

THE INFLUENCE OF HIGH-PERFORMANCE WORK SYSTEMS AND SERVANT LEADERSHIP ON ORGANIZATIONAL PERFORMANCE THROUGH THE MEDIATION ROLE OF EMPLOYEE WORK ENGAGEMENT AT BANK INDONESIA REPRESENTATIVE ACEH

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Abstract

The purpose of this research is to examine the influence of high-performance work systems and servant leadership on organizational performance through the mediating role of employee engagement at Bank Indonesia Lhokseumawe Representative Office. The data in this research were 133 employees who responded to the questionnaire distributed via Google Forms. The data analysis tool uses Structural Equation Modeling (SEM) which is operated with Amos. The research results found that High-Performance Work Systems (HPWS) and Servant Leadership have a significant effect on employee engagement and employee performance. Employee engagement also significantly improves employee performance. In testing the mediating effect of employee engagement, it became a partial mediating variable between High-Performance Work Systems (HPWS) and Servant Leadership on the performance of Bank Indonesia Aceh Representative employees. It is hoped that the results of this research will provide an important contribution to stakeholders in developing employee development strategies as an important resource for every organization.

Keywords : *HPWS, Servant Leadership, Employee Engagement, Organizational*

1. INTRODUCTION

The stability of the banking industry is the "possibility of banking sector default", which of course will impact and influence other economic factors, such as economic growth in various sectors and GDP (Jokipii & Monnin, 2013). In addition, the stability of the banking industry is also closely related to equity bubbles which can encourage companies to invest in innovation and impact economic growth (S. Wang et al., 2019). Humans are a strategic factor in all company or organizational activities. An organization is expected to be able to prepare itself in managing its organizational performance, especially human resources in the face of increasingly fierce competition. Human resources are the most important organizational assets because of their central role as implementing subjects for various policies and operational activities of banking organizations (Capriglione & Casalino, 2014). Organizational growth is also fully supported by quality human resources, where employees are the main assets and active actors in every organizational activity through high employee performance, thus having an impact on organizational performance (Irsyad et al., 2022). Many agree that human resources are the main source for achieving competitive advantage for organizations (Özçelik et al., 2019), where organizational performance is the impact of improving employee performance (Asad et al., 2019).

The problem currently is that there are still many employees who have not contributed more to the place where they work, and employees are considered to have a low commitment to their work, which has an impact on organizational performance (Silalahi et al., 2018), and this phenomenon occurs in almost all organizations and industries including in banking organizations, such as Bank Indonesia Lhokseumawe Region to achieve the vision, mission, and goals of the organization through the organization's strategic values, namely Honesty and integrity, Professionalism, Excellence, Prioritizing the public interest, Coordination and teamwork and which are based on

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noble values. religion (<https://www.bi.go.id/id>). The Bank Indonesia Lhokseumawe Representative Office as a credible independent central banking institution is required to have high-performing employees to support the achievement of Bank Indonesia's vision, mission, and strategic targets, as well as facing various challenges that arise as one of the important conditions for successful organizational performance. In particular, in carrying out Bank Indonesia's main function as a Central Bank, namely maintaining the stability of the value of the rupiah through managing the monetary sector, payment system, and financial system stability. The achievement of all these indicators is closely related to the employee's work ability in completing the work program of the Bank Indonesia organization representing Aceh.

Many factors cause low achievement of organizational performance targets, including High-Performance Work System (HWPS) (Lu et al., 2015; Nadeem et al., 2019; Zhang & Morris, 2014; Zhu et al., 2018), Servant leadership (BAYKAL et al., 2018; Eva et al., 2018; Melchar & Bosco, 2010), employee engagement (Al-dalahmeh et al., 2018; Kaltainen & Hakanen, 2022; Kloutsiniotis & Mihail, 2020; Motyka, 2018). High-performance work systems are an issue that is repeatedly discussed in various literature. High-performance work systems are significant discussion material regarding the practice of high-performance work systems and their relationship to organizational performance. Several studies have revealed a positive relationship between high-performance work system practices and organizational performance (Arefin et al., 2022; Asad et al., 2019). In addition, the vital role of a high-performance work system is to increase the level of employee commitment, involvement, and satisfaction, which leads to achieving optimal levels of organizational performance (Aktar & Pangil, 2017; Suan & Nasurdin, 2018). Furthermore (García-Chas et al., 2014) said that organizational performance is the ability to achieve organizational goals efficiently and effectively. Organizational performance assessment can be carried out in two performance dimensions, namely financial performance and non-financial performance (García-Chas et al., 2014).

Other literature states that organizational performance can also be influenced by the intensity of employee involvement in work aspects. Work engagement is a positive, satisfying, and motivational-affective state of work-related well-being that can be seen as the antipode of job burnout (Bakker & Leiter, 2017). Furthermore, Bakker & Leiter, (2017), stated that most management experts agree that employee engagement includes energy dimensions and identification dimensions. Thus, engagement is characterized by a high level of enthusiasm and strong identification with one's work. Work engagement is related to all types of challenging work. It describes an employee's ability to use their full capacity to solve problems, connect with people, and develop innovative services (Karatepe & Olugbade, 2021). The results of other studies show that the implementation of selective staffing, job security, teamwork, and career opportunities simultaneously encourages employee work engagement, which in turn will lead to reduced absenteeism and result in service recovery and creative performance at a higher level (Karatepe & Olugbade, 2021).

The relationship between high-performance work systems and employee involvement is still rarely implemented in the banking industry. However, research related to the banking context was conducted by (Cooke et al., 2019) in the Chinese banking industry. The important information from the results of this research is that employee resilience can be seen as a set of skills and attributes that can be developed through the effective use of high-performance work systems (HPWS) to benefit individuals and organizations (Alfes et al., 2021). In short, this research first reveals the valuable contribution of high-performance work systems (HPWS) to the development of a climate of fairness and service, which in turn positively influences Employee work engagement (Kloutsiniotis & Mihail, 2020). A high-performance work system can also basically influence the ability of servant leaders to support increased organizational performance. Servant leaders provide leadership with an emphasis on serving group goals (Alafeshat & Tanova, 2019). Servant leadership focuses more on followers and is not seen as a status symbol. Servant leadership is a

leadership style that is vital in any type of organization, where it focuses on empowering subordinates as a form of organizational sustainability by developing communication between subordinates and management (leadership), as well as serving the desires of followers, including in the banking context. Other findings show the importance of servant leadership, engagement, high-performance work systems, and self-efficacy in encouraging service-oriented employee behavior to improve organizational performance (Rabiul et al., 2022; Z. Wang et al., 2022). Based on this description, this research aims to determine the influence of high-performance work systems, and servant leadership on employee engagement and organizational performance.

2. THEORETICAL STUDY AND HYPOTHESIS DEVELOPMENT

2.1 High-Performance Work System Theory

The concept of a High-Performance Work System (HWPS) can be explained from the perspective of organizational resources. HPWS are also known as high-performance, high-involvement work practices, or high-commitment practices. HPWS is a human resource management practice designed to attract qualified employees, improve skills, and increase employee commitment and productivity to achieve a competitive advantage (Özçelik et al., 2019). In practice performance work systems help identify and invest in human resources and help achieve higher levels of organizational performance.

Furthermore, Egiannelyandra & Syah, (2023) stated that HPWS is a system that motivates and develops individuals to improve organizational performance. As a result, operationalization of HPWS can be carried out at various levels of management or departments, because departments are an important level between organizational policies and employees' experience of available policies and practices. Silfiana & Nabhan, (2022) say that HPWS can influence organizational performance. Other research reveals that a high-performance work structure can completely improve employee performance and organizational performance (Egiannelyandra & Syah, 2023). The same thing was also stated by (Alafeshat & Tanova, 2019). According to Tensay & Singh, (2020), implementing HPWS can increase competitive advantage and organizational success. Based on this description, the hypothesis developed in this research is:

H1a: HPWS has a significant effect on the involvement of Bank Indonesia Aceh Regional Representative employees.

H1b: HPWS has a significant effect on the involvement of Bank Indonesia Aceh Regional Representative employees.

2.2 Servant Leadership Theory

Servant leadership is a vital leadership style in any organization, including banking and business organizations, because the servant leadership concept is more focused on empowering subordinates or staff in the organization, developing communication between subordinates and management, and prioritizing serving the desires of subordinates first. formerly. Ghalavi & Nastiezaie, (2020), define servant leaders as primary servants, which is the main criterion of the given concept. Junita et al., (2022) stated that servant leadership has a significant effect on employee involvement in the organization. Furthermore (Prasetyono et al., 2022; Rachman et al., 2021) found that server leadership is an important factor that influences employee involvement in carrying out organizational work.

Then according to Agatha & Go, (2022) found a positive and significant influence in testing servant leadership with employee involvement to improve organizational performance. Servant leadership can be a good predictor of organizational performance (Abbas et al., 2021). The same thing was also conveyed by (Ghalavi & Nastiezaie, 2020), that servant leadership is an important factor in encouraging changes in organizational behavior. The research results (Luu, 2020), revealed that in both samples studied, environmentally specific servant leadership mediated the top-down relationship between green management initiatives and employees' organizational citizenship behavior. Based on this description, the hypothesis developed in this research is:

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H2a: Servant Leadership has a significant effect on employee engagement in Bank Indonesia in the Aceh region.

H2b: Servant Leadership has a significant effect on employee engagement in Bank Indonesia in the Aceh region.

2.3 Employee Engagement Theory

The concept of employee engagement has recently become an area of massive interest for researchers in the field of human resources and organizations, and researchers define employee engagement in various ways because it is based on different dimensions and measurement perspectives in various fields. industry. Employee engagement is employees' positive feelings regarding their workplace through attitudes of enthusiasm, dedication, and a sense of belonging to the organization (Schaufeli et al., 2002). In addition, dedication can be seen as a strong feeling to face every problem in achieving organizational goals. According to Macey & Schneider, (2018), Engagement is a review of passion and commitment, the willingness to invest oneself and expend one's discretionary effort to help the employer succeed. Many studies in this sector have been carried out in various contexts and industries. The research results of Tensay & Singh, (2020), show that there is a positive and significant relationship between Employee Engagement and Organizational Performance. In addition, employee involvement partially mediates the relationship between Human Resources Management and organizational performance. This shows that when employees are involved, employees fully participate in their work and devote a lot of their energy to carrying out that role, and employees internalize the goals and aspirations of the organization as part of the employee's life (Noercahyo et al., 2021).

Research results (Ahmed et al., 2020) show that employee involvement has a significant and positive effect on organizational performance. Furthermore, it was found that knowledge sharing has a significant and positive impact on organizational performance. In light of this phenomenon, organizations must think about how to take advantage of this opportunity, organizations run virtually, and in this situation, it is the biggest challenge for Human Resources (HR) managers to manage employees effectively. The results of many empirical studies have also been carried out using employee engagement as a mediating variable in the indirect relationship between HPWS and servant leadership and organizational performance. The relationship between HPWS practices and organizational performance can be developed directly or indirectly through the involvement of various other variables. This concept applies generally in various research contexts, and has been proven by human resource management experts such as (Nadeem et al., 2019). Based on previous empirical studies conducted by Muduli et al., (2016), regarding the relationship between HPWS and organizational performance through variable involvement as a mediating variable, it proves that a high-performance work system that is aligned with employee involvement can improve organizational performance significantly.

Furthermore, Mihail & Kloutsiniotis, (2016), also found the influence of a high-performance work system on organizational performance through employee involvement. The same thing was also reported in a study in the banking sector in the UK, by Garg & Singh, (2019) and Yalabik, et al (2013) showing that employee involvement plays a role in mediating the relationship between HPWS and organizational performance. Luu's (2019) research results show that there is a role for employee work engagement in mediating the relationship between service-oriented HPWS and the performance of public organizations in Vietnam. Furthermore (Karatepe & Olugbade, 2021), stated that engagement describes the role of a mediator in the relationship between the established work system and organizational performance. On the other hand, empirical research reveals that employee engagement is considered a mediator between HPWS practices and organizational performance. For example, Chung & Angeline, (2010), show that employee engagement mediates between high-performance work systems and organizational performance.

Based on the description of the empirical study, the hypothesis developed in this research is as follows:

- H3a: Employee Engagement has a significant effect on the organizational performance of Bank Indonesia in the Aceh Region.
- H3b: Employee Engagement acts as a mediating variable between HWPS and servant leadership and organizational performance.

3. RESEARCH METHODS

3.1 Data and Sampling Techniques

The data used in this research is primary data collected through questionnaires. In this study, research questionnaires were distributed via Google Forms to all employees used as samples, and the sampling technique in this study used a saturated sampling technique with a census approach. Saturated sampling is a sample selection technique when all members of the population are sampled (Ghozali, 2013), namely 133 people.

3.2 Data analysis method

The data analysis method used in this research is Structural Equation Modeling (SEM) with the AMOS (Analysis of Moment Structure) program version 22.0. Structural Equation Modeling (SEM) is a multivariate analysis technique that is a combination of factor analysis and regression (correlation) analysis which aims to test the relationships between variables in a model, be it between indicators and their constructs, or relationships between constructs (Ghozali, 2013). SEM is a combination of two statistical concepts, namely the concept of factor analysis included in the measurement model and the concept of regression through a structural model.

3.3 Data Measurement Items

This research involves four latent variables and each variable is measured with several indicators adopted from several previous studies. The HWPS variable is measured by (1) the selection process, (2) training, (3) performance assessment, and (4) feedback (Akhtar et al., 2020). The Servant Leadership variable is measured by (1) Supervisors spending time with employees. (2) Bosses create a sense of togetherness. (3) Superiors prioritize employee development. (4) Superiors provide balanced attention to employees. and (5) Bosses always want to be the best (Otero-Neira et al., 2016). Employee engagement refers to (Karatepe & Olugbade, 2021), namely: (1) Feeling full of energy, (2) I feel strong and powerful, (3) Enthusiastic about work, (4) Work is inspiring, (5) Always wanted to work, (6) Enjoy working intensely, (7) Proud of work, (8) Diligent in working, (9) Working gives peace. And organizational performance is measured by (1) quality, (2) cost management, (3) responsiveness, (4) productivity, (5) profitability, and (6) customer satisfaction (Milosevic et al., 2021).

4. RESULT AND DISCUSSION

4.1 Confirmatory Factor Analysis

The following image explains the results of the confirmatory factor analysis (CFA) test, and all loading factor values were found to be above 0.60, so it can be concluded that all indicators for variables are acceptable because they meet the requirements of the CFA Model.

A. Factor Analysis of Exogenous Variables

The CFA test for exogenous constructs consisting of WPS and servant leadership can be explained in the following figure:

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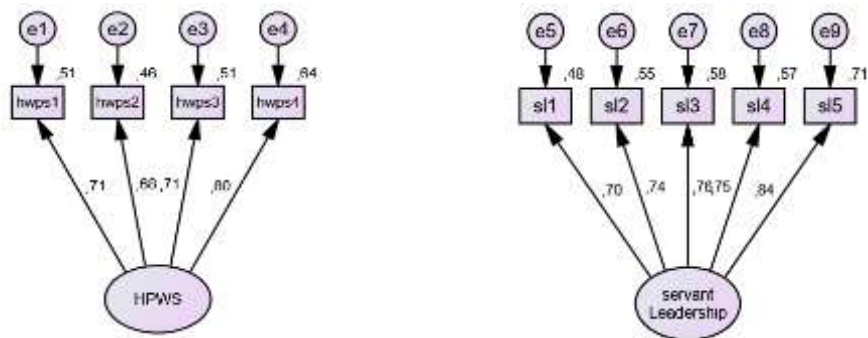


Figure 1. CFA HPWS and Servant Leadership Test Results

Source: Research Results (2024)

Figure 1 shows that all indicators representing the Servant Leadership variable have a loading factor above 0.60 so it can be concluded that all items are declared valid. Furthermore, it can be seen from Table 1 below:

Table 1. Exogenous Variable Factor Loading Values

			Estimate	Criteria Values	Conclusion
hwps1	<	HPWS	0,711	$\geq 0,60$	Valid
hwps2	<	HPWS	0,676	$\geq 0,60$	Valid
hwps3	<	HPWS	0,711	$\geq 0,60$	Valid
hwps4	<	HPWS	0,799	$\geq 0,60$	Valid
sl1	<	servant_Leadership	0,695	$\geq 0,60$	Valid
sl2	<	servant_Leadership	0,739	$\geq 0,60$	Valid
sl3	<	servant_Leadership	0,76	$\geq 0,60$	Valid
sl4	<	servant_Leadership	0,752	$\geq 0,60$	Valid
sl5	<	servant_Leadership	0,842	$\geq 0,60$	Valid

Source: Research Results (2024)

Based on the results of the confirmatory analysis with Amos in Table 1, all indicators that support the exogenous construct are above > 0.60 so it can be concluded that the indicators are valid and can be continued to the next stage of analysis, namely the structural model.

B. Factor Analysis of Endogenous Variables.

The CFA test for endogenous constructs consisting of Employee Engagement and Organizational Performance can be explained in the following figure:

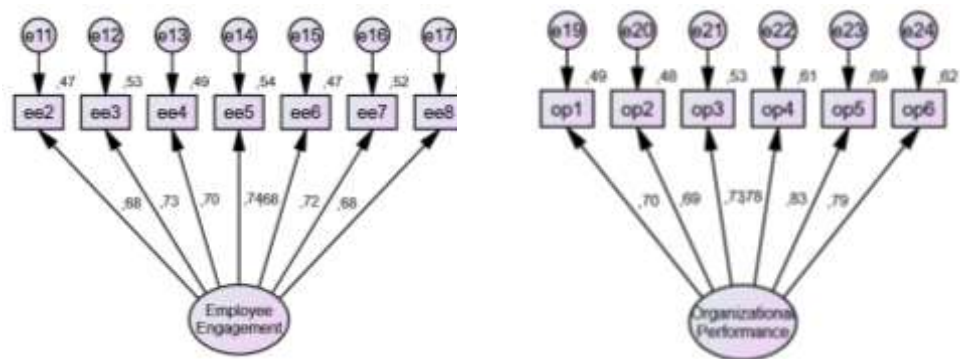


Figure 2 CFA HPWS and Servant Leadership Test Results

Source: Research Results (2024)

Figure 2 shows that all indicators representing the Employee Engagement and Organizational Performance variables have loading factors above 0.60 so it can be concluded that all items are declared valid. Furthermore, it can be seen from Table 2 below:

Table 2. Endogenous Variable Factor Loading Values

			Estimate	Criteria Values	Conclusion
e2	---	Employee_Engagement	0,683	$\leq 0,60$	Valid
e3	---	Employee_Engagement	0,726	$\geq 0,60$	Valid
e4	---	Employee_Engagement	0,697	$\geq 0,60$	Valid
e5	---	Employee_Engagement	0,736	$\geq 0,60$	Valid
e6	---	Employee_Engagement	0,685	$\geq 0,60$	Valid
e7	---	Employee_Engagement	0,723	$\geq 0,60$	Valid
e8	---	Employee_Engagement	0,678	$\geq 0,60$	Valid
p1	---	Organizational_Performance	0,7	$\leq 0,60$	Valid
p2	---	Organizational_Performance	0,691	$\geq 0,60$	Valid
p3	---	Organizational_Performance	0,726	$\geq 0,60$	Valid
p4	---	Organizational_Performance	0,778	$\geq 0,60$	Valid
p5	---	Organizational_Performance	0,83	$\geq 0,60$	Valid
p6	---	Organizational_Performance	0,79	$\geq 0,60$	Valid

Source: Research Results (2024)

Based on the results of the confirmatory analysis with Amos in Table 2, all indicators that support the endogenous construct are above > 0.60 so it can be concluded that the indicators are valid and can be continued to the next stage of analysis, namely the structural model.

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5. FULL RESEARCH MODEL

To find out to what extent the initial model formed in this research meets the Goodness of Fit (GOF) criteria, a test was carried out on the full model involving all variables. The results of testing the full research path model are shown in Figure 3 below:

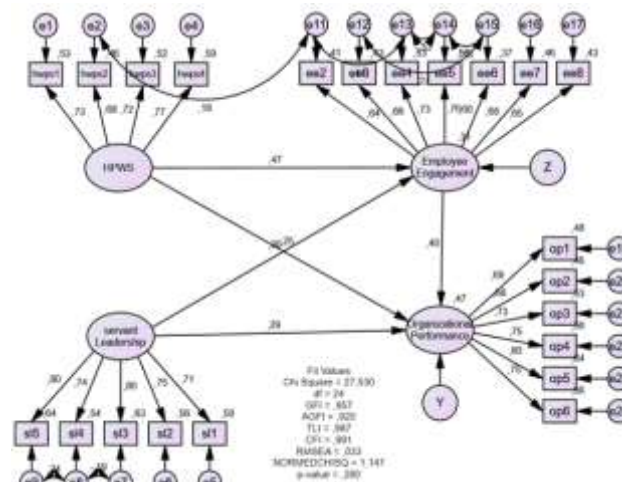


Figure 3. Full Structural Model

Source: Research Results (2024)

Based on Figure 3, and further summarized in Table 3, it can be explained that after modification by correlating several error values, the research path model has met the goodness of fit index (GOF) criteria, because all cut-off values have met the specified criteria. The complete goodness of fit index (GOF) values are shown in Table 3 below:

Table 3. Goodness of Fit Model

No	Criteria	Expected Value	Result Value	Conclusion
	Chi Square	Expected to be Small	27,520	Good
	Goodness Of Fit Indeks (GFI)	$\geq 0,90$	0,957	Good
	Adjusted Goodness Fit Of Index (AGFI).	$\geq 0,90$	0,920	Good
	Tucker Lewis Index (TLI)	$\geq 0,95$	0,987	Good
	Comparative Fit Index (CFI)	$\geq 0,95$	0,991	Good
	Root Mean Square Error of Approximation (RMSEA)	$\leq 0,08$	0,033	Good
	CMIN/DF	$\leq 2,00$	1,147	Good
	P-Value	$\geq 0,05$	0,280	Good

Source: Research Results (2024)

Based on the results of the structural model analysis with Amos in Table 1.3, it can be explained that the results of the full model suitability test can show that all indices meet the conditions specified in the structural model and in general the goodness of fit index is good and this structural model can test the research hypothesis. To determine the effect of exogenous variables

on endogenous variables, an analysis of parameter value estimation is carried out. The coefficient value used is the estimated standardized regression weights value as shown in Table 4 below:

Table 4. Hypothesis Testing Results

o.	Hypothesis Statements	Stand. Estimate	S.E.	C.R.	P	Conclusion
	HPWS has a positive and significant effect on employee engagement.	0,466	0,113	3,726	***	Hypothesis accepted
	Servant leadership has a positive and significant effect on employee engagement.	0,298	0,094	2,715	0,007	Hypothesis accepted
	HPWS has a positive and significant effect on organizational performance.	0,398	0,112	3,422	***	Hypothesis accepted
	Servant leadership has a positive and significant effect on organizational performance.	0,253	0,1	2,206	0,027	Hypothesis accepted
	Employee engagement has a positive and significant effect on organizational performance.	0,289	0,085	2,797	0,005	Hypothesis accepted
	Employee engagement partially mediates the influence of HPWS on organizational performance.	0,185	0,069	2,690	0,007	Hypothesis accepted
	Employee engagement partially mediates the influence of servant leadership on organizational performance.	0,119	0,050	2,365	0,017	Hypothesis accepted

Source: Research Results (2024)

Table 4 above explains that HPWS and servant leadership influence employee engagement and organizational performance. And employee engagement directly affects organizational performance. Furthermore, in testing the mediation effect, employee engagement partially mediates the influence of HPWS and servant leadership on organizational performance.

6. CONCLUSION

Based on the research results as described in the discussion section, the conclusions in this research are as follows:

1. Implementation of HWPS is able to increase employee engagement of the Bank Indonesia Aceh Representative organization.
2. The application of servant leadership can increase employee engagement of the Bank Indonesia Aceh Representative organization.
3. Implementation of HWPS is able to improve the performance of the Bank Indonesia Aceh Representative organization.
4. The application of servant leadership can improve the performance of the Bank Indonesia Aceh Representative organization.
5. Implementing employee engagement can improve the performance of the Bank Indonesia Aceh Representative organization.
6. Employee engagement was found to act as a mediating variable in testing the influence of HWPS on the performance of the Bank Indonesia Aceh Representative organization.

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7. Employee engagement was found to act as a mediating variable in testing the influence of servant leadership on the performance of the Bank Indonesia Aceh Representative organization.

7. RESEARCH LIMITATIONS

Due to various limitations of researchers and resource capabilities, this research has several limitations, namely:

1. There are limitations of researchers who cannot fully supervise the filling out of questionnaires carried out by respondents or employees who are sampled in research spread across different Bank Indonesia representative offices. Sometimes respondents directly fill out questionnaires when they are placed at work so that the respondent's answers could be influenced by the answers to the theme or busyness at work, so the answers given contain an element of bias, but there are also respondents who take the questionnaire home.
2. The self-reported nature of the data may not reflect actual events in the workplace. This is influenced by various other factors that exist outside the organization, such as the social environment of employees. Other factors outside the research environment that can influence respondents in providing answers to the questionnaire, for example busyness at home, family or those closest to them, these conditions can have an impact on the quality and objectivity of respondents in filling out the questionnaire.
3. Organizational performance can be influenced by various factors, both internal and external factors. However, in this research the author only used three variables that were appropriate to the conditions and reflected the Bank Indonesia organization, especially the Aceh representative office. And there are many other factors that influence organizational performance which have previously been proven empirically by previous researchers. And these factors become important input for future researchers to use other variables.

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