The Impact of Employee Competence, Culture of Innovation, and Leadership Style on Organizational Effectiveness

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ABSTRACT

The purpose of this study is to analyse the impact of employee competence, culture of innovation, and leadership style on the effectiveness of organizations in the Coordinating Ministry for Human Development and Cultural Affairs Indonesia.

Methodology/approach – This research uses quantitative research methods in the form of surveys. Respondents of this study are employees at the Secretariat of the Coordinating Ministry for Human Development and Cultural Affair, with 109 respondents.

Findings – The results of this study show that employee competence, culture of innovation, and leadership style have a positive impact on organizational effectiveness. It should be an organization’s concern to improve the quality of competence, culture of innovation, and style of leadership so that the effectiveness of the organization can be achieved optimally.

Novelty/value – The leaders must conduct regular employee evaluations, conduct employee competency training, and prepare supporting infrastructure so that employee competence increases and a good culture of innovation is created. Keywords: Employee competence, culture of innovation, leadership style, organizational effectiveness, bureaucratic reform.

INTRODUCTION

The Coordinating Ministry of Human Development and Cultural Affairs (Kemenko PMK) is an institution that is also an organization. In the government system, of course, the organization and implementation of public services must be good and clean (good governance), of course followed by the development and implementation of a good, transparent and accountable accountability system. Public services have a very vital role in organizational and political life. If the implementation has poor quality public services, it will cause a crisis of confidence by the community. The poor quality of public services has led to a crisis of confidence in the community towards the public bureaucracy. The crisis of trust is shown by the emergence of various forms of protests and demonstrations against the bureaucracy both at the central and regional levels (Imam & Astini, 2022; Iskamto, 2020; Iskamto et al., 2020, 2021; Jaenudin & Fauziana, 2022; Manggala & Nurhayati, 2022).

One of the parameters in seeing good performance in the government system can be seen through the achievement value of bureaucratic reform. Bureaucratic reform is a systematic, integrated
and comprehensive effort to realize good governance which includes aspects of change management, policy deregulation, organizational structuring and strengthening, governance structuring, apparatus human resource management, strengthening accountability, strengthening supervision, improving the quality of public services.

Table 1. Table of Bureaucratic Reform Score of Coordinating Ministries in 2019-2021

<table>
<thead>
<tr>
<th>Name of Coordinating Ministry</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinating Ministry of Human Development and Cultural Affairs</td>
<td>75.72</td>
<td>76.14</td>
<td>77.69</td>
</tr>
<tr>
<td>Coordinating Ministry for Maritime and Investment Affairs</td>
<td>69.13</td>
<td>75.18</td>
<td>76.78</td>
</tr>
<tr>
<td>Coordinating Ministry for Economic Affairs</td>
<td>-</td>
<td>76.63</td>
<td>77.95</td>
</tr>
<tr>
<td>Coordinating Ministry for Political, Legal, and Security Affairs</td>
<td>75.58</td>
<td>75.60</td>
<td>77.82</td>
</tr>
</tbody>
</table>

Source: Bureaucratic Reform and SAKIP Evaluation Report, processed.

Data from Table 1, it has been known that the value of the Bureaucratic Reforms Kemenko PMK has been increasing every year, but the increasing values of the Bureaucratic reforms did not occur significantly, only rising one point each year.

Values in each area of change are rising and some are falling. The increase in value in the area of change should be consistent with indicating an increase each year, but what happens in Kemenko PMK, values in each area of changes are inconsistent even some have decreased.

In keeping with the explanation of the value of bureaucratic reforms mentioned above, strategic measures are needed so that Kemenko PMK is able to improve the performance of its organization and to provide more benefits to the public by demonstrating through better and consistent indicators of bureaucracy reform value than in previous years.

The researchers reflected through the report of the general record of the results of the evaluation of bureaucratic reforms existing in Kemenko PMK on the Human Resource Management factor on February 24, 2022 issued by The Ministry of State Apparatus Utilization and Bureaucratic Reform (KemenPANRB) on the first point mentioned that “The analysis of the competence gap possessed from the result of the assessment of staff competence, has not been fully followed up for the fulfilment of the needs of the development of competence of staff, so competence development carried out is not optimal in reducing the competency gap that occurs.” The researchers concluded that the development of the competence of employees in Kemenko PMK has not gone optimally, it should be a serious concern so that development of individual competence can develop evenly and comprehensively in accordance with the letter of evaluation and recommendations of the Ministry of State Apparatus Disclosure and Bureaucratic Reform (Rifa’i et al., 2022; Yulihardi et al., 2022).

The next factor that researchers look at is the Innovation Culture Factor. Researchers see the slowness of the innovations that exist in Kemenko PMK, especially in following the trends of the times especially regarding the technology that develops in the Kemenko PMK environment. The lack of innovation contributions from workers or the lack of a culture of innovation that exists in Kemenko PMK can lead to many things, one of which can make the workers to work passively, monotonous and less creative so that it can reduce the productivity.

The last factor that the researchers highlighted is the leadership factor that exists in Kemenko PMK. In the general report of the results of the Bureaucratic Reform evaluation dated February 24, 2022, the third paragraph explains that “the performance dialogue conducted between the leadership and the entire staff is not fully optimal, so the individual performance does not fully contribute to the performance of the organization”. The researchers reflected that the inefficiency of communication between leaders and officials led the researchers to conclude that the leaders in particular who are in charge of their subordinates, in this case the officials, should have a leadership style that is able to embrace, communicate, and organize their employees, in the case of the official, so that they are not afraid or discouraged and able to use their capabilities to the maximum so they can make the maximum contribution to their organization, in that case the Ministry of Coordination in the Field of Human Development and Culture.
Therefore, based on the background explanation presented above, the author is encouraged to undertake research on “The Impact of Employee Competence, Culture of Innovation, and Leadership Style on Organizational Effectiveness in the Ministry of Human Development and Culture Coordinator”.

**LITERATURE REVIEW**

**Bureaucratic Reform**

According to Sigit in Deviyanti, D., & Bintoro, K. (2021), bureaucratic reform is a government strategy in realizing Good Governance by making changes and improvements to the government administration system that targets human resources, management and institutions. The objectives of bureaucratic reform guided by Presidential Regulation Number 81 of 2010 concerning the Grand Design of Bureaucratic Reform 2010-2025 as a strategy and solution in connection with problems in implementing government policies in relation to serving the community has the following objectives: 1) Improve the quality of service to the community; 2) Make the efficiency of time and costs incurred by each government organization; 3) Improve the performance of the state civil apparatus; 4) As an indicator in making policies and developing programs that have implications for the community. 5) Creating an effective, proactive and anticipatory bureaucracy in the face of change.

**Competence**

According to DeFillippi, R. J., and Arthur, M. B (2011) emphasizes the development of employee competencies involving complex cognitive skills, problem-solving, and strategic thinking skills. According to Wibowo (2010:324), competence is the ability to perform or perform a job or task that is based on skills and knowledge and supported by the work attitude required by the attitude of the job. Thus, competence indicates the skills or knowledge characterized by professionalism in a particular field as something of the most importance, as the superiority of that field. In other words, the definitions from the explanations of the researchers above can be concluded that competence is the character of an organization or company employees to be able to perform tasks assigned or mandated and to realize the goals of the organization or the company to be achieved.

**Culture of Innovation**

Innovation culture is a process aimed at creating new knowledge that is focused on commercial development and to obtain valuable solutions. (Herkema, 2003). The culture of innovation is characterized by changes in traditional management principles, both in terms of processes and practices that significantly change the way management works. (Hamel, 2006).

Innovative culture according to Quy (2017) plays a very important role in organizations especially in examining the performance of organizations. From some of the above definitions, it can be concluded that innovation culture is the process of changing principles and the way management works in accepting changes to the implementation of ideas or the development of new behaviors, such as creating new ideas that can benefit the company or organization.

**Style of Leadership**

Leadership style is a set of characteristics that a leader uses to influence his subordinates so that the organization's goals are achieved or it can be said that the style of leadership is a pattern of behavior and strategy preferred and often set by a leader. (Veithzal Rivai, 2014). Mulyadi (2015) also defines leadership style as the way a leader shows a particular attitude to influence his subordinates in achieving the company’s goals. Busro (2018) also adds another interpretation of leadership style is a way in which a leader can persuade his followers to freely wish to carry out the various collaborative activities requested by the leader without feeling compelled to the company’s goals. From some of the definitions of leadership styles mentioned above, the authors can conclude that leadership style is the way a leader
is able to influence and move the people he leads individually or collectively to carry out a particular activity and to a goal of the organization or company without being followed by coercion.

**Efficiency of Organization**

Organizational effectiveness can be expressed as the degree of success of an organization in its endeavors to its goals and objectives. (Daft, 2010). There are some of the most commonly used approaches in measuring the effectiveness of an organization, one of which is through a target or goal approach. The concept of effectiveness based on the goal approach according to Gibson (2006:20) is the achievement of the goal of joint efforts. The level of achievement indicates the level of effectiveness or efficiency. Therefore, this is from the explanation of the experts above if the conclusion is drawn, that the effectiveness of the organization can be achieved when the organization or company successfully achieves its goals. From this point of view it is also mentioned that organizations are established as a means to a goal.

**HYPOTHESIS DEVELOPMENT**

H1 : Variable Employee of Competence have a positive impact on Organizational Effectiveness.

H2 : Variable Culture of Innovation have a positive impact on Organizational Effectiveness.

H3 : Variable Style of Leadership have a positive impact on Organizational Effectiveness.

**METHOD**

This research uses quantitative research methods in the form of surveys. Surveys are usually used in exploratory and descriptive research to collect data about people, events, or situations (Sekaran & Bougie, 2016). Surveys usually analyze samples to examine the population. Data collection uses research instruments in the form of questionnaires, and data analysis is statistical which aims to test the research hypothesis. This research is also a causality research that analyzes the influence between variables. This research measurement is in the form of numbers and uses analytical tools to measure and obtain research results through questionnaires.

**RESULT AND DISCUSSION**

The following survey contains statistical descriptive variables of the survey consisting of the average (mean), minimum, maximum, and median values of the respondent’s acquisition score against the survey questionnaire with the following results:

**Table 2. Descriptive Statistics Dimensions and Research Variables**
Variables/Dimensions | Mean Score | Minimum Score | Maximum Score | Median Score
--- | --- | --- | --- | ---
Variable Employee of Competence | 63.26 | 56.00 | 72.00 | 61.00
Dimensions of knowledge | 15.77 | 14.00 | 18.00 | 15.00
Dimensions of Capability | 10.54 | 9.00 | 12.00 | 10.00
Dimensions of Attitude | 10.63 | 9.00 | 12.00 | 10.00
Variable Culture of innovation | 46.04 | 22.00 | 59.00 | 47.00
Dimensions of Innovation | 9.70 | 5.00 | 12.00 | 10.00
Dimensions of infrastructure | 8.78 | 4.00 | 12.00 | 9.00
Dimensions of implementation | 9.08 | 4.00 | 12.00 | 10.00
Variable Styles of Leadership | 74.37 | 53.00 | 90.00 | 75.00
Dimensions of Decision | 19.67 | 15.00 | 24.00 | 20.00
Dimensions of Motivation of Workers | 9.83 | 8.00 | 12.00 | 10.00
Dimension of Communication | 10.20 | 7.00 | 12.00 | 10.00
Dimensions of Control | 9.78 | 7.00 | 12.00 | 10.00
Dimension of Responsibility | 14.97 | 9.00 | 18.00 | 15.00
Dimensions of Emotional Control | 9.91 | 6.00 | 12.00 | 10.00
Variables of Organizational Effectiveness | 50.83 | 36.00 | 60.00 | 50.00
Dimensions of Achievement | 10.02 | 7.00 | 12.00 | 10.00
Dimension of Adaptation | 10.28 | 6.00 | 12.00 | 10.00
Dimensions of Integration | 10.25 | 8.00 | 12.00 | 10.00

Source: Primary data processed, 2023

Validity and Reliability Test
Validity testing in this study through a second-order measurement model using the SEM-PLS approach with the help of SmartPLS 3 software that will issue the factor loading value as a measure of the validity of a factor with the condition that if the load factor value > 0.70 then it is declared valid. (Haryono, 2017). The validity and reliability test results for the latent variable indicators in this study are as follows:

<table>
<thead>
<tr>
<th>Construction</th>
<th>Loading Factor</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable Employee of Competence</td>
<td>-</td>
<td>0.888</td>
<td>0.913</td>
<td>0.599</td>
</tr>
<tr>
<td>Dimensions of Knowledge</td>
<td>0.920</td>
<td>0.797</td>
<td>0.908</td>
<td>0.831</td>
</tr>
<tr>
<td>Dimensions of Capability</td>
<td>0.863</td>
<td>0.757</td>
<td>0.891</td>
<td>0.803</td>
</tr>
<tr>
<td>Dimensions of Attitude</td>
<td>0.860</td>
<td>0.797</td>
<td>0.908</td>
<td>0.831</td>
</tr>
<tr>
<td>Variable Culture of Innovation</td>
<td>-</td>
<td>0.897</td>
<td>0.922</td>
<td>0.663</td>
</tr>
<tr>
<td>Dimensions of Innovation</td>
<td>0.859</td>
<td>0.799</td>
<td>0.909</td>
<td>0.832</td>
</tr>
<tr>
<td>Dimensions of infrastructure</td>
<td>0.899</td>
<td>0.811</td>
<td>0.913</td>
<td>0.840</td>
</tr>
<tr>
<td>Dimensions of implementation</td>
<td>0.897</td>
<td>0.845</td>
<td>0.928</td>
<td>0.866</td>
</tr>
<tr>
<td>Variable Styles of Leadership</td>
<td>-</td>
<td>0.956</td>
<td>0.961</td>
<td>0.623</td>
</tr>
<tr>
<td>Dimensions of Decision</td>
<td>0.909</td>
<td>0.908</td>
<td>0.935</td>
<td>0.783</td>
</tr>
<tr>
<td>Dimensions of Motivation of Workers</td>
<td>0.838</td>
<td>0.753</td>
<td>0.890</td>
<td>0.802</td>
</tr>
</tbody>
</table>
Based on the table 3, shows that the dimension of employee competence, culture of innovation, leadership style, and organizational effectiveness with its indicators has loading factor values > 0.70, then the validity test of employee competency, innovation culture, style of leadership, and organizational effectiveness is declared valid. And based on the table 3, shows that the entire dimensions and latent variables in this study have Alpha Cronbach value > 0.7 or Composite Reliability value > 0.6 or Average Variance Extracted value (AVE) > 0.5 then reliability tests on the variables of employee competence, culture of innovation, and leadership style are declared reliable or indicators are considered consistent in measuring the construction.

**Discriminant Validity**

Discriminant validity in this research using Fornell-Larcker Criterion and Heterotrait-Monotrait Ratio of Correlations (HTMT) with result:

**Tabel 4. Fornell-Larcker Criterion**

<table>
<thead>
<tr>
<th>Construction</th>
<th>Competence of Employees</th>
<th>Culture of Innovation</th>
<th>Style of Leadership</th>
<th>Organizational Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence of Employees</td>
<td>0,744</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture of Innovation</td>
<td>0,415</td>
<td>0,814</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Style of Leadership</td>
<td>0,604</td>
<td>0,688</td>
<td>0,789</td>
<td></td>
</tr>
<tr>
<td>Organizational Effectiveness</td>
<td>0,657</td>
<td>0,629</td>
<td>0,691</td>
<td>0,818</td>
</tr>
</tbody>
</table>

Based on the table 4, then the value of each Fornell-Larcker Criterion is greater than its correlation with the other variables in the other columns, so the criterion of discriminatory validity on this model has been met.

**Tabel 5. Heterotrait-Monotrait Ratio of Correlations (HTMT)**

<table>
<thead>
<tr>
<th>Construction</th>
<th>Competence of Employees</th>
<th>Culture of Innovation</th>
<th>Style of Leadership</th>
<th>Organizational Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence of Employees</td>
<td>0,463</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Culture of Innovation</td>
<td>0,655</td>
<td>0,743</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Style of Leadership</td>
<td>0,733</td>
<td>0,699</td>
<td>0,745</td>
<td></td>
</tr>
</tbody>
</table>

Tabel Heterotrait-Monotrait Ratio of Correlations (HTMT) show that all value of Heterotrait-Monotrait Ratio of Correlations (HTMT) < 0.9 then it can be stated that all constructions have validated discriminatory validity based on the calculation of Heterotrait-Monotrait Ratio of Correlations (HTMT).

**Hypothesis test**

After evaluating the measurement model (Outer Model) subsequent test of the hypothesis in this study using the structural model (Inner Model) with the following results:
Figure 1. Inner Model

Add table of path analysis or Path Coefficient

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Original Sample</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Competence of Employees → Organizational Effectiveness</td>
<td>0.378</td>
<td>4.444</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>Culture of Innovation → Organizational Effectiveness</td>
<td>0.293</td>
<td>2.373</td>
<td>0.019</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>Style of Leadership → Organizational Effectiveness</td>
<td>0.261</td>
<td>2.156</td>
<td>0.033</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

H1: The competence of employees has a positive impact on the organizational effectiveness because p value 0.019 < 0.05 then hypothesis can be accepted. The competence of employees has a positive impact on the organizational effectiveness with a magnitude of impact of 0.378.

H2: The culture of innovation has a positive impact on the organizational effectiveness because p value 0.033 < 0.05 then hypothesis can be accepted. The culture of innovation has a positive impact on the organizational effectiveness with a magnitude of influence of 0.293.

H3: The style of leadership positively influences the organizational effectiveness because p value 0.000 < 0.05 then hypothesis can be accepted. The style of leadership positively influences the organizational effectiveness with a magnitude of impact of 0.261.

DISCUSSION

Effects of Employee Competence on Organizational Effectiveness

The results of the analysis of the influence of employee competence on the Organizational Effectiveness in Kemenko PMK have found that the competence of the employee has a positive influence on the efficiency of the organization in the Kemenko PMK.
It is supported by the decision of the organization to do the rotation of staff. It is hoped that by doing the rotations of staff, then can give a new refreshment to the staff so that it is expected the competence of the staff increases and helps the organization in achieving the efficiency of the organisation.

Accepted the first hypothesis in this study suggests that the competence of employees has a significant role in improving the efficiency of the organization. Organizational effectiveness depends on the performance of individual duties and responsibilities as an employee of an organization. The success of an individual's achievement is closely related to the competence he possesses which is a characteristic of the employee with an effective benchmark criterion in meeting the performance or performance of that employee himself in the work situation in the company.

The results of this study are in line with the research conducted by Johny, L., (2010) that subordinate competence has a significant influence on the efficiency of the organization. The research results are also relevant to the findings of Riskawati dkk, (2021) which also obtained the finding that the competence of project manager has a positive and significant impact on organizational efficiency through job satisfaction in the Construction Division I of PT Adhi Karya (Persero) Tbk.

**The Impact of Innovation Culture on Organizational Efficiency**

The results of the analysis of the influence of innovation culture on the Organizational Effectiveness in Kemenko PMK have found that the culture of innovation has a positive influence on the efficiency of organisations in the Kemenco PMK.

The accepted second hypothesis in this study suggests that the culture of innovation has a significant role in improving the efficiency of the organization. A culture of innovation can encourage employees to create, create something new that can be beneficial to improving the efficiency of the organization. Successful organizations have the ability to absorb innovation into their organizational culture. The influence of a culture of innovation can be applied by changing traditional management principles, both in terms of processes and practices that significantly change the way management works. (Hamel, 2006).

It is supported by the decision of the organization in doing the rotation of the staff. It is expected by doing the Rotation of staff, then can give a new refreshment and can transmit the culture of innovation to fellow employees so that created the innovation culture that can support the effectiveness of the organisation in Kemenko PMK.

The results of this study are in line with the research carried out by Oskar Sindi Nova (2015) that organizational culture has a positive influence on the effectiveness of organizations in PT. Anindya Mitra Yogyakarta.

**The Impact of Leadership Style on Organizational Effectiveness**

The results of the analysis of the influence of leadership styles on the Organizational Effectiveness in Kemenko PMK have found that the leadership style has a positive influence on the efficiency of organisations in the Kemenko PMK.

Admittedly, the third hypothesis in this study suggests that a leadership style has a significant role to play in improving the efficiency of an organization, as stated by Busro (2018) that leadership is a way in which a leader can persuade his followers to freely wish to undertake the various collaborative activities requested by a leader without feeling compelled to an organization's efficiency measured by the degree of success of the organization in the endeavour to its goals and goals.

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It is supported by the decision of the organization to do the rotation of the staff including the leadership. It is hoped that by doing this rotation at the level of leadership, it can improve the quality of the leader, both in personal ability as well as the ability to interact and collaborate with the staff so that success is created in achieving the effectiveness of the organisation.

The results of this study are in line with the research conducted by Johny, L., (2010) that the style of leadership has a significant influence on the effectiveness of the organization.

CONCLUSION
Based on analysis and discussion, the results of this study can be concluded: The competence of employees has a positive impact on the organizational effectiveness of The Coordinating Ministry of Human Development and Cultural Affairs where the suitability of the background of employee education with the job, a good understanding of the procedures of tasks and work, and having work experience that supports the work can improve the efficiency of the organisation. The culture of innovation has a positive impact on the organizational effectiveness in The Coordinating Ministry of Human Development and Cultural Affairs where the infrastructure and organization culture of the company that supports employees to create innovation can improve the effectiveness of the organization. The Style of Leadership has a positive impact on the organizational effectiveness in The Coordinating Ministry of Human Development and Cultural Affairs where good and responsible leaders in the work can improve the efficiency of the organization.

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