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THE EFFECT OF PERFORMANCE MEASUREMENT SYSTEM ON PSYCHOLOGICAL EMPOWERMENT AND EMPLOYEE PERFORMANCE (Studies at PT. Bank Bukopin Bandar Lampung)

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ABSTRACT

This research aims to examine how the effects of the performance measurement on psychological empowerment and employee performance. In order to attain the aim of the study, this research is conducted the banking sector, especially Bank Bukopin of Bandar Lampung. According to 40 respondent, researchers analyzed data using the Structural Equation Modelling (SEM) in particularly smart PLS. The result of the study show that the first hypothesis of performance measurement has positive and statistically significant on psychological empowerment hypothesis 1 is supported. However, the second hypothesis is partially supported psychological empowerment on employee performance, and the third hypothesis performance measurement results positive influence on employee performance, then the third hypothesis is supported. This study implies that performance measurement enables to improve employee performance both direct and indirectly through psychological empowerment.

Keywords : *Performance measurement, psychological empowerment and employee performance.*

INTRODUCTION

Kim and Larry (1998) state that performance measurement is the frequency of performance measurement for managers in organizational units led by quality in the company's operational activities. It is believed that the unification of measuring tools covering the value chain of an organization can help managers to understand cross-functional relationships that lead to better and more precise problem solving and decision making (Banker et al, 2004). Chenhall (2005) found that integrity is an important attribute in performance measurement, he argues that the completeness of the characteristics of performance measurement information is the extent to which performance measurement provides performance information for employees. That completeness comes from providing performance measures that describe the important parts of an employee's job at a service company.

Kihn (2010) revealed that employee performance is one of the factors that can increase company effectiveness. Therefore, to improve the effectiveness of company performance, a comprehensive performance measurement system is needed that can provide managers with relevant information for strategic decision making. This study is a replication of Hall's (2008) research. The difference between this study and Hall's research is the object of research. Hall's (2008) study used a sample of managers in manufacturing companies, while this study was

conducted in the service sector, particularly banking employees. Based on research Chenhall (2005) "The financial services sector is an important component in the economy in the world. Using a sample from the financial services sector will provide different measures to see the relationship between performance measurement systems and employee performance.

The problem that the writer raises in this study is Does performance measurement affect psychological empowerment? Does psychological empowerment affect employee performance? And does performance measurement affect employee performance?

The objectives of this study are; To test how performance measurement affects psychological empowerment; To test how psychological empowerment affects employee performance .; To test how the effect of performance measurement on employee performance.

METHODS

The data used in this study are primary data obtained through a questionnaire. The questionnaire was distributed to 50 employees of the Bank Bukopin Bandar Lampung branch. For the 50 questionnaire sets, the authors received 40 responses.

Data analysis technique

In this study, the method of analyzing data was using structural equation modeling (SEM). After the author uses SEM, then the authors choose the appropriate statistical tool for testing this variable, namely using PLS, SmartPLS.

The reasons for using PLS (Partial Least Square) are:

1. Because this study is a prediction of how performance measurement affects employee performance, PLS is more suitable because PLS is prediction-oriented (Urbach & Ahlemann, 2010)
2. Because this study is to predict how much influence the relationship between performance measurement systems will have, PLS is more suitable because the purpose of PLS is prediction-oriented (Urbach & Ahlemann, 2010).

DISCUSSION

Respondents in this study were employees of Bank Bukopin in Bandar Lampung. The sample employees were given a questionnaire containing a collection of questions about the respondent's profile consisting of gender, age, latest education, position, work division, length of work.

Factor Analysis

Factor analysis aims to define the structure of a data matrix and to analyze the correlation structure between a number of variables by defining dimensions or factors. With factor analysis the writer can identify the factors of a structure and group the types of indicators into the population and provide a more detailed analysis of the data presented.

Performance Measurement

Analysis of performance measurement factors can be seen in Table 2.By looking at the component matrix and the rotated component matrix, the grouping of performance measurement variables is grouped on factor 1, each loading factor is above 0.5, that means in table 2 the loading factor is valid.

Table 2 Component Matrix Performance Measurement

	Component
	1
Question 1	0.879
Question 2	0.850
Question 3	0.837
Question 4	0.909
Question 5	0.875
Question 6	0.750
Question 7	0.839
Question 8	0.824
Question 9	0.838

Source: SPSS output, processed data

Psychological Empowerment

In the psychological empowerment variable, after testing, it shows that the psychological empowerment component matrix and rotated component matrix are grouped in 2 dimensions.

Table 3 Rotated Component Matrix for Psychological Empowerment

	Component	
	1	2
Question 1	0.887	0.219
Question 2	0.883	0.188
Question 3	0.741	0.260
Question 4	0.795	0.301
Question 5	0.609	0.505
Question 6	0.363	0.718
Question 7	0.599	0.518
Question 8	0.473	0.599
Question 9	0.341	0.765
Question 10	0.276	0.790
Question 11	0.054	0.861
Question 12	0.273	0.671

Source: SPSS output, processed data

Employee performance

For employee performance variables can be seen in Table 4 by looking at the employee performance component matrix and rotated component matrix, then the grouping of employee

performance variables is grouped on factor 1, each loading factor above 0.5 means that in table 4 the loading factor is valid.

Table 4 Component Matrix of Employee Performance.

	Component
	1
Question 1	0.905
Question 2	0.784
Question 3	0.809
Question 4	0.807
Question 5	0.729
Question 6	0.669
Question 7	0.676
Question 8	0.693
Question 9	0.858

Source: SPSS output, processed data

Data analysis

Reliability Test

Check the reliability of the construct by looking at the composite reliability and cronbach's alpha output of more than 0.7. Hulland, (1999) said that Cronbach's alpha whose value is more than 0.7 shows a realistic level. Table 5 shows the construct reliability as seen from the composite reliability and Cronbach alpha values

.**Tabel 5 Quality Criteria (Composite Reliability, Cronbachs Alpha)**

	AVE	Composite Reliability	R Square	Cronbachs Alpha
PK	0,714	0,957		0,949
PS1	0,712	0,925	0,419	0,900
PS2	0,616	0,918	0,612	0,896
KK	0,600	0,929	0,459	0,914

Source: PLS output, processed data

Validity test

In the model measurement technique to test the validity of the data using PLS, it was seen from the convergent and discriminant validity testing. In convergent validity, it can be seen that the AVE output is very good because the criterion for the convergent validity value is said to be good if it has an AVE value of more than 0.50.

Tabel 6 Quality Criteria (AVE)

	AVE
PK	0.714

PS1	0.712
PS2	0.616
KK	0.600

Source: PLS output, processed data

A. Discriminant Validity

a. Value of cross loadings

Discriminant Validity Testing is done to see that each item is not the same as other constructs in the model. Testing is done by using the cross-loading method The cross loadings criterion is that each construct has a higher correlation than the other constructs.

Tabel 7 Cross Loadings

	PK	P. S 1	P. S2	K.K
PK1	0,876	0,552	0,582	0,598
PK2	0,847	0,529	0,567	0,506
PK3	0,831	0,546	0,667	0,472
PK4	0,905	0,509	0,712	0,524
PK5	0,875	0,523	0,704	0,619
PK6	0,750	0,519	0,667	0,392
PK7	0,838	0,609	0,654	0,476
PK8	0,830	0,535	0,661	0,664
PK9	0,844	0,596	0,717	0,690
Psiko1	0,534	0,879	0,586	0,333
Psiko2	0,552	0,850	0,560	0,295
Psiko3	0,355	0,767	0,549	0,328
Psiko4	0,605	0,895	0,600	0,502
Psiko5	0,617	0,822	0,682	0,542
Psiko6	0,680	0,596	0,814	0,534
Psiko7	0,557	0,678	0,763	0,525
Psiko8	0,544	0,585	0,763	0,442
Psiko9	0,614	0,576	0,823	0,407
Psiko10	0,643	0,549	0,819	0,462
Psiko11	0,531	0,369	0,769	0,290
Psiko12	0,675	0,515	0,734	0,644
K Karyawan1	0,661	0,532	0,613	0,915
K Karyawan2	0,487	0,453	0,462	0,776
K Karyawan3	0,409	0,227	0,337	0,789

K Karyawan4	0,430	0,196	0,349	0,805
K Karyawan5	0,501	0,372	0,598	0,746
K Karyawan6	0,387	0,292	0,376	0,655
K Karyawan7	0,271	0,232	0,280	0,647
K Karyawan8	0,496	0,374	0,447	0,703
K Karyawan9	0,704	0,535	0,629	0,873

Source: PLS output, processed data

b. Comparison of the value of the squared correlation

To see good discriminan validity is to make comparisons. It can be seen that the maximum correlation between the PK construct and other constructs is 0.844, the other correlations, namely, PS1, PS2 and KK have a higher AVE root value than the correlation between the constructs.

Tabel 8 Laten Variabel Korelasi

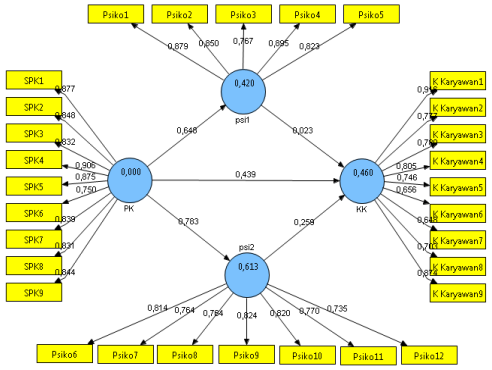
	PK	PS1	PS2	KM
PK	**0,844**			
PS1	0.648	**0.843**		
PS2	0.782	0.711	**0.784**	
KK	0.656	0.491	0.618	**0.774**

Source: PLS output, processed data

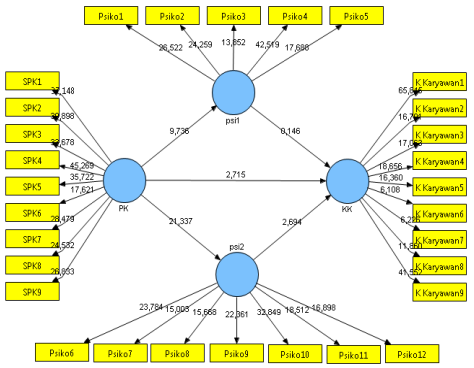
Measurement Structural Model

After the measurement analysis of the model is complete, the next step is measuring the structure of the model. The technique that will be used in this research is the path coefficient, the results are obtained in the following figure:

Picture 1. Full Model Structural Partial Least Square



Picture 2. Model Struktural Partial Least Square algorithm



Hypothesis test

Hypothesis 1

H1: The effect of performance measurement on psychological empowerment.

The first hypothesis there is a dependent variable, namely psychological empowerment which consists of two constructs, namely psychological empowerment 1 and psychological empowerment 2 and one independent variable, namely performance measurement. Based on table 10, it shows that performance measurement has a positive effect on psychological empowerment1 ($\beta = 0.648$, $t = 9.736$, $p < 0.01$), and performance measurement has a positive effect on psychological empowerment2 ($\beta = 0.783$, $t = 21.337$, $p < 0.01$), then based on the table shows that the t-statistic value is far above the critical value ± 2.425, thus the first hypothesis is supported, this means that if the performance measurement increases, psychological empowerment will increase, H1 is supported.

Hypothesis 2

H2: The effect of psychological empowerment on employee performance.

The second hypothesis is that there is one dependent variable, namely employee performance and the independent variable, namely psychological empowerment which consists of two constructs, namely psychological empowerment 1 and psychological empowerment 2 called. Based on table 10, it shows that PS1 has a negative effect on managerial performance 1 ($\beta = 0.023$, $t = 0.146$, $p < 0.1$), because the t-statistic value is far below the critical value of 1.303, and PS2 has a positive effect on employee performance ($\beta = 0.259$, $t = 2.694$, $p < 0.01$), because the t-statistic value is significantly different from the critical value of ± 2.425. Thus, based on the calculation of the conclusion, the variables have a positive effect, so the conclusion is H2 is supported.

Hypothesis 3

H3: Effect of performance measurement on employee performance

The third hypothesis there is a positive influence between performance measurement on employee performance. Based on the results of the hypothesis, that there is a positive and significant influence between the two variables ($\beta = 0.439$, $t = 2.715$, $p < 0.01$), table 10 shows that the t-statistic value is far above the critical value ± 2.425, thus the third hypothesis supported, this means that if the performance measurement increases, the employee's performance will increase, H3 is supported.

CONCLUSION

The first hypothesis is that performance measurement has a positive and statistically significant effect on psychological empowerment, so this hypothesis H1 is supported. The significant value of performance measurement for psychological empowerment1 is 9,736 and performance measurement for psychological empowerment2 is 21.337, which means that the t value of the factor load is greater than the critical value ($p < 0.01$). The results of this study are consistent with research conducted by Hall (2008) and Marginson, McAulay and Roush (2011).

Whereas in the second hypothesis, the results show that psychological empowerment is partly supported by employee performance. The significant value of psychological empowerment1 on employee performance is 0.146 and psychological empowerment2 on employee performance is 2.694, because PS1 on employee performance, the t value of the factor load is smaller than the critical value ($p < 0.1$) and PS2 on employee performance, the t value of the factor load. greater than the critical value ($p < 0.01$),

Meanwhile, the third hypothesis shows the results that performance measurement has a positive effect on employee performance, so H3 is supported. The significant value of performance measurement on employee performance is 2.715 which means that the t value of the factor load is greater than the critical value ($p < 0.01$). The results of this study are consistent with research conducted by Kaplan and Norton 1996, Epstein and Manzoni 1998, Atkinson and Epstein 2000, and Kren (1992).

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