

# Improving organizational performance

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# Improving Organizational Performance through Organizational Capabilities

## Case: At Land Office Padang, West Sumatera

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**Keywords:** Organizational Performance, Leadership Capabilities, Human Resource Capabilities, Knowledge Capabilities and Technological Capabilities.

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**Abstract:** The major purpose of this study is to investigate the effect of organizational on organizational performance directly and indirectly at Land Office Padang, West Sumatera, Indonesia. The population was 88 employees at Land Office Padang, West Sumatera. The samples were 102 employees. The technique analysis used path analysis processed with AMOS program. The result shows that there is a positive and significant influence between leadership capability and human resource capability on knowledge capability. There is a positive and significant influence between leadership capability, human resource capability and knowledge capability toward technological capability. And then, there is a positive and significant influence between knowledge and technological capability on organizational performance. It implies that the existing of technology is needed to have an attention and leadership has an important role in improving organizational performance by increasing knowledge and technological capability.

## 1 INTRODUCTION

Land Office Padang is a government institution in the field of land. The Vision of Land Office Padang is to be able to realize the land for the greatest prosperity of the people, as well as fairness and sustainability of social systems, nationhood, and statehood of the Republic of Indonesia. To achieve this vision, Land Office Padang, must have the ability to optimize all available resources. The organization's ability to capitalize on the organization's resources will affect the improvement of performance of Land Office Padang.

In this article, the author discussed organizational capabilities such as leadership capability, human resource capabilities, knowledge capabilities and technological capabilities (Kariuki, 2017). Some of these factors are supporting factors to the organizational performance of Land Office Padang.

A leader must have the ability to move the employees, motivate employees, do the best job to achieve the goal. Leaders who are not able to move employees, provide guidance to employees and increase employee motivation will not make an optimal work and ultimately the performance of organizations will decrease.

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Furthermore, human resource capability is also one of the important factors in improving the organizational performance (Kariuki, 2017). Without the capability of the employee in work, it will be difficult for the organization to achieve its goals. Therefore, the employee of the Land Office of Padang is required to have a good work ability in accordance with the demands of the organization. Apparatus must develop their ability continuously. Human resource capability can be seen from the reliability of employees, employee motivation in work, the number of employees who are sufficient, and educational background in accordance with the main duties concerned. Of course to achieve this, it required the policy of the organization related to efforts to improve the ability of employees.

According to (Chuang, Liu, and Chen, 2015) human resource practices are the key for innovation-oriented organizations to develop cross- functional teams: (a) training, in which skills and human capital are invested; (b) pay for performance, which emphasizes rewarding employee contributions and achievements; and (c) team development, in which team-based activities are actively developed and promoted.

The technological capability also has a very important role in organizational progress. Without

adequate technological support, it will make the organization less competitive with other organizations. Technological capabilities include the availability of sufficient technology, advanced, and updated.

Furthermore, knowledge capability also becomes a factor that can support the improvement of organizational performance. An employee must have knowledge that supports the main task. Employees must also be able to develop existing knowledge, not only have knowledge of the main task but also have knowledge of other functional areas of the job.

Results of previous studies on the relationship between organizational capability the correlation analysis has shown that all the bivariate relationships between organizational capabilities and NPD performance were positive and significantly correlated (Zaidi and Otham, 2015). Results of previous studies conducted by (Gholami et al., 2013) show that knowledge management practices that directly influence the organizational performance of SMEs on organizational performance. Research on an electronic industry in Taiwan from 1990 to 2000, provide statistical evidence to show that technological capability is an important determinant of firm performance growth for electronics firms in Taiwan's electronics industry (Tsai, 2004).

## 2 LITERATUR REVIEW

### 2.1 Organizational Performance

According to Chen et al., organizational performance means the transformation of inputs into outputs for achieving certain outcomes (Madanchian et al., 2016). Performance is the result of processes activities to achieve goals of the organization (Siregar and Lubis, 2017). According to (Sartika, 2015) performance is the level of achievement of the implementation of an activity, program, policy in order to realize the goals, objectives, mission and vision of the organization contained in the strategic planning.

### 2.2 Organizational Capabilities

Organizational capabilities are defined in terms of performance outcomes, establishing how capabilities are created and identifying the actions that give rise to capability (Kariuki, 2017). A firm's organisational capabilities have a positive impact on its level of competitive advantage and performance (Tuan and Yoshi, 2010). According to Grant (Lau, Man, and Chow, 2004) resources are the source of a firm's

capabilities, and capabilities are the main sources of competitive advantage.

#### 2.2.1 Leadership Capability

According to Avolio et al., quoted by (Madanchian et al., 2016) leadership is one of the vital factors for improving firm performance. Leaders, as the key decision-makers, determine the acquisition, development, and deployment of organizational resources, the conversion of these resources into valuable products and services, and the delivery of value to organizational stakeholders. Thus, they are strong sources of managerial and sustained competitive advantage.

#### 2.2.2 Human Resource Capability

Human resources are considered to be the most ideal asset of an organization (Nyabuti, Chepkilot, and Zakayo, 2016). Human resource capability is valuable, rare, irreplaceable, and difficult to imitate; therefore, it is crucial for creating sustainable competitive advantages (Chuang et al., 2015). Human resource capability can be appropriately used to improve the performance of an organization (Chuang and Chen, 2015). According to Park et al. (Nyabuti et al., 2016) human Resource capabilities are important and do contribute towards organisation's performance

#### 2.2.3 Knowledge Capability

Gold et al. (Chinchang, 2015) defined knowledge management capability as "its ability to mobilize and deploy knowledge management-based resources in combination with other resources and capabilities". Knowledge management capability consists of infrastructure capability and process capability. Infrastructure capability includes culture, technology, and structure (Chinchang, 2015).

#### 2.2.4 Technological Capability

Teece et al. (Oghojafor et al., 2015) describes a "technological capability as the ability to perform any relevant technical function or volume activity within the organization including the ability to develop new products and processes and to operate facilities effectively". The technological capability has been an integral strategic resources used by organizations to achieve competitive advantage in the industry over the past era, Duysters and Hagedoorn (Oghojafor et al., 2015).

### 3 RESEARCH METHOD

The population in this study is all employees at Land Office of Padang City, both civil servants and honorary workers, the total number is 102 employees. All populations are sampled, this is done because to meet the minimum sample in path analysis using AMOS software that is at least 100. Data analysis technique in this research is by using path analysis. This research will see the direct influence and indirect influence between exogenous variables and endogenous variables.

## 4 RESULTS AND DISCUSSION

### 4.1 Result

#### 4.1.1 Goodness of Fit Test Model

The results of testing goodness off fit test (suitability model) can be seen in the table below:

Tabel 1 : Goodness of fit test model.

Statistic test	Critical value	Result	Conclusion
RMSEA	$\leq 0.08$	0.079	Fit
P-value	$\geq 0.05$	0.197	Fit
GFI	$\geq 0.90$	0.987	Fit
CFI	$\geq 0.90$	0.991	Fit
TLI	$\geq 0.90$	0.957	Fit

Based on the above Table shows that the acceptance criteria for testing the goodness of fit test model based on the size of the absolute match that determines the degree of prediction of the overall model (structural model of measurement) to the correlation and covariance matrices are good. So that the whole equation model of path analysis used can be accepted and hypothesis testing can be continued.

#### 4.1.2 Hypothesis

Hypothesis test results can be seen in the following table:

Table 2 : Hypothesis result.

Relationship between Variables in Test	P
Knowledge Capability <--- Leadership Capability	,0222
Knowledge Capability <--- HR Capability	***
Technological Capability <--- HR Capability	***
Technological Capability <--- Leadership Capability	,0311
Technological Capability <--- Knowledge Capability	,0109
Organizational Performance <--- Knowledge Capability	,0026
Organizational Performance <--- Technolo Capability	***

Table 2 above showed that all exogenous variables have a positive and significant influence on endogenous variables. The results showed that all standardized beta values have positive values and has p-value  $\leq 0.05$ .

### 4.2 Discussion

#### 4.2.1 The Effect of Exogenous Variables on Endogenous Variables

Path coefficient between leadership capability to knowledge capability is 0,2002 with significance value equal to 0,0222 ( $0,02 \leq 0,05$ ). The coefficient of path between human resource capability to knowledge capability of 0.4584 with a significance value of 0.000 ( $0,000 \leq 0,05$ ). The results showed that there is a positive and significant influence between leadership capability and Human Resource Capability to knowledge capability at the Land Office of Padang City. In other words, the higher the value of leadership capability then knowlege capability will increase and also the higher the value of human resource capability then knowlege capability will increase.

Path coefficient between leadership capability to technological equal to 0,3501 with significance value equal to 0,000 ( $0,000 \leq 0,05$ ). The coefficient of path between human resource capability to technological capability of 0.1841 with a significance value of 0.0311 ( $0,0311 \leq 0,05$ ). Path coefficient between knowledge capability to technological capability of 0,2409 with significance value equal to 0,0109 ( $0,010 \leq 0,05$ ). This shows that there is a positive and significant influence between leadership capability, human resource capability and knowledge capability toward technological capability at the Land Office of



Padang City. Path coefficient between knowledge capability to organizational performance equal to 0,2629 with significance value equal to 0,026 ( $0,026 \leq 0,05$ ). The coefficient of path between technological capability to organizational performance is 0,4714 with a significance value of 0,000 ( $0,000 \leq 0,05$ ). This shows that there is a positive and significant influence between knowledge capability and technological capability on organizational performance at Padang City Land Office.

#### 4.2.2 Direct and Indirect Effect

The amount of direct effect between leadership capability on knowledge capability is  $0.2002 \times 0.2002 = 0.0401$ . This shows that the direct effect of leadership capability on knowledge capability is equal to 4.01%. The influence of human resource capability towards knowledge capability is equal to  $0.4584 \times 0.4584 = 0.2101$ . This shows that the direct influence of human resource capability towards knowledge capability is equal to 21.01%.

The direct effect of the leadership capability on technological capability is  $0.1841 \times 0.1841 = 0.0339$ . This shows that the direct influence of leadership capability on technological capability is of 3.39%. The amount of direct effect of human resource capability towards technological capability is  $0.3501 \times 0.3501 = 0.1226$ . This shows that the direct effect of human resource capability towards technological capability is 12.3%. The amount of direct effect of knowledge capability on technological capability is  $0.2409 \times 0.2409 = 0.058$ . Direct effect of knowledge capability on organizational performance is  $0.2629 \times 0.2629 = 0.0691$ . This shows that the direct effect of knowledge capability on organizational performance is equal to 6.91%. Direct effect of technological capability to organizational performance is  $0.4714 \times 0.4714 = 0.2222$ . This shows that direct effect of technological capability to organizational performance is by 22.2%.

Based on the path analysis can be calculated indirect effect between exogenous variables on endogenous variables. The indirect effect between leadership capability on organizational performance through knowledge capability variables is  $0.2002 \times 0.2629 = 0.0526$ . It means that leadership capability variable indirectly effects organizational performance variable of 5.26%. The value is positive, so it can be said that leadership capability influence organizational performance through knowledge capability.

The indirect effect between leadership capability on organizational performance through technological capability variables is  $0.1841 \times 0.4714 = 0.0867$ . It means leadership capability indirectly affect organizational performance variable at 8.67%. This value is positive, so we can say that the variable of leadership capability influence positively organizational performance through technological capability. The indirect effect between leadership capability on organizational performance through knowledge capability and technological capability is  $0.2002 \times 0.2409 \times 0.4714 = 0.0227$ . Leadership capability variable indirectly affects organizational variables performance through knowledge capability and technological capability of 22.70%. The value is positive, so we can say that the variable leadership capability positively influences organizational performance through knowledge capability and technological capability.

The indirect effect of human resource capability towards organizational performance through knowledge capability is  $0.4584 \times 0.2629 = 0.1104$ . It means that resource human resource capability indirectly affects the organizational performance of 11.04%. The value is positive so that it can be said that the human resource capability variables positively influence organizational performance through knowledge capability. The indirect effect of human resource capability on organizational performance through technological capability is  $0.3501 \times 0.4714 = 0.1650$ . It means that human resource capability indirectly affects organizational performance variable of 16.50%. The value is positive, so it can be said that the human resource capability variables have a positive influence on organizational performance through technological capability. The indirect effect of human resource capability on organizational performance through knowledge capability and technological is  $0.4584 \times 0.2409 \times 0.4714 = 0.0520$ . Human capability resource indirectly effects organizational performance through knowledge capability and technological capability by 5,20%.

## 5 CONCLUSIONS

The first hypothesis tested in this study show that there is a positive and significant influence between leadership capability and Human Resource Capability on knowledge capability at Land Office Padang. The second hypothesis also proved acceptable. There is a positive and significant

influence between leadership capability, human resource capability and knowledge capability toward technological capability at Land Office Padang. Hypothesis three shows that there is a positive and significant influence between knowledge and technological capability on organizational performance at the Land Office Padang.

## 6 IMPLICATION

The results show that technological capability has the greatest influence in improving organizational performance at the Land Office, Padang. The implication needs to pay attention the existing of technology and add new technology more sophisticated. The indirect influence between leadership through knowledge capability and technological capability has the greatest influence that is 22.70%. The implication is that leadership has a very important role in improving organizational performance by increasing knowledge capability and technological capability.

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