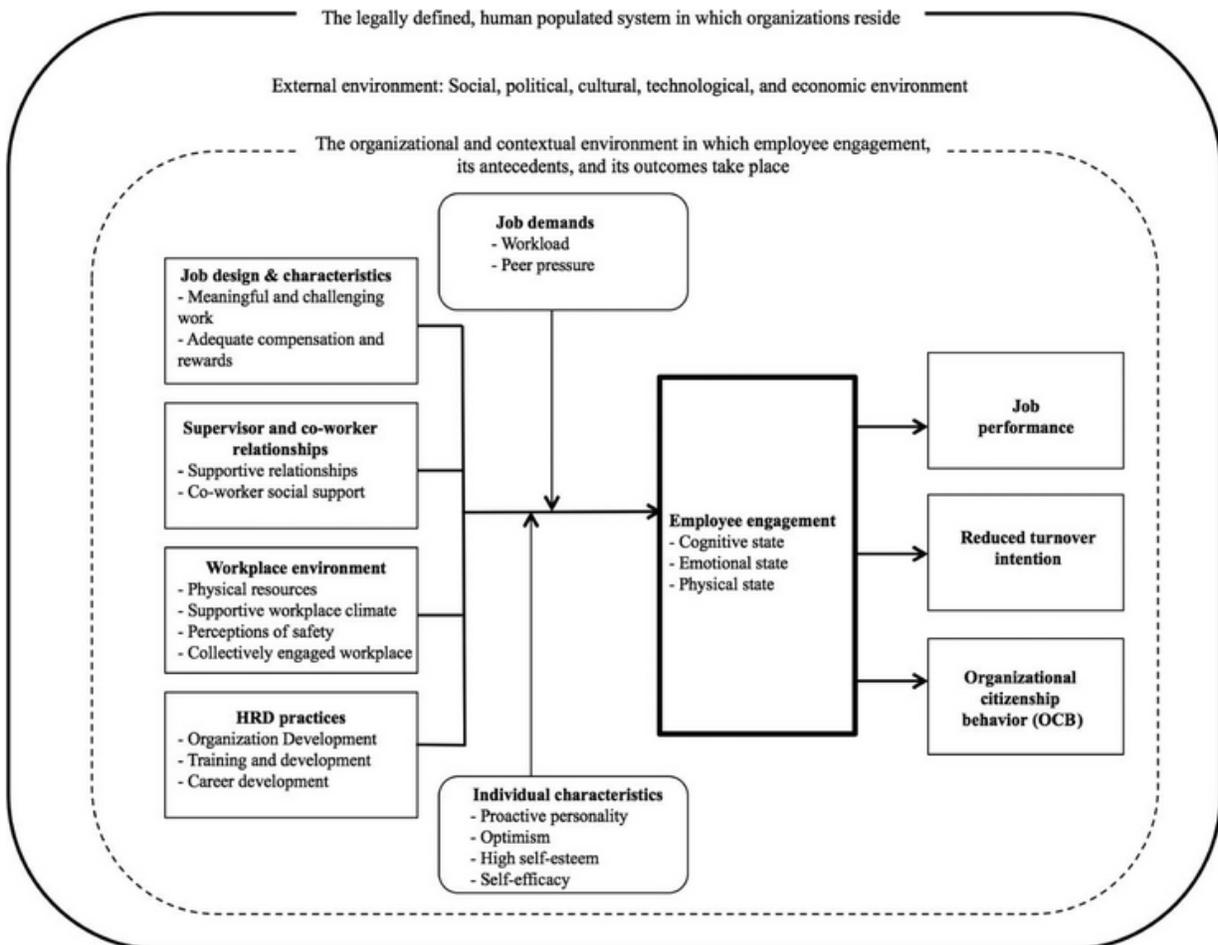


Figure 2: Employee Engagement Model

Source: Rana, Ardichvili, & Tkachenko (2014)

Figure 2 Employee Engagement Model shows that the triggering factors in the model consist of job characteristics and design, supervision and coworker relationships, work environment, and human resource practices, while job demands and individual characteristics act as moderators of the relationship between triggering factors and engagement (Rana et al., 2014). The employee engagement model stated by Rana et al. (2014) explains that employee engagement is related to three organizational outcomes: employee performance, turnover intention, and organizational citizenship behavior.

Employee Performance

Performance can be defined as a record of the outcomes resulting from an activity carried out within a certain period (Bernadin & Russel, 2012). According to Gomez Meija (2012), performance is related to the ability of employees to perform their duties where this is considered as potential for the company. Performance is often interpreted as a result or achievement but has a broader meaning, including how a work process occurs (Wibowo, 2016).

Dimensions of Performance

Individually, employee performance can be measured through 6 categories proposed by Bernadin and Russel (2012) as follows: (1). Quality, Is the level to which the results of activities that have been carried out are close to perfection or meet the previously expected goals; (2). Quantity, the amount produced from an activity, can be expressed in various terms, such as in the number of units and activity cycles completed; (3). Timeliness, which is the level of time an activity is completed or the extent to which an activity is carried out at the desired starting time, can be seen from coordination with output and the time available to carry out other activities; (4). Cost Effectiveness, Is the level of use of organizational resources in the form of human, financial, technological, or material resources that can be maximized to increase profits or reduce losses from each unit of

resource use; (5). The need for supervision Is the level to which an employee can perform his work functions without asking for help, supervision, guidance from supervisors, or supervisory intervention to avoid unwanted actions and resulting losses; (6). The interpersonal impact is the level to which employees have a work commitment to employees and employee responsibility for the company, characterized by employees' willingness to maintain self-esteem, good name, and cooperation among coworkers, superiors, and subordinates (Bernadin & Russel, 2012).

Performance Model

Hersey, Blanchard, and Johnson have described the various factors that influence the organizational performance process in the form of the Satellite Model (see Figure 3).

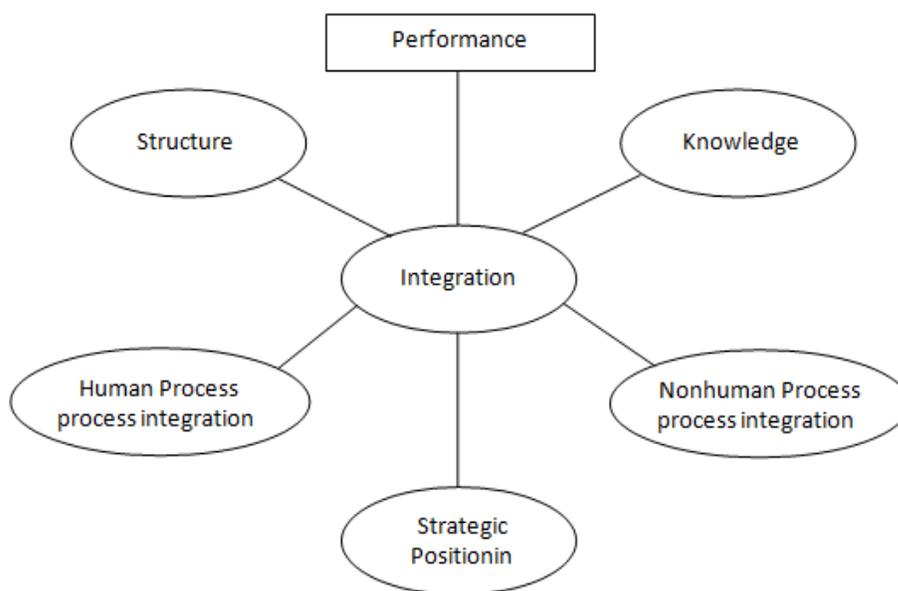


Figure 3: Satellite Model of Organizational Performance

Source: Wibowo (2016)

Figure 3 Satellite Model explains the integration of the factors of knowledge, non-human resources, strategic positioning, human resource processes, and structure can shape organizational performance (Wibowo, 2016). These various factors can be described as follows:

1. Knowledge factors can be in the form of technical, administrative, human processes, and system issues.
2. Non-human resources include equipment, plant, technology work environment, capital, and funds that can be used.

- 3.Strategic position includes business or market issues, social policies, human resources, and environmental changes.
- 4.Human processes consist of problems with values, attitudes, norms, and interactions.
- 5.Structure includes organizational issues, management, information systems, and flexibility (Wibowo, 2016).

METHODOLOGY

This study used a quantitative method using a questionnaire as a data collection technique. The unit of analysis in this study was employees of BUMN (Holding Company) in Indonesia as many as 211 respondents. The sampling technique used was a simple random sampling technique. The variables in this study consist of job

characteristics, work environment, employee engagement, and employee performance.

DISCUSSION

Hypothesis Testing

Based on the calculation results, the t-count significance value is obtained, which states the magnitude of the significance value between the variables tested, presented as an arrow. The t-count value in the figure states the magnitude of the significance value between the research variables. The magnitude of the significance value between the tested variables is presented in the form of values contained in the arrows that connect one of the variables to the variable of interest.

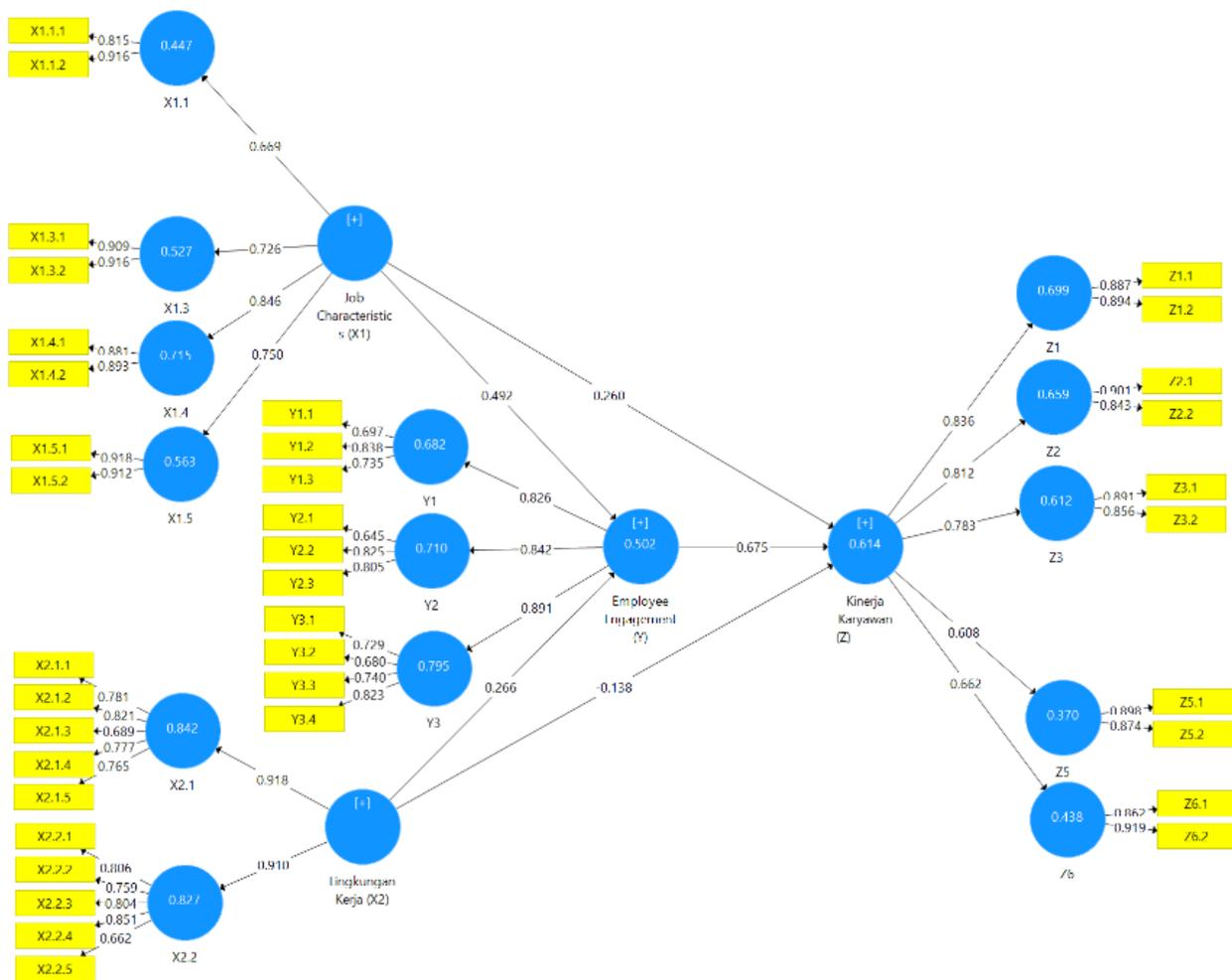


Figure 4: Structural Model (Path Coefficient)
 Source: Author's Data Processing Results (2023)

Based on the calculation results, if summarized in tabular form, it can be displayed as follows:

Table 1: Results of Path Coefficient and T-Count Value

Effect	Path Coefficient	T-count	P value
X1 -> Y	0.492	7.145	0.000
X1 -> Z	0.260	3.385	0.001
X2 -> Y	0.266	3.482	0.001
X2 -> Z	-0.138	1.853	0.065
Y -> Z	0.675	11.989	0.000
X1 -> Y -> Z	0.332	6.404	0.000
X2 -> Y -> Z	0.180	3.243	0.001

Source: Author's Data Processing Results (2023)

1. Effect of Job Characteristics (X1) on Employee Engagement (Y)

Hypothesis:

H0: Job Characteristics (X1) have no effect on Employee Engagement (Y)

H1: Job Characteristics (X1) Effect Employee Engagement (Y).

Table 2: Path Coefficient and T-Count of Job Characteristics (X1) -> Employee Engagement (Y)

Effect	Path Coefficient	T-count	P value	Conclusion
<i>Job Characteristics (X₁) -> Employee Engagement (Y)</i>	0.492	7.145	0.000	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 2, the path coefficient value of the original sample estimate (beta) is positive, namely 0.492, indicating that the direction of the relationship between Job Characteristics (X1) and Employee Engagement (Y) is positive or unidirectional, meaning that if Job Characteristics (X1) increase, Employee Engagement (Y) will increase, and vice versa. The effect between Job Characteristics (X1) and Employee Engagement (Y) is significant in the 2-tailed test ($t_{table} = 1.96$) with a T-statistic value of 7.145 greater than the t_{table} and a p-value smaller than 5% alpha ($0.000 < 0.05$). Thus, H0 is

rejected, meaning that Job Characteristics (X1) have a significant effect on employee engagement (Y).

2. Effect of Work Environment (X2) on Employee Engagement (Y)

Hypothesis:

H0: Work Environment (X2) has no effect on Employee Engagement (Y).

H1: Work Environment (X2) influences Employee Engagement (Y)

Table 3: Path Coefficient and T-Count Work Environment (X2) -> Employee Engagement (Y)

Effect	Path Coefficient	T-count	P value	Conclusion
<i>Work Environment (X₂) -> Employee Engagement (Y)</i>	0.266	3.482	0.001	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 3, the path coefficient value of the original sample estimate (beta) is positive, namely 0.266, indicating that the direction of the

relationship between Work Environment (X2) and Employee Engagement (Y) is positive or unidirectional, meaning that if the Work

Environment (X₂) increases, Employee Engagement (Y) will increase, and vice versa. The effect between Work Environment (X₂) and Employee Engagement (Y) is significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 3.482 greater than the t-table and a p-value smaller than 5% alpha (0.001 < 0.05). Thus, H₀ is rejected, meaning that Work Environment (X₂) has a significant effect on Employee Engagement (Y).

3. Effect of Job Characteristics (X₁) on Employee Performance (Z)

Hypothesis:

H₀: Job Characteristics (X₁) have no effect on Employee Performance (Z)

H₁: Job Characteristics (X₁) affect Employee Performance (Z)

Table 4: Path Coefficient and T-Count of Job Characteristics (X₁) -> Employee Performance (Z)

Effect	Path Coefficient	T-count	P value	Conclusion
Job Characteristics (X ₁) -> Employee Performance (Z)	0.260	3.385	0.001	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 4, the path coefficient value of the original sample estimate (beta) is positive, namely 0.260, indicating that the direction of the relationship between Job Characteristics (X₁) and Employee Performance (Z) is positive or unidirectional, meaning that if Job Characteristics (X₁) increase, Employee Performance (Z) will increase, and vice versa. The effect between Job Characteristics (X₁) and Employee Performance (Z) is significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 3.385 greater than the t-table and a p-value smaller than 5% alpha (0.001 < 0.05). Thus, H₀ is

rejected, meaning that Job Characteristics (X₁) have a significant effect on Employee Performance (Z).

4. Effect of Work Environment (X₂) on Employee Performance (Z)

Hypothesis:

H₀: Work Environment (X₂) has no effect on Employee Performance (Z)

H₁: Work Environment (X₂) Has an effect on Employee Performance (Z)

Table 5: Path Coefficient and T-Count of Work Environment (X₂) -> Employee Performance (Z)

Effect	Path Coefficient	T-count	P value	Conclusion
Work Environment (X ₂) -> Employee Performance (Z)	-0.138	1.853	0.065	H ₀ Accepted

Source: Author's Data Processing Results (2023)

Based on Table 5, the path coefficient value of the original sample estimate (beta) is negative, namely -0.138, indicating that the direction of the relationship between Work Environment (X₂) and Employee Performance (Z) is negative or reversed, meaning that if the Work Environment (X₂) increases, Employee Performance (Z) will decrease, and vice versa. The effect between Work Environment (X₂) and Employee Performance (Z) is not significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 1.853 less than the t table and a p-value greater than 5% alpha (0.065 > 0.05). Thus, H₀ is accepted, meaning that the Work Environment

(X₂) has an insignificant effect on Employee Performance (Z).

5. Effect of Employee Engagement (Y) on Employee Performance (Z)

Hypothesis:

H₀: Employee Engagement (Y) has no effect on Employee Performance (Z)

H₁: Employee Engagement (Y) effects Employee Performance (Z)

Table 6: Path coefficient and t-count Employee engagement (Y) -> Employee Performance (Z)

Effect	Path Coefficient	T-count	P value	Conclusion
<i>Employee Engagement (Y) -> Employee Performance (Z)</i>	0.675	11.989	0.000	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 6, the path coefficient value of the original sample estimate (beta) is positive, namely 0.675, indicating that the direction of the relationship between Employee Engagement (Y) and Employee Performance (Z) is positive or unidirectional, meaning that if Employee Engagement (Y) increases, Employee Performance (Z) will increase, and vice versa. The effect between Employee Engagement (Y) and Employee Performance (Z) is significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 11.989 greater than the t-table and a p-value smaller than 5% alpha (0.000 < 0.05). Thus, H₀ is rejected, meaning that Employee Engagement (Y) has a significant effect on Employee Performance (Z). This is in accordance with the opinion of Kompasso et al. (2010) that employee engagement is a stronger predictor of positive organizational performance by clearly showing a two-way relationship between employers and employees compared to the previous three constructs: job satisfaction, employee commitment, and organizational citizenship behavior. This is in accordance with the opinion of Armstrong, M, and Taylor (2014) that the way to achieve high performance is provided by defining performance expectations implicit in

the psychological contract, creating high levels of engagement, motivating people, and improving skills and competencies through feedback, coaching, and personal development planning. Engaged employees consistently demonstrate three common behaviors that improve organizational performance: say-stay-strive (Kompasso et al., 2010). Employee engagement is an employee's involvement in simultaneous work and expression in task behaviors that create connections for their work and others, personal presence, and active performance (William & Kahn, 1990).

6. Effect of Job Characteristics (X1) on Employee Performance (Z) through Employee Engagement (Y)

Hypothesis:

H₀: Job Characteristics (X1) have no effect on Employee Performance (Z) through Employee Engagement (Y)

H₁: Job Characteristics (X1) affect Employee Performance (Z) through Employee Engagement (Y)

Table 7: Path Coefficient and T-Count Job Characteristics (X1) -> Employee Engagement (Y) -> Employee Performance (Z)

Effect	Path Coefficient	T-count	P value	Conclusion
<i>Job Characteristics (X₁) -> Employee Engagement (Y) -> Employee Performance (Z)</i>	0.332	6.404	0.000	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 7, the path coefficient value of the original sample estimate (beta) is positive, namely 0.332, indicating that the direction of the relationship between Job Characteristics (X1) and Employee Performance (Z) through Employee Engagement (Y) is positive or unidirectional, meaning that if Job Characteristics (X1) increase, Employee Performance (Z) through Employee Engagement

(Y) will increase, and vice versa. The effect between Job Characteristics (X1) and Employee Performance (Z) through Employee Engagement (Y) is significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 6.404 greater than the t table and a p-value smaller than 5% alpha (0.000 < 0.05). Thus, H₀ is rejected, meaning that Job Characteristics (X1) have a significant effect on Employee Performance (Z)

through Employee Engagement (Y). The results of several analytical studies show that the factors that influence the level of performance are 1) Work stress, 2) Job Characteristics, 3) Role conflict, 4) Motivation, 5) Social support (Ahmed & Ramzan, 2013; Ali et al., 2014 and Ling, 2014; Indah et al., 2015), some mention other shaping factors, namely the work environment leadership and job satisfaction (Widodo, 2014 and Abdul Razak et al., 2009).

7. The Effect of Work Environment (X2) on Employee Performance (Z) through Employee Engagement (Y)

Hypothesis:

H0: Work Environment (X2) has no effect on Employee Performance (Z) through Employee Engagement (Y).

H1: Work Environment (X2) influences Employee Performance (Z) through Employee Engagement (Y)

Table 8: Path Coefficients and T-Values for Work Environment (X2) -> Employee Engagement (Y) -> Employee Performance (Z)

Effect	Path Coefficient	T-count	P value	Conclusion
Work Environment (X ₂) -> Employee Engagement (Y) -> Employee Performance (Z)	0.180	3.243	0.001	H ₀ Rejected

Source: Author's Data Processing Results (2023)

Based on Table 8, the path coefficient value of the original sample estimate (beta) is positive, namely 0.180, indicating that the direction of the relationship between Work Environment (X2) and Employee Performance (Z) through Employee Engagement (Y) is positive or unidirectional, meaning that if the Work Environment (X2) increases, Employee Performance (Z) through Employee Engagement (Y) will increase, and vice versa. The effect between Work Environment (X2) and Employee Performance (Z) through Employee Engagement (Y) is significant in the 2-tailed test (t table = 1.96) with a T-statistic value of 3.243 greater than the t table, and the p-value is less than alpha 5% (0.001 < 0.05). Thus, H0 is rejected, meaning that Work Environment (X2) has a significant effect on Employee Performance (Z) through Employee Engagement (Y).

CONCLUSION AND RECOMMENDATION

Based on the results of the study shows that employee performance can be predicted by job characteristics and work environment and employee engagement significantly, except for the work environment. This indicates that there are other determinant factors besides the work environment that affect employee performance either directly or indirectly.

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