



# Jurnal Penelitian Ekonomi dan Bisnis

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# Effectiveness of Individual Performance Dialogue on Employee Performance (Case Studies on Civil Servants of the Ministry of Finance in City of Semarang)

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## **Article Information**

#### Article history:

Accepted: September 2020 Approved: January 2021 Published: March 2021

Keywords:
Effectiveness,
Individual factors,
Leadership factors,
Performance dialogue,
Employee performance

## **Abstract**

Bureaucratic Reform in human resources began with the birth of Law No. 5 of 2014 on State Civil Apparatus (ASN). The new paradigm in the ASN Law makes ASN employees a profession that has an obligation to conduct self-development and must take responsibility for performance and apply merit principles in the implementation of ASN management. The Ministry of Finance followed up the Bureaucratic Reform in hr with performance management policies. Performance management in the Environment of the Ministry of Finance consists of three main stages, namely planning, monitoring, and determining performance results and evaluation. Performance evaluation results determine the performance value of employees and organizations, which affects employee careers and compensation. The solution by the Ministry of Finance is to implement management practices called Organizational Performance Dialogue (DKO) and Individual Performance Dialogue (DKI) whose main purpose is to improve the performance of employees and organization. This research is explanatory, where the research method used is Partial Least Square (PLS), with software for analysis using SmartPLS. Data collection instruments using questionnaires and structured interviews with research respondents are employees of the Ministry of Finance in Semarang City area. This research aims to know the effectiveness of performance dialogue on employee performance, so that the results are expected to be a reference in management practices in organizational units in the environment of the Ministry of Finance in an effort to improve the performance of employees and organizations.

How to Cite: Sudiarti, N., Noersasongko, E., & Pramudi, Y. (2021). Effectiveness of Individual Performance Dialogue on Employee Performance (Case Studies on Civil Servants of the Ministry of Finance in City of Semarang).

Jurnal Penelitan Ekonomi dan Bisnis, 6(1), 58-74. doi:https://doi.org/10.33633/jpeb.v6i1.4485

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ISSN

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#### INTRODUCTION

Good governance and supported by quality human resources are the spearheads in realizing government programs. Recognising this, his government has gone to great lengths to pursue and accelerate better governance improvements. Bureaucratic Reform is one of the efforts made by the government that is applied to all Ministries and Institutions and Local Governments. The grand plan in the form of The Grand Design of Bureaucratic Reform was announced in 2010-2025 where the policy was established and affirmed in Government Regulation Number 81 of 2010.

The improvement of governance through the Bureaucratic Reforms set out in PP 81 in 2010 cannot be implemented at once, so it needs to be implemented gradually, but sustainably. The government's hope is that in 2014, there has been a strengthening in some ways, one of which is a professional HR Apparatus supported by a procurement and promotion system based on competence, openness, and being able to realize the salary and welfare guarantee of commensurate employees. The new paradigm in the ASN Law is to make employees of the State Civil Apparatus as a profession with an obligation to bear performance, conduct self-development and be obliged to implement merit system in the implementation of management. Civil Servant's career development pattern is one important thing that needs to be underlined in the implementation of merit system, where civil servant's career is determined through competency assessment, qualifications, performance, and needs of Government Agencies. This requires government organizations to structure performance management in order to assess employee performance, improve competencies and develop qualifications to determine employee needs.

In relation to performance management, Decree of the Minister of Finance No. 186/KMK.01/2013 is the starting point for Bureaucratic Reform in the Ministry of Finance. Bureaucratic reform must be ensured of success. So to ensure such success needs to be applied assessment model through performance management. Performance management systems are implemented with the aim of increasing staff and organizational performance. The organizational unit as well as all employees in the Ministry of Finance to continue to anticipate challenges and be proactive to always take advantage of opportunities in improving performance. Therefore, leaders in the organizational unit of the superiors and employees need tools that can be utilized as *early warning sistem*. Performance management stipulated in the Decree of the Minister of FinanceNumber 467/KMK.01/2014 essentially regulates performance assessment procedures, where staffing performance is assessed based on performance achievement and employee behavior. Performance Employee Achievement (CKP) is calculated based on Performance contract and realization, while Behavior Value (NP) calculated using 360 degree assessment method (direct superior, peer and subordinate).

The results of the Ministry of Finance Fitness Index survey in 2015 stated that the nkp calculation model in 467/KMK.01/2014, does not reflect the performance of the employee objectively, so the NKP calculation model needs to be improved in order to distinguish performance between employees more objectively. In the preparation of performance contracts where there are targets that must be achieved by organizational units or individual employees before paying attention to the quality aspects. The achievement value of employee performance is not only based on the percentage of realization towards the target, but should also pay attention to the quality of the target. Performance assessment results have so far been dominated by employees with "excellent" value status, but the problem is:

Why is employee performance not aligned with the overall performance of the organization? How to structure a quality performance contract? this is a difficult job for the leaders of the organizational unit and the employees in the Ministry of Finance.

In 2016 the Minister of Finance published Decree No. 234/KMK.01/2016 referring to the recommendations of the Ministry of Finance Fitness Index survey. The decision is a guideline for the calculation of employee performance based on the quality of performance contracts (NKP-K3). Based on these regulations, NKP is calculated with the following formula: NKP = (CKP \* K3) + NP,(CKP \* K3) has a weight of 70%, while NP has a weight of 30%. Employees as human resources in carrying out the tasks charged by the organization and the targets set out in performance contracts, are basically influenced by two main factors: **the first factors** that are self-sourced (individual factors) consist of (competency, motivation, commitment), the second is the factor derived from external employees in the organization namely leadership such as (empowerment, coaching, compensation) directly related to individual employees. **The two factors** should run in harmony, harmony and focus on achieving IKU/KPI targets as a commitment of employees and organizations in carrying out tasks.

ASN's employee placement (mutation and promotion) policy does not fully guarantee the concept of "the right man in the right place". This condition can create gaps that have the potential to hinder the achievement of IKU targets in accordance with performance contracts. The Minister of Finance as the supreme leader has taken anticipatory measures by issuing policies that serve as Management Tools to help the leaders / officials who are employee bosses. The policy implements the Performance Dialogue set forth in Decree No. 590/KMK.01/2016. The decision basically governs the implementation and provides guidance in conducting performance dialogues. The grouping of performance dialogue activities is distinguished into 2 (two) types, namely the Organization Performance Dialog (DKO) implemented by the strategy map holder organizational unit, and the Individual Performance Dialog (DKI) implemented by the organizational unit instead of the strategy map holder. DKO and DKI are implemented periodically, where DKO is a formal communication between superiors and subordinates to discuss the achievement of the organization's strategy, performance, risk, and action plan. While DKI is communication between coach and coachee where direct boss as coach and subordinate as coachee, to discuss performance.

There are several limitations in this study, including that:

- a. *Personal Factors* (individual factors), indicating what an individual employee has. This means that the dimensions of personal factors are very broad, so in this study will be limited to the dimensions of competence, motivation and commitment;
- b. Leadership factors (Leadership factors), defined by the ability of managers and team leaders to provide encouragement, guidance, and support. In this study the leadership dimensions to be examined are those that have relevance to the Performance Dialogue i.e. the dimensions of empowerment, coaching and compensation;
- c. Performance Dialogue in accordance with the Decree of the Minister of Finance 590/KMK.01/2016 which will be examined is the dimensions of interaction, work culture and mapping potential;
- d. Employee Performance Variables are limited to the dimensions associated with the performance assessment component, namely Employee Performance Achievement (CKP), Behavioral Value (NP) and Performance Contract Quality (NKP), based on the Decree of the Minister of FinanceNumber 234/KMK.01/2016 which refers to the recommendation of the results of the Ministry of Finance Fitness Index.

# Relationship of Personal Factors and Employee Performance

Amstrong and Baron (1998) said that personal factors are indicated by the skill level, competence, motivation and commitment of the individual. Employee competency is a combination of knowledge, skill skills and personal attributes mapped on job behavior can be evaluated, observed and measured (Muh. Khadarisman, 2018). Another opinion expressed by Wibowo (2016), competence is an ability to do a job based on the skills, knowledge and attitude of work required by the job.

Competence according to the regulation of the Minister of Utilization of State Apparatus and Bureaucratic Reform of the Republic of Indonesia No. 38 of 2017 includes managerial, technical, social and cultural based on a standard. As competency standards are descriptions required of a State Civil Apparatus in carrying out the duties of office, including knowledge, skills and behavior. Motivation is a motivation from within that is caused by a need that must be met. The motivation can have a positive impact to improve performance because in motivation contained the expectation of compensation from the organization.

In relation to ASN management, employee commitment is a psychological bond of employees in an organization characterized by trust and acceptance of the organization's goals and values, a willingness to strive for the organization's interests and a strong desire to maintain its presence in the organization (Zulkifli, Paranoan, 2014; Achmad Djumlani, Michael Amstrong and Angela Baron, 2016) suggest that one of the factors affecting performance is personal factors. Personal factors show what an individual employee has such as competency level, skills, motivation and commitment. Based on previous theories and research stipulated in the frame of thought in this study, it can be compiled hypothesis 1 as follows:

## H1. Personal Factors positively affect on Employee Performance

# Leadership Factors and Performance Relationships

Leadership factors are determined by the quality of encouragement, guidance and support carried out by managers and team leaders. Wibowo (2016) said that employee performance in terms of organization is influenced by how well leaders empower their workers (empowerment), how leaders reward workers

(compensation), and how leaders improve worker skills (coaching) through coaching, mentoring and counselling. Michael Amstrong and Angela Baron (2016) suggest one of the factors affecting performance is leadership factors. Leadership factors are the ability of managers and team leaders to provide encouragement, guidance, and support.

The key to an organization's success in improving performance is determined by its leadership and management style. Harmonization of organizational resources as well as the drive towards achieving organizational goals are believed to be achieved only through adequate leadership and management. Stepheb P. Robbins and Timoty A. Judge (2015) define leadership as the ability to influence a group toward achieving a defined vision or goal. In government organizations, leaders in an organizational unit are appointed based on a decree after going through the selection process according to the concept of merit system in the career of the State Civil Apparatus (ASN). The concept of merit system, focuses on the performance and behavior of employees, so that a leader is required to have competence in his field with good behavior. Leaders in government organizational units can be grouped at the positional leader level where the leader who occupies the position.

Any conduct cannot be separated from its official position stipulated by the other party or by any other agreement. Followers of these leaders are more formal and simply obey the rules. The key word in this leadership level is authority (right) John C. Maxwell (Andrie Wongso, 2015). Performance basically has a broader understanding, not only in terms of work, but also how the work completion process takes place. Performance is the result of a job and how it is done (Wibowo, 2016). Meanwhile, according to Kadarisman (2018), civil servant performance is a manifestation of the success achieved by an employee for his work to achieve the goals set by the organization.

Performance is heavily influenced by the boss's policy of placing employee positions in accordance with their capabilities. Thus the role of the boss as leader is very influential to the performance of his subordinates. A boss must know in detail the shortcomings and advantages of his subordinates, so that policies related to competency, empowerment, compensation and coaching of employees can be done appropriately, will improve the performance of employees individually and the organization as a whole. There are 4 (four) main elements as a buffer in building and improving employee performance namely competency, coaching, empowerment, compensation (Ma'ruf Abdullah, 2014). Based on previous theories and research stipulated in the conceptual framework of research, it can be compiled hypothesis 2 as follows:

# H2. Leadership factors have a positive impact on Employee Performance

## Personal Factors and Performance Dialogue

Kreitner and Kinicki (2016) say that motivation is goal-directed behaviour, which is a psychological process that evokes and directs behavior towards achieving goals. One form of management practice implemented in the Ministry of Finance related to integration and harmonization is "Performance Dialogue" which is governed by Decree of the Minister of Finance No. 590/KMK.01/2016 on Performance Dialogue Guidelines. The Decree of the Minister of Finance No. 590/KMK.01/2016 on performance dialogue guidelines states that the principle stipulated in the Performance Dialogue is FACT:

- Fact based (Factual), Performance Dialog is conducted based on credible data and easy to understand by all parties involved;
- Action oriented (Action), The Performance Dialog focuses on the action plan and meeting participants are committed to implementing an action plan;
- Constructive and challenging (Constructive and challenging), each participant of the dialogue conducts active communication, where the meeting leader/boss must give the dialogue participant the opportunity to convey information or opinions that are groundbreaking in supporting the achievement of the output of the dialogue. Meeting leaders or supervisors are obliged to provide feedback on such
- Targeted (clear output), performance dialogue must produce solutions to the main issues that are the focus of discussion.

Based on previous theories and research stipulated in the conceptual framework of research, it can be compiled hypothesis 3 as follows Performance Dialogue should produce solutions to the main issues that are the focus of the discussion:

## H3. Personal Factors positively affect on Performance Dialogue

## Leadership Factors and Performance Dialogue

Stephen P. Robbins and Timoty A. Judge (2015) write that experts have lately considered ethical leadership from a new angle of "serving leadership". Leaders who implement a model of leadership that serves will work beyond self-interest, but put forward opportunities to help their subordinates thrive. Characteristics of leadership behavior that serve include listening, empathizing, persuading, receiving service and actively developing the potential of its employees. McKensey (2015) found that leadership factors must be harmonious, so as to improve employee competency, the development of the organization's work culture, the realization of positive interaction between bosses and subordinates and the mapped of employee potential as one of the tools for employee planning and coaching. The harmonious relationship between leadership factors and personal factors is basically a working relationship between the leadership and the form of management practices called performance dialogue.Based on previous theories and research stipulated in the conceptual framework of research, it can be compiled hypothesis 4 as follows:

# H4. Leadership Factors have a positive effect on Performance Dialogue

#### **Employee Performance and Performance Dialogue Relationships**

According to Susmianti, Rachmad Arijanto (2015) one of the management practices that can be applied to improve the performance of individual employees/organizations is performance dialogue, with the following characteristics:

- a. Bring together his direct superiors with subordinates in a planned, orderly, and structured manner;
- b. monitor and discuss organizational unit performance by referring to each unit's performance data;
- c. agreed on the priority of the action plan against the issue of performance gaps between targets and realization, deciding how to address them to be reviewed at the next meeting.

In line with McKinsey's opinion, Palladium Group conducted an assessment at the Ministry of Finance (2014) with the recommendation that: "In conducting a strategy review meeting, 90% of the discussion portion was used to discuss the future and not just the achievement of Key Performance Indicators (IKU) in the past. In addition, in order for the discussion to be effective, the discussion format is enhanced by using reports in one page IIAA (Issue, Implication, Action, and Accountability)". Based on previous theories and research stipulated in the conceptual framework of research, it can be compiled hypothesis 5 as follows:

# H5. Performance Dialogue positively affects on Employee Performance

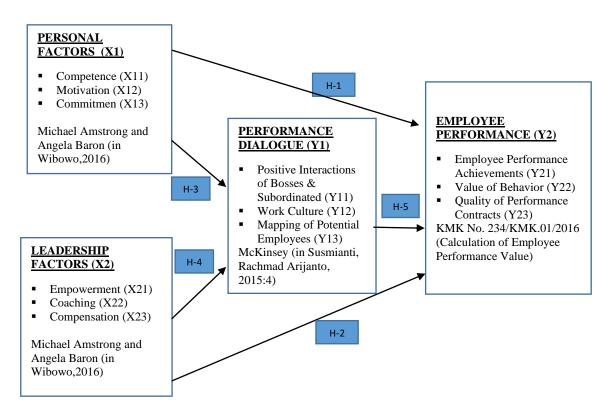


Figure 1. Conceptual Framework

#### **METHOD**

The research was conducted on 938 employees of the Ministry of Finance who served in vertical offices in semarang city, in the organizational unit of the Secretariat General (Setjen), Directorate General of Taxation (DJP), Directorate General of Customs and Excise (DJBC), Directorate General of Treasury and Directorate General of State Wealth with the composition of employees based on the level of office as Table-1. The research was conducted using sampling, dengan Metode Stratified Proportional Random Sampling. Sampling is based on strata of positions taken proportionally.

Table 1. Population

No	Organizational Unit Name	Unit	Esl III	Esl IV	Fungsional	Executor	Total
1	Secretariat General	1	1	3	2	18	24
2	Directorat General of State Asset	2	7	20	10	80	117
3	Directorat General of Tax	8	13	52	50	300	415
4	Directorat General of Custom and	2	8	38	25	125	196
	Excise						
5	Directoral General of Treasury	3	8	38		140	186
	Total	16	37	151	87	663	938
	Proportion of samples		5.3%	16%	9.4%	69.3%	100%
	Sample Count		7	24	13	106	150

In this study, the data to be processed is derived from the perception of respondents. Research in management areas such as human resource management that measures perceptions of difficulty in obtaining normal distributed data (Ananda Sabil Hussein, 2016). The characteristics of this study are predictive, which tests the relationship between latent variables partially in one research model. Another characteristic of this study is the availability of latent variables "Performance Dialogue" that will be studied is a new management practice whose research results are still limited. Based on the characteristics of the study, to analyze the data of researchers using sem base variant or better known as SEM-PLS. Indicator measurement models use reflective indicator models, with analytical tools using SmartPls software Version 3.2.9.

#### Validity and Reability Test

Prior to the study, the validity and reliabitas test and the goodness of fit, the relationship between the outer model and the relationship between the latent variable (inner model) were conducted. The test stage consists of:

### **Outer Model Analysis**

- Reliability Indicators
  - Aim to find out whether or not the measurement indicator is a latent variable (construct). The way is to evaluate the *loading factor where the value of loading factor Appropriate with the rule of tumbs* above 0.7.
- Internal Consistency Reliability
  - The analysis uses composite reliability and Cronbach's alpha, where the composite reliability value of 0.6 0.7 is considered to have good reliability.
- Convergent Validity
  - A construct with reflective indicators is evaluated using Average Variance Extracted (AVE), where the AVE value should be equal to 0.5 or more.
- Validitas Diskriminan
  - Test of Discriminant validity on SmartPLS using the calculation results cross loading with the aim of ensuring that the construct's correlation with the measurement item, is greater than any other construct.

#### **Inner Model Analysis**

• *Collinearity* is a term to describe a correlation between latent variables in a model, its predictive strength is unrely reliable and unstable. The cause is due to the repetition of correlation from one variable to another

(Sobur Setiaman, 2020). is a term to describe a correlation between latent variables in a model, its predictive strength is unrely reliable and unstable. The cause is due to the repetition of correlation from one variable to another (Sobur Setiaman, 2020). *Collinearity* may cause errors in determining significance.

## • Determination coefficient (R2)

- The determination coefficient value indicates the magnitude that an exogenous variable can explain against an endogenous variable with a range of values:
- According to Sarstedt et al. (2017),  $R^2 = 0.75$  (strong),  $R^2 = 0.50$  (moderat), dan  $R^2 = 0.25$  (weak)
- According to Ghozali dan Latan (2015):  $R^2 = 0.67$  (strong),  $R^2 = 0.33$  (moderat) dan  $R^2 = 0.19$  (weak).
- Predictive relevance or Cross-validated Redundancy (Q2)

Predictive relevance  $(Q^2)$  often referred to as predictive sample reuse with the aim of validating endogenous construct models. The meaning of q2 value is if Q2 > 0 Q2 value < 0 inaccurate model accuracy Sarstedt et al. (2017) and Natalia Ririn Furadantin (2018).

#### • Effect Size atau f-square (f2)

Evaluation of *inner model* not only to know the signification of relationships between latent variables, but also should researchers also assess the amount of influence between variables using size effect or f2. Sarstedt (2017), grouped the f2 values into three groups, not only to know the signification of relationships between latent variables, but also should researchers also assess the amount of influence between variables using size effect or f2. Sarstedt (2017), grouped the f2 values into three groups, namely.02=small, 0.15=middle dan 0.35=big.

## Path coefficients

The path coefficient is used to measure the strong signification of relationships between latent variables (constructs), where values range between -1 and 1. Getting closer to -1 indicates that the relationship is negativeThe path coefficient is used to measure the strong signification of relationships between latent variables (constructs), where values range between -1 and 1. Getting closer to -1 indicates that the relationship is negative (Sarstedt *et al.*(2017) and Natalia Ririn Furadantin (2018).

#### **RESULTS AND DISCUSSIONS**

#### 1. Analisis Data

Data analysis is preceded by test and reability as well as the suitability of research models, with the following stages:

Stage 1, Testing Perform an evaluation of the measurement model (outer model), Testing Perform an evaluation of the measurement model (outer model). Assessment of measurement models or *outer model*, is connecting all variable manifests or indicators with latent variables. In concluding the quality of the measurement model using reference or *rule of tumbs* as Table 2.

Table 2. Rule of Tumbs Measurement Model

Test	Parameters	Rule of tumbs
Convergent Validity	Loading factor	>0,7
	(Outer Loading)	
	Average variance extracted (AVE)	>0.5
	Communality	>0.5
Deskriminan Validity	AVE root and Laten variable	Ave Root > Correlation Leten
	coleration	Variables (Discriminat Validity)
	Cross loading	<0.7 in one variable
	(Discriminant Validity)	
Reability	Cronbach Alpha	>0.6
	Composite Realibility	>0.6

Source: Chin (1885); Wert et al. (1974) Salisbury et al. (2002); Hartono and Abdillah (2011)

## **Indicator Reliability Test**

Done by evaluating the value of the *loading factor* where the value of *loading factor* sesuai *rule of tumbs* above 0,7. Nilai *loading factors* dari 49 (forty-nine forty-nine) indicators there are 14 (fourteen) indicators with a value of *loading factor*< 0,7, so that the indicator should be eliminated from the model (Ananda Sabil Hussein, 2015). If the indicator is still included in the hypothesis test then the results of the study will have weak validity.

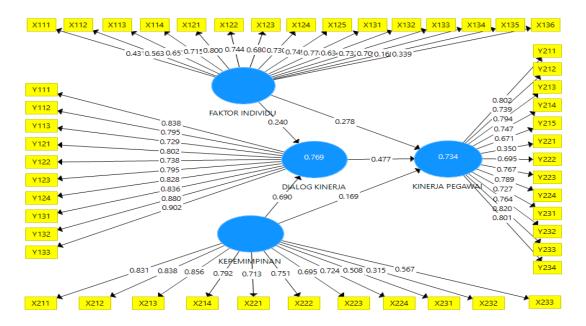


Figure 2. Loading Factors

## **Internal Consistency Reliability**

Internal consistency reliability measured by looking at the calculation results *composite reliability* and *Cronbach's alpha*. Value composite reliability 0,6 – 0,7 considered to have good reliability (Sarstedt dkk., 2017), and value of Cronbach's alpha expected to be above 0,7 (Ghozali dan Latan, 2015). Calculation results as presented in Table 3.

	C.	CALCULATION RESULTS					
	Cronbach's Alpha	rho_A	Composite Reliability	(AVE)			
PERFORMANCE	0.944	0.945	0.952	0.666			
DIALOG							
INDIVIDUAL	0.896	0.897	0.917	0.579			
FACTORS							
LEADERSHIP	0.905	0.913	0.926	0.642			
FACTOR							
EMPLOYEE	0.928	0.931	0.939	0.608			
PERFORMANCE							

Table 3. Calculation Results Construct Reliability and Validity

# **Convergent Validity**

Convergent Validity determined based on the principle that the correlation between constructors should be high (Ghozali and Latan,2015). Convergent Validity a construct with reflective indicators is evaluated using Average Variance Extracted (AVE), where the AVE value should be equal to 0.5 or more. Ave value of 0.5 or more means that the construct can explain 50% or more variance of the item (Wong K.K., 2013, Sarstedt et al., 2017). The ave calculation result in table 3 shows that the AVE value in each construct is above 0.5.

## Discriminant validity

Uji Discriminant validity on SmartPLS using the calculation results cross loading with the aim of ensuring that the construct's correlation with the measurement item, is greater than any other construct. Calculation results Cross Loading that you can see on Table 4.

**Table 4.** Value Calculation Results Cross Loading

Indicators	CONSTRUCT							
	PERFORMANCE	Personal	Leadership	Employee				
	DIALOG	Factors	factors	performance				
X114	0.569	0.703	0.536	0.660				
X121	0.577	0.818	0.598	0.646				
X122	0.577	0.765	0.539	0.482				
X124	0.522	0.743	0.509	0.545				
X125	0.609	0.789	0.599	0.559				
X131	0.596	0.802	0.560	0.599				
X133	0.550	0.734	0.544	0.528				
X134	0.553	0.727	0.546	0.500				
X211	0.728	0.586	0.863	0.662				
X212	0.707	0.573	0.863	0.608				
X213	0.795	0.669	0.877	0.734				
X214	0.761	0.610	0.828	0.685				
X221	0.614	0.571	0.720	0.639				
X222	0.553	0.506	0.705	0.490				
X224	0.654	0.556	0.730	0.607				
Y111	0.838	0.763	0.748	0.665				
Y112	0.795	0.596	0.741	0.602				
Y113	0.728	0.576	0.663	0.646				
Y121	0.802	0.531	0.667	0.629				
Y122	0.738	0.590	0.601	0.776				
Y123	0.795	0.514	0.677	0.679				
Y124	0.829	0.564	0.710	0.661				
Y131	0.836	0.682	0.750	0.707				
Y132	0.880	0.656	0.742	0.742				
Y133	0.902	0.614	0.745	0.711				
Y211	0.711	0.695	0.650	0.803				
Y212	0.598	0.599	0.508	0.745				
Y213	0.601	0.559	0.536	0.783				
Y214	0.683	0.577	0.638	0.758				
Y223	0.724	0.638	0.712	0.782				
Y224	0.704	0.630	0.683	0.819				
Y231	0.559	0.459	0.557	0.711				
Y232	0.584	0.453	0.572	0.764				
Y233	0.638	0.565	0.650	0.818				
Y234	0.686	0.599	0.650	0.805				

#### **Structual Model Evaluation (inner model)**

The structural model describes the relationship between latent variables (constructs) in a research model. In this study, the inner model evaluation will be carried out in several steps, namely:

- Collinearity test by measuring value VIF (*Varianve Inflation Faktor*);
- Measuring the coefficient of determination (R<sup>2</sup>);
- Measure Predictive relevance or Cross-validated Redundancy  $(Q^2)$ ;
- Measure *effect size* between variables (f<sup>2</sup>);
- Measure Path Coefficients.

## **Collinearity Test**

Collinearity is a term that describes the correlation between latent variables in a research model, where two or more free variables or exogenous constructs are highly correlated resulting in the predictive ability of the model not being good (Sekaran and Bougie, 2016). Collinearity may cause errors in determining significance. Table 5. presents the calculation results Inner VIF Values on SmartPLS.

Table 5. Inner VIF Values

CONSTRUCT	PERFORMANCE	PERSONAL	LEADERSHIP	EMPLOYEE
	DIALOGUE	FACTORS	FACTORS	PERFORMANCE
PERFORMANCE				4.327
DIALOGUE				
PERSONAL FACTORS	2.023			2.272
LEADERSHIP FACTORS	2.023			4.081
EMPLOYEE				
PERFORMANCE				

## Determination coefficient (R2)

The determination coefficient value represents the magnitude that exogenous variablescan describe against endogenous variables with a range of values R2=0.75 (strong), R2=0.50 (moderate), and R2=0.25 (weak) (Sarstedt et al., 2017). Other opinions were expressed by Chin with criteria values R2=0.67 (strong), R2=0.33 (moderate) and R2=0.19 (weak) (Chin, 1998 in Ghozali and Latan, 2015). Table 6 presents the value of the R2 calculation result, where the R2 values in the Endogenous Construct of the Performance and Employee Performance Dialog are 0.778 and 0.744 respectively fall into the strong category.

Table 6. Determination Coefficient

	R Square	R Square Adjusted
PERFORMANCE DIALOGUE	0.778	0.775
EMPLOYEE PERFORMANCE	0.744	0.739

#### Predictive relevance or Cross-validated Redundancy (Q2)

One of the calculation features in SmartPLS is the Blindfolding Procedure, which will assess predictive relevance (Q2) often called predictive sample reuse with the aim of validating endogenous construct models. The meaning of q2 value is if Q2 > 0 indicates that the model has an accurate predictive relevance to a particular construct. While the Q2 value < 0 the accuracy of the model is inaccurate (Sarstedt and friends., 2017).

Table 7. Calculation results predictive relevance (Q2)

KONSTRUK	SSO	SSE	Q <sup>2</sup> (=1-
			SSE/SSO)
PERFORMANCE	1500.000	737.202	0.509
DIALOGUE			
PERSONAL FACTORS	1200.000	1200.000	
LEADERSHIP FACTORS	1050.000	1050.000	
EMPLOYEE	1500.000	839.536	0.440
PERFORMANCE			

Prosedur blind folding on SmartPLS, Produce construct crossvalidated redundancy estimation. Where is the value Q2 = (1 - SSE/SSO). SSE = sum square prediction error, and SSO = sum squared observation. value Q2 from endogenous construction Performance Dialog = 0.509 and employee performance construct = 0,440 indicates that the model has a predictive relevance against a particular construct.

# Size Effect or f-square (f2)

Evaluation of the inner model is not only to determine the signification of relationships between latent variables, but also should researchers also assess the amount of influence between variables using Size Effect or f2. Sarstedt and friend., 2017, grouped the f2 values into three groups of 0.02=small, 0.15=medium and 0.35=large, where the value of 0.02 can be ignored because it is considered to have no effect. Table 8 presents an f2 value between latent (construct) variables.

**Table 8.** Size Effect (f<sup>2</sup>) Value

Relationships Between Latent Variables	$f^2$	The amount of
		influence
Performance Dialogue – Employee Performance	0.204	middle
Personal Factors - Performance Dialogue	0.135	low
Leadership Factors – Performance Dialogue	0.979	strenght
Personal Factors - Employee Performance	0.089	low
Leadership Factors – Employee Performance	0.039	low

#### Path coefficients

The path coefficient is used to measure the strong signification of relationships between latent variables (constructs), where values range between -1 and 1. Getting closer to -1 indicates that the relationship is negative (Sarstedt *et al.*, 2017). The path coefficient is used to measure the strong signification of relationships between latent variables (constructs), where values range between -1 and 1. Getting closer to -1 indicates that the relationship is negative (Sarstedt *et al.*, 2017).

Table 9. Path Coefficient Value on Inner Model

Relationships Between Latent Variables	Value	Description		
Performance Dialogue – Employee Performance	0.485	The Value of path coefficients range		
Personal Factors - Performance Dialogue	0.235	from -1 to +1. As the +1 value of the		
Leadership Factors – Performance Dialogue	0.681	relationship between the two		
Personal Factors - Employee Performance	0.235	contracts gets closer		
Leadership Factors-Employee Performance	0.204			

## 2. Hypothesis Testing

At the hypothesis test stage will be conducted through the analysis of the coefficient of the (*path coefficients*). With the resampling method (*bootstrapping*) on SmartPLS allows researchers to determine the sample to 500. This means that the number of 150 samples with the bootstrapping method will be processed into 500 samples. *Significance level* Use 0,05 (5%). The bootstrapping method on SmartPLS generates a t-statistical value, which will then be compared to the t-table by using a 95% trust level. The t-table value at Significance level 0.05 and trust level 95% is 1.96. This means that if t-statistics => 1.96 then Ho is rejected and Ha is accepted the opposite if t-statistics < 1.96 then Ho is accepted and Ha is rejected (Ghozali and Latan, 2015). The results of the Path Coefficients calculation are presented in Table 10.

Table 10. Calculation Results of Path Coefficients

Inter-Constructed Relations	Original	Sample	Standard Deviation	T Statistics	P Values
	Sample (O)	Mean (M)	(STDEV)	( O/STDEV )	
Performance Dialogue ->	0.485	0.478	0.103	4.690	0.000
Employee Performance					
Personal Factors - >	0.253	0.251	0.061	4.154	0.000
Performance Dialogue					
Personal Factors -> Employee	0.235	0.242	0.078	3.021	0.003
Performance					
Leadership Factors ->	0.681	0.686	0.059	11.475	0.000
Performance Dialogue					
Leadership Factors ->	0.204	0.207	0.122	1.675	0.095
Employee Performance					

# (H1) Influence of Personal Factors on Employee Performance

From the calculation results in table 10, in the path of individual factors (Employee Performance is obtained a t-statistical value of 3,021, where the value is greater than the t-table (1.96). This states that individual employee factors have a significant effect on employee performance. Thus the H1 hypothesis is proven. From the calculation results in table 10, in the path of individual factors (Employee Performance is obtained a t-statistical value of 3,021, where the value is greater than the t-table (1.96). This states that individual employee factors have a significant effect on employee performance. Thus the H1 hypothesis is proven.

## (H2) Influence of Leadership Factors on Employee Performance

The t-statistical calculation on the path coefficient for leadership factor relationships -> employee performance, was 1,675. The t-statistical value is below 1.96 so the H2 hypothesis is not proven. Leadership factors have no direct effect on employee performance.

# (H3) Effect of Personal Factors on Performance Dialogue

The t-statistical calculation result in the Individual Factor -> Performance Dialog construct is 4,154, where the value is greater than the t-table value (1.96). Thus the H3 hypothesis is accepted. Individual Factor variables have a significant effect on performance dialog variables. Changes to individual factors will have a significant impact on performance dialogue.

### (H4) Influence of Leadership Factors on Performance Dialogue

Table 10 shows the t-statistical value on the Leadership Factor construct relationship -> Performance Dialog is 11,475. value is higher than the t-table value (1.96). Thus the hypothesis stating that "Leadership Factors have a significant effect on performance dialogue (H4)" is proven and acceptable. The Leadership Construct has a significant effect on the Performance Dialogue construct

# (H5) Effect of Performance Dialogue on Employee Performance

The t-statistical value of the coefficient path table shows a number of 4,690 where the value is higher than the t-table value (1.96). This indicates that the Performance Dialog has a significant impact on Employee Performance. Thus the H5 hypothesis is proven and acceptable.

### 3. Evaluation of Indirect Effects

Inner Model (structural model) in this study there is a direct and indirect relationship between latent variables. The exogenous construct "Leadership" relates directly to the endogenous construct "Employee Performance", but is also indirectly related through the "Performance Dialog" constructor. This is the case with the exogenous construct "Individual Factors" which are directly related to the endogenous construct "Employee Performance", and are indirectly related through the "Performance Dialogue" construct. This relationship gives rise to a Mediating effect indicating that the influence of free variables on variables is bound through the third variable as a mediator variable (Alwin & Hauser in Edwards & Lambert, 2007). Inner Model (structural model) in this study there is a direct and indirect relationship between latent

To find out the extent of the effect posed by the "Performance Dialog" variable as an intervening variable, an analysis will be performed with SmartPLS with bootstrapping procedur. Effect analysis willproduce direct effect, indirect effect and total effect values indicating weak or strong mediation influence. Table 11 presents the results of indirect effect analysis and total effect performed with SmartPLS.

Table 11. Statistical t value

Variable Relationships	Direct effect		Indirect Effect (via Performance Dialogue)		Total Effect	
	t Statistics	Signifikasi	t Statistics	Signification	t Statistics	Significatio n
Performance Dialogue -> employee performance	4.690	Significant			4.690	Significant
Personal Factors - > Performance Dialogue	4.154	Significant			4.154	Significant
Personal Factors -> employee performance	3.021	Significant	2.944	Significant	4.288	Significant

Leadership Factors ->	11.475	Significant			11.475	Significant
performance dialogue						
Leadership Factor ->	1.675	Not Significant	4.574	Significant	6.050	Significant
Employee Performance						-

Referring to the group mediation effect of Zhao et al (2010), it can be concluded that the constructed relationship "Leadership Factor -> Performance Dialogue -> Employee Performance", the effect of mediation belongs to the category "Full Mediation". Without mediation of performance dialogue mediation, leadership factors have no significant effect on employee performance. Thus, the significance of the relationship between leadership and employee performance is more effective by using performance dialogue as a mediator as opposed to a direct relationship without a mediator.

In the relationship between "Individual Factors -> Performance Dialog -> Employee Performance" the effect of performance dialog mediation belongs to the Complementary (partial mediation) category. This means that although the t-Statistical value with mediation (4,288) is greater than without mediation (3,021), the two values are still greater than the t-Table (1.96). Thus, the mediation effect of performance dialogue in the relationship is not very effective.

#### 4. Discussion

One of the characteristics of the Performance Dialogue is that it brings together its direct superiors with subordinates in a planned, orderly, and structured manner (McKinsey, like Susmianti, Rachmad Arijanto 2015;4). Direct bosses as leaders and subordinates as personal employees are brought together in the Performance Dialogue with the aim of improving the performance of employees and organizations. The study used a structural model with four variables with the variable "Employee Performance" as endogenous latent variables, as figure 2.

The first exogenous latent variables studied were "Individual Factors" and impact on employee performance. Individual factors reflect the character that employees have in this study using the Dimensions of Compensation, Motivation and Commitment. The results showed that individual factors (Compensation, Motivation and Commitment) had a significant impact on employee performance. This is in line with research conducted by (Sujiati, M. Syamsul Ma'arif, and Mukhamad Naji, 2017) with the results of research stating that motivation, competence have a significant effect on employee performance. Researchers (Andi Irawan, M. Syamsul Maarif, and M. Joko Affandi, 2015) stated that, individual factors have a direct positive influence on employee performance.

The second exogenous latent variable is "Leadership", where the hypothetical test results in this study show that Leadership has no direct effect on Employee Performance with a t-statistical value of 1,675 < T-Table 1.96. But through indirect relationship analysis with the help of the mediator variable "Performance Dialogue", the influential Leadership factor is very significant with the t-statistical value on the total effect is 6,050 > 1.96. This is in line with research conducted by (Thoni Setyo Prabowo, Noermijati, and Dodi Wirawan Irawanto, 2017) who conducted research related to Transformational leadership saying that:

"Transformational leadership declared no significant effect on employee performance. Transformational leadership if through job satisfaction declared significant effect on employee performance".

The study stated that Transformational leadership has no effect on employee performance but through Job satisfaction has a significant effect on employee performance. The leadership dimension scrutinized is Empowerment, Coaching and Compensation. The loading factor results showed that of the 11 indicators studied, there were 4 indicators with a smaller loading factor value of 0.7. Respondents' perceptions showed that the compensation dimension got the lowest score. Direct compensation indicators such as salaries and benefits of almost all respondents are satisfied, but one indicator that needs attention is indirect compensation i.e. reward for work performance. Indirect compensation such as science and skills that do not look real, but impact on employees (intrinsic reward).

The results of the study (Irum Shahzadi, Ayesha Javed, Syed Shahzaib Pirzada, Shagufta Nasreen, Farida Khanam, 2014) in the journal "Impact of Employee Motivation on Employee Performance" state that intrinsic reward has a significant positive relationship with employee performance and employee motivation. This is in line with the opinion of Gibson, Ivancevich and Donnelly (as Wibowo, 2016) that the main purpose of the

awards program is to attract capable people to join the organization, keep workers coming to work, and motivate workers to achieve high performance.

The third exogenous latent variable is "Performance Dialog", where in the structural model there is a direct relationship with employee performance, but also as a mediator between leadership variables and employee performance. Research related to performance dialogue is still rare, considering performance dialogue is a new management practice with a limited theoretical basis, so this research is predictive. The results of the study according to table 4.31 show that performance dialogue has a significant influence on employee performance. This is indicated by a t-count value of 4,690 well above t-table 1.96.

Respondents' perception of performance dialogue in its organizational unit showed an average high score of 93.06, with the loading factor of all indicators greater than 0.7. This indicates that the performance dialog in each office is already running properly. Boss/subordinate interaction, work culture and employee potential mapping have been implemented in accordance with the organization's policies. The effect of mediation between leadership relationship with employee performance is significant, as evidenced by the difference in t-count value where direct effect (1,675) is lower than indirect effect (6,050).

#### CONCLUSION AND RECOMMENDATION

After going through the data analysis process, in the research on the effectiveness of Performance Dialogue on Employee Performance in the Ministry of Finance, with a case study at the Civil Servants of Finance Ministry in semarang city area, obtained the following conclusions:

- 1. In organizations that implement performance management such as the Ministry of Finance, the implementation of Performance Dialogue as a management practice, is very effective in improving employee performance, because Leadership desperately needs Performance Dialogue as a mediator in improving employee performance, as well as the results of indirect effect calculations on statistical tests;
- 2. Personal factors (competency, motivation, and commitment) have a significant impact on employee performance. This shows that employee competency (education, skills, collaboration, and understanding of SOP) is very decisive in improving performance.
- 3. Personal Factors have a significant effect on the Performance Dialogue, this indicates that the Performance Dialog is urgently needed by employees to improve each individual's performance. Performance Dialogue is a strategy review meeting, 90% portion of the discussion is used to discuss the future and not just the achievement of Key Performance Indicators (IKU) in the past and the discussion format using the concept of Issue, Implication, Action, and Accountability, so it is very useful for employees.
- 4. Personal Factors with Performance Dialogue mediation on Employee Performance, there was no significant change in t-count after mediation. This indicates pseudo-mediation occurs, because without mediation a direct and indirect relationship between individual factors and employee performance results in the same signification.
- 5. Leadership factors have no direct effect on employee performance. This shows that the empowerment, coaching and compensation aspects as leadership dimensions have no direct effect on employee performance but affect employees personally. The improvement of competence, motivation and commitment of employees has a very significant impact on performance.
- 6. Leadership factors have a significant effect on the Performance Dialogue. All aspects of an individual dialogue are heavily influenced by leadership according to managerial capabilities and leadership models applied. Dialogue will not go on without good leadership.
- 7. Leadership factors have a significant effect on employee performance through intervening performance dialogue. Leadership relates to resources one of which is HR and resources related to performance. Thus leadership empowers, nurtures and compensates employees so that individual employees can improve their competence, motivation and commitment to the organization.
- 8. The Performance Dialogue has a significant impact on Employee Performance. The concept of strategy review meeting held in dialogue is needed to improve employee performance. The dimensions of work culture, positive interaction and mapping employee potential are very beneficial for leaders and employees in improving performance. Overall, the Performance Dialog is very effective to improve the individual performance of employees and the performance of the organization.

Referring to the results of testing of research variables, and analysis of respondents' perception data in the effectiveness study of employee Performance Dialogue at the Ministry of Finance, researchers suggested some things that need attention. Some of the suggestions that can be submitted are as follows:

- 1. In Organizational Units that implement performance management, Performance Dialog management practices should be implemented because not only because of the implementation of regulations, but more on the needs of the organization, because it proves effective to improve employee performance;
- 2. From the perception of respondents obtained education indicator scores are smaller compared to other indicator scores on competency dimensions. This indicates that the current position of the employee is not all inline with his educational background. Mutation patterns, promotion and placement of employees in certain positions need to take into account educational background;
- 3. Leadership has a very significant effect on the Performance Dialogue, so the requirements of competency (hard/soft competency) of leadership candidates, especially managerial competencies and technical competencies, need to get attention because in the concept of Performance Dialogue the leader is couch, mentor and consultant for his subordinates

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# **Laws and Regulations**

Law No. 5/2014 on Civil Apparatus of the State

Presidential Regulation No. 81/2010 On Grand Design of Bureaucratic Reform 2010–2025

Decree of the Minister of Finance No. 186/KMK.01/2013 on the Institutional Transformation Program of the Ministry of Finance

Decree of the Minister of Finance No. 36 /KMK.01/2014 on the Blueprint of the Institutional Transformation Program of the Ministry of Finance year 2014-2025

Decree of the Minister of Finance No. 467/KMK.01/2014 on Performance Management in the Environment of the Ministry of Finance

Decree of the Minister of Finance No. 234/KMK.01/2016 on The Calculation of Employee Performance Value based on The Quality of Performance Contracts in the Environment of the Ministry of Finance

Decree of the Minister of Finance No. 590/KMK.01/2016 on Performance Dialogue Guidelines in the Environment of the Ministry of Finance.