

THE IMPACT OF COMPETENCE AND EMPLOYEE QUALITY ON ORGANIZATIONAL PERFORMANCE WITH MOTIVATION AS AN INTERVENING VARIABLE AT BANK INDONESIA

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Abstract:

This research aims to determine the effects of competence, human resource quality, and motivation on the organizational performance at Bank Indonesia. It seeks to understand the impact of competence and human resource quality on motivation and examine the influence of competence and human resource quality on organizational performance at Bank Indonesia, with motivation as a moderating variable. This study employs Partial Least Square analysis using the SmartPLS. The findings suggest that no significant relationship exists between competence and organizational performance at Bank Indonesia. HR quality has a significant positive effect on organizational performance at Bank Indonesia. There is insufficient evidence to assert a significant relationship between competence and motivation at Bank Indonesia. HR quality has a powerful positive influence on motivation at Bank Indonesia. Motivation significantly and positively affects organizational performance at Bank Indonesia. No significant measurable effect was found between competence and organizational performance through motivation in this sample at Bank Indonesia. However, a significant measurable effect was observed between HR quality and organizational performance through motivation in this sample at Bank Indonesia.

Keywords: Competence, HR Quality, Motivation, Organizational Performance



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INTRODUCTION

Good performance in financial institutions is crucial in maintaining financial system stability, promoting economic growth, and protecting public interests. The financial system's stability can prevent crises and protect the interests of customers and the general public. Good performance in financial institutions reflects professionalism and transparency in their functioning. Public trust in these institutions increases when they maintain integrity and ethics and deliver positive results in their performance. Good performance ensures institutions can effectively carry out their supervisory and regulatory roles, thereby preventing harmful behaviors and protecting the public and economic actors. Good performance also ensures sufficient funds to support broad economic activities.

As a significant and essential financial institution, Bank Indonesia possesses high-quality Human Resources (HR) to carry out its various duties and responsibilities. The HR composition at Bank Indonesia consists of a diverse range of professions, from economists, accountants, and policy analysts to information technology experts. They work across various departments in Bank Indonesia, such as the Economic and Monetary Policy Department, the Payment System Policy Department, the Currency Management Department, and the Digital Development and Innovation Department.

Bank Indonesia implements high professional standards by significantly focusing on developing and enhancing its human resources competencies. One of its efforts is through the HR development program, which includes training, seminars, and career development. Furthermore, Bank Indonesia also offers opportunities for its staff to pursue master's and doctoral programs domestically and internationally to develop superior human resources. Consequently, the human resources at Bank Indonesia possess the necessary skills and abilities to perform their duties and responsibilities effectively, thereby making a significant contribution to the development of the financial sector in Indonesia.

The policies related to Human Resources (HR) are directed to ensure that the quality of HR at Bank Indonesia is always maintained and developed in line with the demands of their duties and responsibilities. One of the indicators of Bank Indonesia's strategic goal achievement in terms of Human Resources (HR) is the Key Performance Indicator (KPI). By using these key performance indicators, Bank Indonesia can measurably evaluate the performance and achievement of its HR goals. It is crucial to ensure that its HR has the quality and ability to perform its duties and responsibilities effectively and can significantly contribute to the stability and sustainability of the financial sector in Indonesia.

Human Resources Development at Bank Indonesia follows the direction and policies set out. In 2021, HR was required to support digital transformation. In the 2021 Key Performance Indicator, Bank Indonesia achieved "Bank Indonesia HR readiness for the digital era through the accomplishment of all HR competency improvement plans during 2021" and "Improvement in Human Resources quality as a result of planned and programmed HR development in all areas as per the needs of Bank Indonesia, reflected in the high ability of development program participants." In 2022, Human Resources (HR) was required to be more competent and motivated. In the 2022 Key Performance Indicator, Bank Indonesia achieved "Competent and highly motivated HR, with at least 80% achievement in person-to-job fit."

The development of human resources at Bank Indonesia also considers the medium-term BI program in the Destination Statement 2024, which translates the achievement of Bank Indonesia's 2024 vision into success indicators. In the Bank Indonesia Destination Statement 2024, one of the points related to HR is "Realizing a high-performing Bank Indonesia organization supported by strong leadership, appropriate strategy, effective and efficient business processes, reliable and virtuous human resources, and facilities that align with the digital era. In this regard, Bank Indonesia continuously strengthens its organization, improves work processes, develops human resources, and reinforces the work culture of Bank Indonesia by implementing a spirit of faith and obedience to God Almighty." Observing the Human Resources (HR) Indicators at Bank Indonesia through the 2021 and 2022 Key Performance shows that three indicators are highlighted: Competence, Quality, and Motivation. These variables need to be studied further for their impact on the Destination Statement 2024 on the point of realizing a high-performing Bank Indonesia organization.

Competence, or the ability of individuals within an organization, is crucial in enhancing the overall organizational performance. Previous studies on the influence of competence on organizational performance have shown varying gaps. The study by Rahardjo and Nursalam (2021) indicated competence's vivacious and significant influence on employee performance. This study also emphasizes the importance of HR management in developing and maintaining employee competence to improve company performance. Research by Yusuf et al. (2021) showed a positive influence between employee competence and organizational performance in property companies in Indonesia. This research also highlights the importance of management's role in developing employee competence through training and development. Unlike Pancasasti's (2023) findings, employee competence had a negative and insignificant effect on employee performance.

Human Resources (HR) quality within an organization is a significant factor in improving organizational performance. Literature reviews indicate a research gap between HR quality and organizational performance. A study by Aghayeva and Ślusarczyk (2019) showed that employees' skills and backgrounds, socio-psychological climate within teams, and labor efficiency influence workforce quality, management decision effectiveness, and consequently, a company's end business performance. Similarly, research by Kamel and Hassanin (2022) demonstrated that human resource management is a collection of organizational activities used to manage and enhance human resources, ensuring that this vital resource is effectively utilized to achieve organizational goals. However, Nasim et al. (2021) explained that lacking HR practices negatively impacts organizational performance.

Employee motivation or HR motivation is an essential factor in enhancing organizational performance. Previous research indicates a gap between the motivation variable and organizational performance. A study by Abu and Adnyana (2021) showed that motivation positively and significantly affects employee performance through organizational commitment. Their findings indicated that factors influencing employee work motivation include rewards, job satisfaction, and work environment. They discovered that factors affecting employee work motivation are rewards, recognition, social support, and opportunities for career development. However, more specifically, Hutabarat et al. (2023) indicated that the motivation variable negatively and significantly affects employee performance, while other factors, such as work environment and management support, have a more significant influence.

Table 1. Research Gap

Influence	Significant / Effect (+)	No Significant / Effect (-)
The Influence of Competency on Organizational Performance	Yusuf, M., Arifin, Z., & Firdausi, I. (2021);	Pancasasti (2023)
The Influence of HR Quality on Organizational Performance	Aghayeva, K. dan Ślusarczyk, B. (2019); Kamel, N. and Hassanin, A. (2022)	Nasim, S., Shamshir, M., & Sabir, S. (2021)
The Influence of Competency on Motivation	Hong et al. (2022).	Vo et al., (2022) and Martínez et al., (2021)
The Influence of Motivation on Organizational Performance	Abu Jahid, I. and Adnyana, I. M. (2021);	Hutabarat et al. (2023)

Given the background, the phenomenon of gaps, research gaps, and the identification of the issues outlined above, it becomes necessary for researchers to conduct further studies on " The Impact of Competence and HR Quality on Organizational Performance with Motivation as an Intervening Variable at Bank Indonesia."

METHODS

This research is a quantitative study that involves data collection in numerical form through surveys. The dependent variable in this study is Organizational Performance. The independent variables in this study are Competence, Human Resource Quality, and Motivation. Determining the sample and population in this study is based on the purposive sampling technique. The researcher's considerations in selecting the research sample are Bank Indonesia employees with at least a staff-level position and a minimum of one year of service. The total population is 5,311 employees (BI, 2020), so the minimum sample size using Slovin's formula with a 5% error margin is 372 employees. Data processing uses the Partial Least Square (PLS) method with the SmartPLS.

RESULT AND DISCUSSION

The statistical results presented in Table 2 are explained in the hypothesis discussion as follows:

Table 2. Direct Effect

Relationship Between Constructs	Original Sample (O)	t Statistics	P Values
Competence -> Organizational Performance	-0.036	0.544	0.587
HR Quality -> Organizational Performance	0.271	3.134	0.002
Competence -> Motivation	0.062	0.891	0.373
HR Quality -> Motivation	0.768	13.351	0
Motivation -> Organizational Performance	0.445	5.896	0

Source: Data Processed 2023

Hypothesis 1: Employee competency has a significant positive effect on organizational performance. Reject hypothesis 1. The path coefficient between Competence and Organizational Performance is -0.036. The t-statistic is 0.544. The p-value is 0.587. Interpretation: The relationship between Competence and Organizational Performance is insignificant, as the p-value is more significant than the commonly used level of significance (<0.05).

All policies of Bank Indonesia are based on government regulations, which likely serve as external factors influencing the organization's performance at Bank Indonesia and are not directly related to employee competence. The performance of Bank Indonesia is planned but is also influenced by domestic economic conditions and global circumstances. Regardless of the level of competence, it is challenging to overcome the dynamics of the global economy, which are full of uncertainties.

Hypothesis 2: HR quality has a significant positive effect on organizational performance. The path coefficient between Human Resource Quality and Organizational Performance is 0.271. The t-statistic is 3.134. The p-value is 0.002. Interpretation: The relationship between Human Resource Quality and Organizational Performance is statistically significant, as the p-value is less than the significance level of 0.05. It indicates that Human Resource Quality has a significant favorable influence on Organizational Performance.

Education and training are critical elements in enhancing the quality of HR at Bank Indonesia. Employees with good education and training will better understand the financial industry, regulations, and central bank policies. They will also be more capable of keeping up with the latest developments in economics and banking. With better knowledge, employees will be able to contribute more significantly to the strategies and policies of Bank Indonesia, which in turn will improve organizational performance.

High technical skills and abilities are crucial in Bank Indonesia's day-to-day operations. Employees must be capable of managing data, analyzing economic trends, and executing central banking functions. With high skills, they will be able to perform these tasks more efficiently and effectively, ultimately enhancing the performance of Bank Indonesia.

Work experience also plays a significant role in improving the quality of HR at Bank Indonesia. Employees with extensive experience across various roles and responsibilities will better understand organizational and industry dynamics. They will also be more capable of handling complex and unexpected challenges. This experience will aid in improving their performance in making critical decisions and managing complicated situations.

Personality and a positive work attitude also significantly impact the quality of HR at Bank Indonesia. Employees with good personalities, such as integrity, work ethics, cooperation, and openness to change, will create a healthy and productive work environment. This positive attitude will also help maintain employee morale and motivation, improving organizational performance.

Management ability is an essential aspect in enhancing the quality of HR at Bank Indonesia. Competent managers can efficiently manage teams, identify employee potential, and provide clear direction. Good management skills will assist in employee development, making accurate decisions, and achieving organizational goals. It will positively impact the overall performance of Bank Indonesia.

Considering these five aspects, high-quality HR will significantly influence the organizational performance at Bank Indonesia. With educated, skilled, experienced employees possessing good personalities and solid management abilities, Bank Indonesia will be more capable of effectively and efficiently fulfilling its role as the central bank, ultimately supporting the country's economic and financial stability.

Hypothesis 3: Competence has a significant positive effect on motivation. The path coefficient between "Competence" and "Motivation" is 0.062. The t-statistic is 0.891. The p-value is 0.373. Interpretation: The relationship between Competence and Motivation is not significant, as the p-value is greater than the significance level of 0.05. In other words, there is insufficient evidence to assert a significant relationship between Competence and Motivation in this model. It may be due to other factors influencing employee motivation, such as social factors, incentives, or other intrinsic factors.

This finding has important implications for the management of Bank Indonesia. Although competence remains essential in employee development, management should also consider other factors that can influence their motivation. Further efforts may be needed to enhance employee motivation, such as improving the incentive system and internal communication or fostering a more positive organizational culture.

Hypothesis 4: HR quality has a significant positive effect on motivation. The path coefficient between Human Resource Quality and Motivation is 0.768. The t-statistic is 13.351. The p-value is 0 (zero). Interpretation: The relationship between Human Resource Quality and Motivation is highly statistically significant, as the p-value is very small (<0.001). It indicates that Human Resource Quality has a powerful positive influence on Motivation.

Appropriate training provides employees with the knowledge and skills needed to confidently face tasks and challenges, which can increase their motivation level. Employees' skills and technical abilities play a critical role in determining the quality of HR. Research shows that employees with strong technical skills and abilities are more motivated.

Their ability to complete complex tasks or solve technical problems provides a sense of achievement that can boost motivation. Work experience is an essential aspect of employee professional development. Research findings suggest that employees with diverse and job-relevant work experience at Bank Indonesia tend to be more motivated.

Work experience helps employees develop practical knowledge and a deep understanding of their job, which in turn can increase motivation to perform better. Employees' personalities and work attitudes also play a vital role in the influence of HR quality on motivation. Employees with positive personalities, good work attitudes, and strong collaboration skills are likelier to have high motivation. Their positive attitude towards work and the organization can create a supportive work environment for motivation.

Management capability in organizations, including at Bank Indonesia, also significantly impacts employee motivation. Effective management can provide clear direction and constructive

feedback and support employee career development. Research findings indicate that employees who feel well-managed and supported by their management tend to have higher motivation levels.

Hypothesis 5: Motivation has a significant positive effect on organizational performance. The path coefficient between "Motivation" and "Organizational Performance" is 0.445. The t-statistic is 5.896. The p-value is 0. Interpretation: The relationship between Motivation and Organizational Performance is highly statistically significant, as the p-value is very small (<0.001). It indicates that Motivation has a strong positive influence on Organizational Performance.

Research indicates that engagement has a strong positive impact on organizational performance at Bank Indonesia. Employees who feel engaged are likelier to work hard, collaborate effectively, and contribute positively to achieving the organization's goals. Engagement can also improve employee retention and reduce turnover, supporting organizational performance.

Research also shows that the perception of competence strongly impacts organizational performance at Bank Indonesia. Employees who feel confident in their abilities are more likely to take initiative, better handle challenges, and achieve better outcomes in their work. The perception of competence can also enhance confidence in decision-making, which is essential in a dynamic and complex work environment.

In this study, the relationships of direct effects, indirect effects, and total effects are also examined. Direct effects between two latent variables occur when there is an arrow connecting these variables, where the estimated values between variables measure this influence. Indirect effects between two variables can occur when a variable influences another variable through one or more latent variables according to the pathways in the research model. Meanwhile, the total effects between two latent variables represent the research model's direct and indirect effects.

Table 3. Indirect Effect

Relationship Between Constructs	Original Sample (O)	t Statistics	P Values
Competence -> Motivation -> Organizational Performance	0.028	0.828	0.408
HR Quality -> Motivation -> Organizational Performance	0.342	6.146	0

Source: Data Processed 2023

The magnitude of the influence of each latent variable, whether directly (direct effects), indirectly (indirect effects), or in total (total effects), in this study has been summarized in the table above.

Hypothesis 6: Competence significantly positively affects organizational performance through motivation as a moderating variable. The relationship between Competence and Motivation towards Organizational Performance is not significant. The P-value (0.408) is greater than the commonly used significance level ($\alpha = 0.05$), which means there is no significant measurable effect between Competence and Organizational Performance through Motivation in this sample. Several factors might explain why competence does not significantly influence organizational performance at Bank Indonesia.

First, other factors beyond competence may be more dominant in influencing organizational performance. For instance, factors like organizational culture and structure or external factors such as market conditions or government regulations may significantly impact the performance of Bank Indonesia.

Second, there might be insignificant variation in the level of competence among Bank Indonesia employees. It means that most Bank Indonesia employees may already possess high

competence, so differences in competence do not significantly affect overall organizational performance.

The research findings indicate that the motivation variable does not mediate the relationship between competence and organizational performance at Bank Indonesia. It can be interpreted in several ways.

First, the motivation level of employees at Bank Indonesia may generally be high, so there needs to be more variation to mediate the relationship between competence and organizational performance.

Second, other factors beyond motivation may play a more significant role in bridging the relationship between competence and organizational performance. For example, applying competence in the work context, management support, or incentive systems might be more relevant in influencing organizational performance.

Hypothesis 7: HR quality significantly positively affects organizational performance through motivation as a moderating variable. The relationship between Human Resource Quality and Motivation towards Organizational Performance is significant. The P-value (0) is less than the commonly used significance level, indicating a significant measurable effect between Human Resource Quality and Organizational Performance through Motivation in this sample.

Motivation is essential to moderate the relationship between human resource quality and organizational performance. High motivation can enhance the positive effect of human resource quality on organizational performance. In the context of Bank Indonesia, highly motivated employees are more likely to enthusiastically apply their human resource quality in their work, enhancing organizational performance.

This research shows that motivation significantly strengthens the relationship between human resource quality and organizational performance. The findings can provide deeper insights into how Bank Indonesia can improve human resource quality and employee motivation to achieve better organizational performance.

CONCLUSION

Based on the research findings at Bank Indonesia, the following conclusions can be drawn:

1. There is no significant relationship between Competence and Organizational Performance at Bank Indonesia. It means that the competency level of the employees does not significantly influence the organizational performance of the bank.
2. Human Resource Quality has a significant positive impact on Organizational Performance at Bank Indonesia. It indicates that the bank's human resources quality positively affects its performance.
3. There is not enough evidence to assert that there is a significant relationship between Competence and Motivation at Bank Indonesia. The competency level of the employees has little impact on their level of motivation.
4. Human Resource Quality has a powerful positive influence on Motivation at Bank Indonesia. It means that high human resource quality at the bank significantly affects the motivation level of the employees.
5. Motivation has a strong positive influence on Organizational Performance at Bank Indonesia. It indicates that the level of employee motivation has a significant impact on the performance of the organization.
6. There is no significant measurable effect between Competence and Organizational Performance through Motivation in this sample at Bank Indonesia. It means that motivation does not

significantly mediate the relationship between competence and organizational performance at the bank.

7. There is a significant measurable effect between Human Resource Quality and Organizational Performance through Motivation in this sample at Bank Indonesia. It indicates that motivation mediates a positive relationship between human resource quality and organizational performance at the bank.

Consequently, this research indicates that human resource quality and employee motivation are essential in enhancing Bank Indonesia's organizational performance. At the same time, competence does not have a significant direct impact on organizational performance.

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