

# The Role of Mediation of Employee Performance in Improving the Performance of Bank ACEH Syariah of Banda ACEH City Moderated by Service Orientation

\*Erna Asma, Muhammad Adam, Mukhlis Yunus

Management Department, UniversitasSyiah Kuala

**ABSTRACT:** This research aims to examine the effect of the mediating role of employee performance in improving the performance of Bank Aceh Syariah of Banda Aceh City (BAS Banda Aceh) moderated by service orientation. The population was all BAS Banda Aceh, totaling 415 people. The sample was 216 employees, meeting a requirement for Structural Equation Modeling (SEM). The research results show that culture influences employee performance, culture influences BAS Banda Aceh performance, service orientation influences BAS Banda Aceh performance, employee performance influences BAS Banda Aceh performance, employee performance mediates the organizational culture influence on BAS Banda Aceh performance, service orientation moderates the organizational culture influence on BAS Banda Aceh performance, and service orientation moderates the employee performance influence on BAS Banda Aceh performance. This finding also proves that employee performance on the H5 model functions as a partial mediator, and service orientation on the H6 and H7 models is a pure moderator. So the results explain that the model of increasing organizational performance in BAS Banda Aceh is a function of adjusting organizational culture, increasing employee performance, and strengthening service orientation.

**Keywords:** Organizational Performance, Employee Performance, Service Orientation, Organizational Culture

## I. Introduction

Bank is a financial institution that is a place for companies, government, and private bodies, as well as individuals to store their funds. Through lending activities and various services provided, banks serve financing needs and launch a payment system mechanism for all sectors of the economy. The city of Banda Aceh has five sharia banks, namely, the existing sharia banks include Bank SyariahMandiri, Bank Rakyat Indonesia Syariah, Bank MuamalatSyariah, Bank DanamonSyariah, and Bank Aceh Syariah. In general, these banks provide the same type of deposit product, only the name of the product is different. Competition between banks is getting tougher, making Bank Aceh Syariah innovate and keep trying by creating various products and services to attract customers, which in turn will improve banking performance.

Bank Aceh Syariah is a company engaged in the banking sector owned by the Provincial Government of Aceh and the Regency/City Government where the company applies sharia principles. Bank Aceh Syariah has three types of products and services, namely fundraising, channeling funds, and other services. Fundraising includes Wadiah Current Accounts, Mudharabah Deposits, FIRDAUS Savings, SAHARA Savings, SyariahKu Savings. The following is data on the development of Bank Aceh Syariah savings customers. Bank Aceh Syariah's customers continue to increase every year. However, even though the number of customers of Bank Aceh Syariah has increased, Bank Aceh Syariah is still weak in service and has even harmed the community. The problems that are often experienced by the community are Bank Automated Teller Machines (ATMs) which are often empty, and transactions often fail while balances are debited, causing long queues.

Banking performance is not only seen in terms of product innovation, but also in terms of service. Aceh Islamic Bank services are considered bad by the Aceh People's Representative Council (DPRA). Poor service is found at Automated Teller Machines (ATMs) which are often empty and transfer failures occur. The reason is suspected to be due to management and information support (IT) weaknesses in banking (modusaceh.co). Service is important for

companies in conducting business activities. The purpose of service is to provide satisfaction to customers or customers to provide a positive image in society. Service is not a complicated thing, but if this is not paid attention to, it will cause sensitive matters. Services are categorized as effective if people get services easily and the process is fast and precise. Based on the initial survey, it is known that the overall performance of Bank Aceh Syariah in Banda Aceh City (BAS Banda Aceh) is not good with an average value of 3.08 ( $3.08 < 3.41$ ), where respondents think that BAS Banda Aceh has not fully provided good banking services. This shows that the performance of BAS Banda Aceh is not optimal. Human resources in the organization have a very important role in achieving organizational goals, in addition to other resources owned by the organization (Simamora, 2015) ; (Hasibuan, 2016) ; (Ghoniya & Masurip, 2011). The initial survey also shows that the overall performance of Bank Syariah Aceh employees in Banda Aceh City is not good with an average value of 3.35 ( $3.35 < 3.41$ ), where respondents have less efficient work results that are following the target use of the budget and are less able to work Alone. This shows that Employee Performance on BAS Banda Aceh is not optimal.

The factor that influences organizational performance and employee performance is organizational culture. Organizational culture can affect the way people behave, the way they describe their work, and the way they work with colleagues is determined by their norms, values, and beliefs. Various studies on organizational behavior show that the role of organizational culture supports organizational effectiveness and individual response. (Juharsah & Hartini, 2017) revealed that organizational culture influences employee performance. Based on the initial survey it is known that the overall organizational culture of BAS Banda Aceh is not good with an average value of 3.23, where respondents show less precision, analysis, and attention to work details. This shows that the organizational culture of BAS Banda Aceh is not optimal.

Improving Employee Performance requires an organizational orientation. Organizational orientation, namely service orientation, can affect organizational performance. Service-oriented organizations will provide psychological benefits for their employees in the form of team spirit (*esprit de corps*) and commitment to the organization. Team spirit is defined as the feeling of a team jointly achieving organizational goals, namely serving customers. Commitment is a psychological attachment felt by employees to the organization that creates pride in employees for being part of the organization.

Team spirit includes togetherness, friendship, concern among members of the organization, pride, and loyalty to be part of the organization, and prioritizing the interests of the organization rather than individuals. Team spirit in teamwork has an important role because team spirit determines organizational effectiveness and performance. The consequence of having team spirit in an organization is the creation of commitment to the organization, which is formed from an individual's identification with the organization and the desire to continue working in the organization. When employees believe in and accept the organization's values, the organization becomes a more pleasant place to work than anywhere else and the tendency to leave the organization decreases. Based on the initial survey it is known that the overall service orientation of BAS Banda Aceh is not good with an average value of 3.24, where respondents think that the organization does not yet have a vision of quality service. This shows that service orientation on BAS Banda Aceh is not optimal. Based on the explanation of the various phenomena mentioned, the author is interested in conducting research regarding Employee Performance, Organizational Performance, Organizational Culture, and Service Orientation in BAS Banda Aceh.

## II. Literature

### Organizational Performance

Organizational Performance reflects the success of an organization and is the result achieved from the behavior of members of the organization. For an organization, performance is the result of cooperative activities among members or organizational components to realize organizational goals. The achievement of organizational goals means that the performance of an organization can be seen from the extent to which the organization can achieve goals based on predetermined goals. Organizational performance is something that has been achieved by the organization within a certain period, both related to input, output, outcome, benefit, and impact (Sandhika & Sobandi, 2018). The measure of the level of performance of an organization according to (Fachreza, Musnadi, & Shabri, 2018) in full are : productivity, Service quality, Responsiveness, and Accountability.

### Employee performance

Employee Performance is not just about achieving results but broadly needs to pay attention to other aspects, as defined by (Prawirosentono, 2010), performance is the result of work that can be achieved by a person or group of people in an organization, following their respective authorities and responsibilities, in the context of efforts to achieve the goals of the organization concerned legally, not violating the law and following morals and ethics. Meanwhile, according to (Edison et al., 2016), performance is the result of a process that refers to and is measured over a certain

period based on predetermined provisions or agreements to achieve the goals of an organization.(Rikantika, 2016)explains that a person's performance can be measured based on 6 criteria resulting from the job in question, namely: Quality, Quantity, Effectiveness, independence, and Commitment.

### Service Orientation

Organizational Service Orientation is an organizational policy, procedure, and practice that supports, maintains, and rewards excellent employee service behavior. At the individual level, service orientation is considered as an aspect to measure personality. Service orientation at the individual level can be defined as a set of attitudes and behaviors that influence the quality of interactions between organizational employees and their customers (Natali, 2013).Indicators of service orientation according to (Bhudiharty, Mutriharti, & Levyda, 2018) are as follows.

1. Ongoing communication regarding the service vision
2. An exemplary example of leadership
3. Regulations that compel employees
4. Freedom of employees in creating good service
5. Service leads the organization to recognize and reward clear service fulfillment
6. Service training received by employees
7. Utilization of technology provided by the company
8. Concerning the organization's ability to prevent service failures
9. Organizational strategy when dealing with service problems
10. Organizational ability to communicate what employees expect

### Organizational culture

(Fachreza et al., 2018), culture is increasingly developing in line with the increasing dynamics of internal climate organization. Thus the concept of organizational culture was developed in various versions considering that the term culture was borrowed from the disciplines of anthropology and sociology, following the meaning of culture which contains national connotations, added that the implications are so broad that various points of view can be seen. However, in the adaptation process, most argue that the core of culture is a shared value system.The indicators of organizational culture according to (Robbins & Judge, 2017) are Innovation and Risk Taking, Attention to Detail, Results Orientation, People Orientation, Team Orientation, and Stability. In this study organizational culture will often be called "culture" only.

### Hypothesis

After understanding the literature, the authors provided the framework and hypothesis formulation as follows.

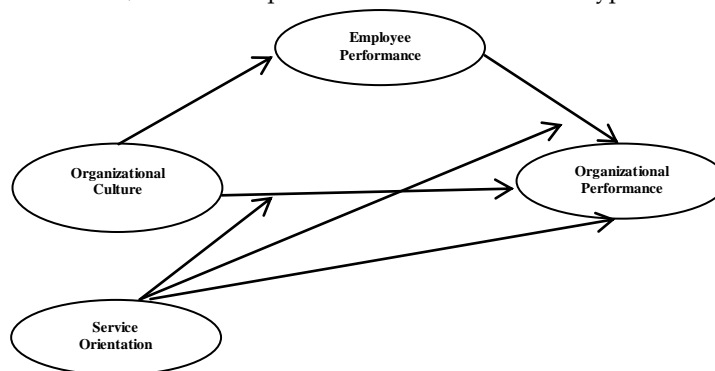


Figure 1. Research Framework

H1 :Culture influences Employee Performance

H2 :Culture influences BAS Banda Aceh performance

H3 :Service Orientation influences BAS Banda Aceh performance

H4 :Employee performance influences BAS Banda Aceh performance

H5 :Employee Performance mediates the Organizational Culture influence on BAS Banda Aceh Performance

H6 :Service Orientation Moderates Organizational Culture influence on BAS Banda Aceh Performance

H7 :Service Orientation Moderates Employee Performance influence on BAS Banda Aceh Performance

### III. Method

In this study, the population was all employees of the BAS Banda Aceh, totaling 415 people. The sample was 216 employees following the requirement of Structural Equation Modeling (SEM) analysis (Ferdinand, 2014) which used formula 8 times the number of indicators (27 indicators used in this study), totaling 216 samples. Data consisted of primary data. Data were tested through the Structural model test, which consisted of measurement and structural tests. For the measurement test, confirmatory factor analysis (CFA) was used to measure loading factors and goodness of fit (Hair, Babin, Anderson, & Black, 2018). After that structural test was used to test the direct effect and moderation effect models, and the Sobel calculator was used to test the indirect effect model.

### IV. Result

#### Direct Effect (H1 to H5)

After passing the measurement test, the structural test for the direct effects of the model (H1 to H5) was conducted and resulted in the table below.

Table 1. Standardized Regression Weight

			Estimates	SE	CR	P
Employee performance	<---	Org_culture	0.639	0.105	8,799	0.000
Org_Performance	<---	Org_culture	0.334	0.108	2,510	0.008
Org_Performance	<---	Service Orientation	0.329	0.067	2046	0.041
Org_Performance	<---	Employee performance	0.306	0.068	2,470	0.014

#### H1 :Culture on Employee Performance

Testing the Culture influence on Employee Performance obtained a significance of 0.000, revealing that Culture influences the increase in Employee Performance. The effect magnitude of Organizational Culture on Employee Performance is 0.639 or 63.9%. This figures the more suitable the Culture the higher the Employee Performance. The results of research by (Juharsah & Hartini, 2017) show that organizational culture influences employee performance.

#### H2 :OrganizationalcultureonBAS Banda Aceh Performance

Testing the Organizational Culture influence test on BAS Banda Aceh Performance produces a significance 0.008, showing that Organizational Culture influences BAS Banda Aceh performance. The effect magnitude of Culture on BAS Banda Aceh performance is 0.334 or 23.4%. This explains the more suitable the Culture the higher the BAS Banda Aceh performance.(Pratiwi& Salsabiela, 2015) shows that organizational culture influences employee performance.

#### H3 :ServiceOrientationonBAS Banda Aceh Performance

Testing the Service Orientation influence test on BAS Banda Aceh Performance provides a significance 0.041, explaining the Service Orientation influences BAS Banda Aceh performance. The effect magnitude of Service Orientation on BAS Banda Aceh performance is 0.329 or 32.9%. This explains the stronger the Service Orientation the higher the BAS Banda Aceh performance.(Wilderom, Berg, & Wiersma, 2012) investigated the combined effect of Service Orientation on perceived and objective organizational performance. The finding is that there is an influence of Service Orientation on Organizational Performance.

#### H4 :EmployeeperformanceonBAS Banda Aceh Performance

Testing the Employee Performance effect test on BAS Banda Aceh Performance produces a significance value of 0.014, describing the Employee Performance influences BAS Banda Aceh Performance. The effect magnitude of Employee Performance on BAS Banda Aceh performance is 0.306 or 30.6%. This reveals the higher the Employee Performance the higher the BAS Banda Aceh performance.(Fachreza et al., 2018) states Employee performance significantly can affect organizational performance. This means also the higher the employee performance, the higher the organizational performance, and conversely, the lower the employee performance, the lower the organizational performance.

#### Indirect Effect (H5)

#### H5 :OrganizationalcultureonBAS Banda Aceh Performance through Employee Performance

Sobel test resulted in a Sobelvalueof 3.618 with p0.000, meaning Employee Performance functions as a mediator of Organizational Culture influence onBAS Banda Aceh Performance. Because Organizational Culture also can affectBAS Banda Aceh Performance directly (H2 test result), so Employee Performance herefunctions as a partial mediator. Partial mediation in this model means that the Organizational Culture significantly can affectBAS Banda Aceh Performance both thru employee performance or not (directly).

Table 2. H5 test

Input:		Test statistic:	Std. Error:	p-value:
a	0.639	Sobel test: 3.61826302	0.05404085	0.00029659
b	0.306	Aroian test: 3.58708982	0.05451048	0.00033439
s <sub>a</sub>	0.105	Goodman test: 3.65026332	0.05356709	0.00026197
s <sub>b</sub>	0.068	Reset all	Calculate	

**Moderation Effect Testing (H6 and H7)**

Testing the moderating effect hypothesis gives Table 3 below.

Table 3  
Moderation Effect Testing

			Estimates	SE	CR	P
Org_Performance	<---	Employee performance	0.239	0.184	1.185	0.236
Org_Performance	<---	Org_culture	0.108	0.241	0.478	0.632
Org_Performance	<---	Service Orientation	0.249	0.999	1,368	0.171
Org_Performance	<---	Interaction1	0.474	0.093	2,713	0.000
Org_Performance	<---	Interaction2	0.463	0.105	2,536	0.000

Source: Primary Data Processed, (2023)

**H6 : Service Orientation moderation role in the Organizational Culture influence on BAS Banda Aceh performance**

Testing the Service Orientation moderation role in the Organizational Culture influence on BAS Banda Aceh performance(H6 model) provides the coefficient  $\beta_2 = 0.249$  with a significance of 0.171, meaning Service Orientation does not affect employee performance. While the coefficient  $\beta_3 = 0.474$  with a significance of 0.000, and the interaction between Service Orientation and Culture affectsBAS Banda Aceh performance, this reveals Service Orientation is a pure moderator of H6 model.

**H7 : Service Orientation moderation role in the Organizational Culture influence on BAS Banda Aceh performance**

Testing the Service Orientation moderation role in the Employee Performance influence on BAS Banda Aceh performance(H7 model) provides the coefficient  $\beta_2 = 0.249$  with a significance of 0.171, explaining Service Orientation does not affect employee performance. While the coefficient  $\beta_3 = 0.463$  with a significance of 0.000, and the interaction between Service Orientation and Employee Performance affectsBAS Banda Aceh performance, this explains that Service Orientation is a pure moderator for H7 model.

**5. Conclusion**

The research results show in BAS Banda Aceh, culture influences employee performance, culture influences BAS Banda Aceh performance, service orientation influences BAS Banda Aceh performance, employee performance influences BAS Banda Aceh performance, employee performance mediates the organizational culture influence on BAS Banda Aceh performance, service orientation moderates the organizational culture influence on BAS Banda Aceh performance, and service orientation moderates the employee performance influence on BAS Banda Aceh performance. This finding also proves that employee performance on the H5 model functions as a partial mediator, and service orientation on the H6 and H7 models is a pure moderator. So the results explain that the model of increasing organizational performance in BAS Banda Aceh is a function of adjusting organizational culture, increasing employee performance, and strengthening service orientation. This tested model can be used as a premise for further research, by developing other performance models. Some recommendations that can be made for research subjects, namely BAS Bana Aceh, namely :

- 1) To improve the Organizational Culture, the organization must provide direction to the employees in order always demonstrate precision, analysis, and attention to detail in work.
- 2) In improving Service Orientation, organizations must be able to identify the desires of customers so that the services provided are right on target according to customer needs.
- 3) In improving employee performance, organizations must improve capacity of employees by providing training so that employees can master the job well.

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