

# Effect of Commitment, Ethical Leadership and Attitude towards the Performance of Regional Work Unit in East Java Provincial Government

Diah Ekaningtias

School of Economics Indonesia, Surabaya, Indonesia

**Abstract** Budget realizations in each regional work unit cannot escape from governance influence. The factor is human resource, especially the leader, who required to have organizational commitment and ethical leadership. This study aims to determine the influence of organizational commitment, ethical leadership, and good governance on the performance of work units in East Java. Data was obtained by questionnaires from leaders in 60 regional work units in East Java. Results showed that ethical leadership had no positive effect on the performance of work units in East Java. Meanwhile, good governance and organizational commitment positively influenced regional work units in East Java.

**Keywords** Ethical leadership, Performance of regional work unit, Organizational commitment, Good governance

## 1. Introduction

The Governance paradigm has shifted from the rule of government into the good governance paradigm [1]. Based on the rule of government paradigm, the government runs the administration, development, and public services according to the current legislation. In contrast, the good governance paradigm governs, develops, and runs public services by involving all elements inside and outside the bureaucracy. Under those terms, the centralized system is no longer appropriate. Therefore, the authority is shifted from the center to the region, which means that the decentralized government system is implemented.

A decentralized system influences financial management on central and regional levels. Generally, the regional finance is reflected through the Anggaran Pendapatan dan Belanja Daerah (APBD or the regional budget of revenue and expenditure). The implication of APBD implementation is the necessity to take responsibility for APBD implementation by performing the appropriate government accounting based on Government Regulation No. 24, 2005. Human resources have an authority for budget realization from the budget planning. In this case, the human resource, who manages the resources, is the leader of an institution or the leader of a regional work unit.

The Jensen and Meckling Agency Theory describes the responsibility of an agency to manage its resources to

improve their welfare. Based on this theory, the purpose of this study is to examine the effect of organizational commitment, ethical leadership and attitude toward good governance of the regional work unit performance in East Java Provincial Government [2]. It is based on the fact that budget realization in each regional work unit cannot escape from the influence of management processes [3]. One the determining factors is how the human resource, especially the leader, carries out their duties and responsibilities, which requires them to have organizational commitment [4, 5], ethical leadership [6, 7] and good governance [8] in using resources based on budget planning to achieve great performance in their regional work unit.

## 2. Literature Review and Hypothesis Development

### 2.1. Performance

According to Mahsun, et al., performance refers to achievement or success rate of individuals and groups of individuals [9]. Therefore, a budget realization which goes as planned can be interpreted as an achievement of performance-based budgeting by the leader of a government institution. The leader of an institution at local government level is the head of the Satuan Kerja Perangkat Daerah (SKPD or the regional work unit).

### 2.2. Organizational Commitment

Organizational commitment is an attitude that reflects the individual integrity in an organization. The commitment determines individual's responsibility in planning the clarity

\* Corresponding author:

diah\_ekaningtias@yahoo.com (Diah Ekaningtias)

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of objectives, which is outlined in the budget planning and avoidance towards the gap between budget planning and budget realization. The stronger the leader's commitment to the organization, the stronger the leader's tendency to carry out the organizational management practices based on the principles of good governance according to the prescribed rules. Leaders of organizations who have a high commitment to the organization will do everything to achieve performance as planned.

### 2.3. Ethical Leadership

Shacklock, et al., explained that ethical leadership is an integrity system comprised of capacity, coherence and consequences dimensions. The dimension of capacity means that a leader has the ability to carry out its responsibility to work in ethical ways. The dimension of coherence reflects how leaders can interact with the environment, including how leaders interact with their subordinates in performing a task within their responsibility. The dimension of consequences reflects the leader's efforts to achieve targets set by the organization [7].

### 2.4. Good Governance

According to Too and Weaver, good governance is organizational management practices based on the directed and managed principles of good governance [10]. The principles of good governance, according to Krina and Law No. 33 of 2004 about Financial Balance between the Central Government and Local Government, stated that the minimum implementation of good governance in the government consisted of accountability, transparency and participation. Budget realization through practical implementation of organizational management based on the principles of good governance is determined by the leader's direction in accordance with the regulation [11]. Human factor determines budget realization in accordance with the budget plans. It is expressed by many management experts that 'people are the key'. It means that human resource is the major key for survival to an organization [12], including government organizations.

## 3. Hypothesis Development

### 3.1. Effect of Ethical Leadership on the Performance of Regional Work Unit in the Government

According to Lin et al., Ethical Leadership, leader's activities will affect and change subordinate's behavior by giving examples of ideal behavior, inspiring, providing intellectual stimulation, caring for each subordinate, serving and observing each subordinate's development. Leadership has a strong positive effect on the performance of the regional work unit. It indicates that the leadership attitude of a leader greatly influences subordinate's performance [13]. Results of this study were supported by Trisnaningsih research result, which proved that ethical leadership has

significant positive effect on the performance of regional work unit [14]. Based on those descriptions above, the first hypothesis of this study is as follow:

H1: Ethical leadership has positive effect on the performance of regional work unit in the government

### 3.2. Effect of Organizational Commitment towards Performance of Regional Work Unit in the Government

Commitment can be explained through three main components: (1) a strong conviction of a person toward organizational objectives, (2) a strong desire to strive for the interests of the organization, and (3) a clear desire of an individual to maintain the membership in the organization [15]. Therefore, organization commitment is a strong belief and support of the values and goals of the organization [16]. Results study of Marganingsih & Martani and Imran et al., gave the same conclusion, which stated that the organizational commitment has a positive impact on performance [17, 18]. The result was supported by Trisnaningsih which stated that the organizational commitment positively influences auditor's performance [14]. Based on the descriptions above, the second hypothesis is as follow:

H2: Organizational Commitment has a positive effect on the performance of regional work units in the government.

### 3.3. Effect of Good Governance Performance on Regional Work Unit in the Government

Good governance follows the triadic schemes that include cognitive, affective and conative [19, 20]. The more positive the belief in practices of organizational management based on the principles of good governance, the more supportive the cognitive component to overall attitude. Meanwhile, the effective component is an emotion that reflects the feelings of a person to an object, whether they like the object or not. Acceptance could be interpreted as individual's desire to do practices of organizational management based on the principles of good governance for the realization of the planned organizational performance and vice versa. The conative component is a reflection of the tendency and actual behavior toward objects, which indicates a tendency to perform an action. It indicates someone's tendency to carry out the leadership practices of organizational management based on principles of good governance. Based on the descriptions above, the third hypothesis tested in this study is as follow:

H3: Good governance has a positive effect on the performance of regional work unit in the government

## 4. Methods

### 4.1. Data and Sample Selection

Data used in this study were primary data obtained from all leaders of 60 regional work units in East Java Provincial

Government. The questionnaires represent the dependent variable and independent variable, which consisted of commitment questionnaire, ethical leadership questionnaire, a questionnaire of attitudes toward good governance, and the implementation of good governance questionnaire.

#### 4.2. Operational Definition and Measurement of Variables

The independent variables consisted of Commitment, Ethical Leadership and Attitude of Good Governance. The Implementation of Good Governance was placed as an intervening variable. The variable of commitment or organizational commitment is defined as individual's determination to carry out organizational interests and needs as well as the obligation of regional work unit leaders toward the organization based on the implementation of good governance for the achievement of great organizational performance [16].

Ethical leadership variable was defined as activities to affect the subordinates through good examples, such as showing good behavior, being ideal, inspiring, providing intellectual stimulation, giving attention to each subordinate, serving and paying attention to each subordinate's developments. Leadership is closely related to tasks, so the leader has the power to complete the task and to encourage their subordinates to participate and complete the task.

The attitude of good governance variable was defined as characteristics to show the differences in each individual [19] or an evaluation or reaction towards objects which is reflected through the feeling of supporting or favoring (favorable) and also feeling of not supporting or nor favoring (unfavorable) [21]. Indicators of these variables were accountability, transparency and necessary participation in the implementation of good governance.

Implementation of good governance variable was defined as practices of organizational management based on the principles of good governance which consisted of principles of accountability, transparency and participation. Indicators in this variable were informing the budget, presenting the financial statements on time, providing public services regarding government issues in the preparation of strategic plan by the parliament.

#### 4.3. Data Analysis for Validity

Validity testing was used to measure the validity of the questionnaires. A questionnaire is considered valid if the questions in the questionnaire can reveal things that are meant to be measured by the questionnaire [22]. Validity testing was done by using confirmatory factor analysis on each of the latent variables i.e. organizational commitment, ethical leadership, attitudes, implementation of good governance and organizational performance through SmartPLS program.

#### 4.4. Data Analysis for Reliability

Reliability testing is used to test how much an instrument

measures variables in a stable and consistent manner, in which the value is indicated by the coefficient of reliability [23].

#### 4.5. Hypothesis Testing

A t-test was performed to test the effect of the independent variable to the dependent variable.

## 5. Result and Discussion

#### 5.1. Reliability

A reliability test was done to indicate how reliable or trustworthy the instrument that was used in this study. Reliability is the value of internal consistency on indicators of each variable. Composite reliability (CR) was used to measure reliability with a minimum of 0.7 cut-off value. Reliability on each latent variable of organizational commitment, ethical leadership, attitude on Good Governance and implementation of Good Governance are presented in Table 1.

**Table 1.** Reliability of Latent Variables

Latent Variable	Goodness of Fit Composite Reliability
Organizational commitment	0.785308
Ethical leadership	0.810529
Attitude on Good Governance	0.929786
Implementation of Good Governance	0.875716

Based on Table 1, it can be seen that CR values of all latent variables were above 0.7. So it can be concluded that organizational commitment, ethical leadership, attitude on Good Governance and Implementation Good Governance was a reliable latent variable.

#### 5.2. T-test

A t-test was used to test the effect of independent variable on the dependent variable. The effect of each independent variable on the dependent variable can be seen from the p-value presented in Table 2.

**Table 2.** Results of T-Test on Performance Model from Regional Work Units

Variable	Coefficient	T-statistic	Significance value	Description
1.KO-»K	0.586	17.418	0.000	Significant
2.P-»K	0.030	0.654	0.322	Insignificant
3.G-»K	0.137	2.487	0.018	Significant

The first hypothesis: The effect of organizational commitment on performance of regional work units. The first hypothesis test result can be seen in Table 2. The result showed that the organizational commitment variables have  $t_{statistic} > t_{table}$  at  $17.418 > 1.98$  with significant values of 0.000 and smaller than the error level (alpha) at 0.05. Thus, it

can be concluded that H1 was accepted, in another word, organizational commitment variable has a positive effect on the performance of regional work unit. The better the organizational commitment, the better the government performance.

The second hypothesis: The effect of ethical leadership on the performance of regional work units. Second hypothesis test result showed that ethical leadership variable has a significance value  $>0.356$  and the error rate (alpha) at 0.050. Thus, it can be concluded that H2 was rejected, so the ethical leadership variable did not affect the performance of regional work units.

The third hypothesis: The effect of good governance on the performance of regional work units. Third hypothesis test result showed that the good governance variable has significance value of 0.018 and was smaller than the error level (alpha) of 0.05. It can be concluded that the H3 was received, so the good governance variable positively affects the performance of regional work units. Thus, if the good governance is implemented properly in the East Java provincial government, then the government's performance will increase. These results are supported by the research of Essen et al., research, which showed that the good governance variable significantly affects the performance of government [24].

## 6. Conclusions

Based on the analysis data, it can be concluded that:

1. The first hypothesis test results found that good governance variables significantly influenced the government performance in East Java Province.
2. The second hypothesis test results showed that organizational commitment significantly influenced the government performance in East Java Province. If the organizational commitment is implemented effectively, the government performance will also increase.
3. The third hypothesis testing results showed that ethical leadership had no significant effect on the government performance in East Java Province.

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