STRUCTURAL EQUATION MODELLING ON EMPLOYEE PERFORMANCE: EVIDENCE FROM INTRAPRENEURIAL BEHAVIOR AND SOFT SKILLS ANALYSIS

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Abstract: Employees are one of the main resources of the organization that has an important role in carrying out activities and determining policies in the organization. Companies need to be able to improve employee performance and create a sustainable competitive advantage. The application of human resource management practices can improve employee performance. But several studies state that intrapreneurial behavior and soft skill also affected it. This study aims to analyze the relationship between human resource management practices, intrapreneurial behavior, and soft skills on the performance of employees working at PT Perkebunan Nusantara XI. The integrated research model was developed by combining three main variables from various literature. Primary data was collected through 150 questionnaires for selected employees working in the head office and production work units. The validity and reliability of the model are tested using by structural equation model. This study was conducted at a state-owned agribusiness organization based on cross-sectional data, so it cannot be generalized to a wider range of sectors. The results of this study showed that the variables of human resource management practices and soft skills significantly influence employee performance. The results of the study have the potential to assist policymakers, stakeholders, and organization management in adopting well-articulated findings to improve the quality of human resources and create sustainable competitive advantages. This study contributes to the expansion of literature based on empirical evidence relating to the relationship of human resource management practices, intrapreneurial behavior, and soft skills.

Keywords: human resource management practices, intrapreneurial behavior, soft skills, employee performance.

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Responding to an increasingly competitive and dynamic market competition situation, employees are one of the main resources that have an important role in carrying out activities and determining policies in the organization. Organizations need to be able to improve the quality of human resources (employ-
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In addition to implementing human resource management practices, intrapreneurial behavior and soft skills are also considered as two important aspects that must be developed by the organization in the era of globalization as today. The existence of intrapreneurial behavior in employees and managers is expected to be able to create new ideas based on creativity and innovation that aims to develop and respond to problems that are being faced by the organization. The results of several studies indicate that intrapreneurial behavior can affect individual performance, especially for managers and employees (Ahmad et al., 2012; Fellnhofer et al., 2016; Norhasimah and Ismail, 2012). Promis (2008) added that soft skills are believed to have been more beneficial for jobs in top management positions, are now proven that soft skills are also important for all types and levels of work in the professional work world. Wijayanto et al. (2011) stated that both soft skills and hard skills can significantly affect employee performance, although soft skills more significantly affect employee performance.

On the other hand, intrapreneurial behavior and soft skills are two things that are difficult to be measured by the organization, it’s because both are intangible. Based on some of the problems described above, therefore to improve the performance of the research employees interested in researching by combining the three variables. The research objectives are analyzing the relationship of human resource management practices on employee performance, analyzing the relationship of intrapreneurial behavior on employee performance, and analyzing the relationship of soft skills on employee performance. Based on the problems and objectives described above, the hypotheses in this study are human resource management practices have a positive and significantly affected to employee performance, intrapreneurial behavior has a positive and significantly affected to employee performance, and soft skills have a positive and significantly affected to employee performance.

METHOD

Based on the objectives, this study included on descriptive study category and uses a quantitative approach. Data collection was carried out using direct survey methods and interviews based on structured questionnaires by using 13 indicators consisting of 60 statement items. Each item has been given five alternative answers. Each alternative is given a score/value based on a Likert scale with a scale of 1-5 as follows: strongly disagree with a weighting of 1; disagree with a weight of 2; hesitation with a weight of 3; agree with a weight of 4, and strongly agree with a weighted value (5). The data was collected in May – June 2019. The population of this study is all employees who work in Head Office and Wonolangan Sugar Factory unit which currently number 662 (PT. Perkebunan Nusantara XI, 2017). However, because it used Structural Equation Modelling (SEM) analysis model which in data processing uses SmartPLS software (student version), this study therefore only included 100 data from 150 existing employee data samples. Structural Equation Modelling is part of a statistical model that can explain the relationship between variables. The equation describes all the relationships among constructs that construct the model (dependent and independent variables) Hair et al. (2011) in Gunarto (2018). Technically SEM is divided into two groups namely covariance-based and variance/component-based using SmartPLS software. PLS-SEM aims to test the predictive relationship between constructs by looking at whether there is a relationship or influence between constructs without a strong theoreti-
The following PLS-SEM modeling used in the study can be seen in Figure 1. The variables of this study consisted of three exogenous latent variables (human resource management practices, intrapreneurial behavior, and soft skills) and one endogenous latent variable (employee performance). In this study model, there are 13 indicators (manifest variables) are used which can be seen in Table 1. The following:

| Indicator                     | Symbol | Reference                                                                 |
|-------------------------------|--------|---------------------------------------------------------------------------|
| Training                      | X1     | Grossman and Salas (2011); (Hashim, 2010); (Farooq and Khan, 2011); ( Carrier, 1994); Carlson et al (2006); Dwomoh, et al. (2013). |
| Compensation                  | X2     | (Antoncic and Hisrich, 2003); (Covin dan Slevin, 1991); Mahmoud, (2018). |
| Occupational Health and Safety| X3     |                                                                             |
| Career Development            | X4     |                                                                             |
| Risk-Taking                   | X5     |                                                                             |
| Innovation                    | X6     |                                                                             |
| Motivation                    | X7     |                                                                             |
| Leadership                    | X8     | (Babalola, 2015); (Rahmisyari, 2015); (Kusuma, 2013).                     |
| Communication                 | X9     |                                                                             |
| Team Work                     | X10    |                                                                             |
| Quality of Work               | Y1     | Colquitt et al. (2011); (Robbins and Timothy, 2009).                      |
| Quantity of Work              | Y2     |                                                                             |
| Punctuality                   | Y3     |                                                                             |

RESULTS

Characteristics of Respondent

Based on the results of this study, Table 2 shows that in general the identity of the respondent based on gender, age, education, years of service, and works area. For more details, the data can be seen in Table 2.

Table 2. Shows that the majority of staff employees working at head office and sugarcane factory are men, in productive age, senior high school graduates, and have work experience around 1-18 years.

| Identity          | Category | Percentage (%) |
|-------------------|----------|----------------|
| Gender            | Male     | 86.00          |
|                   | Female   | 14.00          |
| Age (Year)        | 24-28    | 7.33           |
|                   | 29-33    | 14.00          |
|                   | 34-38    | 20.00          |
|                   | 39-43    | 18.00          |
|                   | 44-48    | 18.00          |
|                   | 49-53    | 18.00          |
|                   | 54-55    | 4.67           |
Discriminant Validity

Discriminant validity was used to see the extent to which a construct is completely different from other constructions or in other words to see the uniqueness of the construct. To measure discriminant validity, it can be seen from the Fornell-Larcker Cirteiron value; CrossLoadings and Heretroit-Monotrait Ratio (HTMT). But in this study the value of discriminant validity is seen from the value of heretroit-monotratration (HTMT) which can be seen in Table 4.

| Variable | CR   | AVE  |
|----------|------|------|
| HRMPs    | 0.875| 0.638|
| IB       | 0.863| 0.678|
| SS       | 0.879| 0.707|
| EP       | 0.857| 0.667|

Source: Primary Data Analysis, 2019

Table 4 Evaluation of Model – Discriminant Validity Based on HTMT Values

| Path         | HTMT | Description |
|--------------|------|-------------|
| EP → IB      | 0.698| Valid       |
| HRMPs → IB   | 0.486| Valid       |
| SS → IB      | 0.828| Valid       |
| HRMPs → KK   | 0.700| Valid       |
| SS → KK      | 0.770| Valid       |
| SS → HRMPs   | 0.542| Valid       |

Source: Primary Data Analysis, 2019

Based on the results in the following Table 5.4, shows that all Path values have values < 0.90. There-
Therefore, it can be concluded that all constructs have good discriminant validity values.

**Evaluation of Structural Models**

**R-Square Test**

R-Square Test is used to analyze the structural model (inner model). Evaluation of the R-Square value is used to see the ability of HRMPs, IB, and SS variables in explaining employee performance variables or in other words to see how much influence exogenous latent variables have in explaining endogenous latent variables. The results of the R-Square test can be seen in Table 4. The following:

| Latent Variable       | R-Square |
|-----------------------|----------|
| Employee Performance  | 0.504    |

Source: Primary Data Analysis, 2019

Based on the data in Table 3. Shows that the \( R^2 \) value is 0.504. It shows that the ability of HRMPs, IB, and SS variables in explaining employee performance variables is 50.4%. Besides, referring to the rule of thumb, the model is included in the moderate category.

**F-Square Test**

The F-Square test was used to see the effect of each exogenous variable on endogenous latent variables. The F-Square Test results can be seen in Table 5. as follows:

| Path             | F-Square | Criteria |
|------------------|----------|----------|
| HRMPs \( \rightarrow \) EP  | 0.509    | Strong   |
| IB \( \rightarrow \) EP       | 0.015    | Weak     |
| SS \( \rightarrow \) EP       | 0.186    | Moderate |

Source: Primary Data Analysis, 2019

Based on the data in Table 5.5 shows that from the three relationships of exogenous latent variables to endogenous latent variables are differ. The first relationship (HRMPs \( \rightarrow \) EP), it can be seen that the F-Square test results of HRMPs variable on EP is 0.509. That way, it means that the influence of human resource management practice variables on employee performance is included in the strong category.

Second, the F-Square test results on intrapreneurial behavior (IB) variable on employee performance (EP) is 0.015 or in the other words, it can be interpreted that the influence of intrapreneurial behavior variables on employee performance included in the weak category. Third, the F-Square value of the soft skills (SS) variable against employee performance (EP) is 0.186 or in other words, it can be interpreted that the influence of soft skills variables on employee performance included in the moderate category.

**The goodness of Fit Test**

The goodness of fit test used to determine the strength of this study model used. To find a fit model or not, then the GoF value using AVE and R-Square value data from the latent variable Employee Performance.

\[
\text{GoF}_{\text{Employee Performance}} = \sqrt{0.504 \times 0.667}
\]

\[
\text{GoF}_{\text{Employee Performance}} = 0.579
\]

The GoF value obtained is 0.579 (moderate), meaning that the model can explain empirical data so that the overall model formed is valid.

**Estimating Parameters**

The estimation of parameters is done to see the relationship between the indicators of the latent variable is significant or not. Estimation of parameters is done to see the relationship between the indicators of the latent variable is significant or not, the results of the outer loading significance test can be seen in Table 6 The following:
After testing the significance of the outer loading, several equations will be produced as follows:

\[
\begin{align*}
X_1 &= 0.875 \text{ PMSDM} + d_1 \\
X_2 &= 0.805 \text{ PMSDM} + d_2 \\
X_3 &= 0.879 \text{ PMSDM} + d_3 \\
X_4 &= 0.717 \text{ PMSDM} + d_4 \\
X_5 &= 0.791 \text{ IB} + d_5 \\
X_6 &= 0.830 \text{ IB} + d_6 \\
X_7 &= 0.848 \text{ IB} + d_7 \\
X_8 &= 0.822 \text{ SS} + d_8 \\
X_9 &= 0.817 \text{ SS} + d_9 \\
X_{10} &= 0.839 \text{ SS} + d_{10} \\
Y_1 &= 0.804 \text{ KK} + e_1 \\
Y_2 &= 0.828 \text{ KK} + e_2 \\
Y_3 &= 0.818 \text{ KK} + e_3
\end{align*}
\]

Based on this comparison, shows that the contribution of the smallest indicator is career development (X4). Besides that, the biggest contribution of indicators is occupational health and safety (X3).

### Hypothesis Testing

In hypothesis testing, a significance test needs to be carried out to find out how the hypothesis of the theoretical relationship of variables is truly significant. The non-significant estimate parameter indicates that the coefficient value is not statistically different from zero. To affect, the coefficient must be different from zero, which means it must be significant. Significance is indicated by the Tstatistic value or the p-value.

| Path         | Direct Effect | T-Statistic | P-Value |
|--------------|---------------|-------------|---------|
| HRMPs → EP   | 0.366***      | 3.798       | 0.000   |
| IB → EP      | 0.196*        | 1.907       | 0.057   |
| SS → EP      | 0.305**       | 2.544       | 0.011   |

Source: Primary Data Analysis, 2019

Notes:

***Significant at the level of trust 99%

**Significant at the level of trust 95%

*Not Significant
DISCUSSION

The Relationship between Human Resource Management Practices and Employee Performance

Based on the data in Table 6. Shows that human resource management practices have a significant relationship to employee performance. This result is also strengthened by the value on f-square which states that there is a strong relationship between human resource management practices on employee performance. It means that a better application of human resource management practices will indirectly improve employee performance in the company. The result of this study also suitable to the conveyed theory by Pablos and Lytras (2008) which states that the application of effective and efficient human resource management practices can improve individual and organizational performance. The results of this study show that compensation (X2), occupational health, and safety (X3) make a greater contribution to the variable of human resource management practices. In general, both employees who work at the head office or sugarcane factory work units are satisfied with the compensation received. Compensation such as salary and health insurance provided by the company now following the agreement. It’s just that compensation in the form of rewards for good performance is currently not received by employees. But giving compensation also adjusted to the company’s ability. Like the theory conveyed by Kasmir (2018) which mentions “one of the considerations of giving compensation is cost-effective”. Cost-effective means that the company provides fair and modest compensation to prevent the company’s losses. Furthermore, the application of occupational health and safety practices are more beneficial for employees who work in factories. This is because the risk of work injury to employees who work in factories is greater than the head office’s employees. The data in the PT. Perkebunan Nusantara XI (2017) shows that the ratio of employee accidents at the head office and factory is 0:3 each year.

Training (X1) and career development (X4) contribute less to human resource management practices. Most of the employees who had participated in training activities said that, the current material in training activities not always suitable for the employee’s competency needs. Therefore, the company can give more attention to the suitability of training to the employee competency needs. Likewise, with career development, that has not been well implemented yet by the company. Employees who work either at the head office or factory doesn’t have any point of view about their careers. However, management in the company always tries to improve it.

The Relationship between Intrapreneurial Behavior and Employee Performance

Entering the era of globalization and increasingly competitive market competition as it is today does not make intrapreneurial behavior significantly influence the performance of the employee. In other words, the indicators of risk-taking (X5), innovation (X6), and motivation (X7) of employees currently have not been able to improve employee performance. These results are different from the results of research conducted by Hastuti (2002) which states that there are several indicators of intrapreneurial behavior that affect employee performance. This happens because, in doing work, most of the employees who work in the head office and factory work units tend to have the anxiety to start new jobs that are at risk. Besides, working as a staff employee in a company does not make employees required to always innovate like the existing leader. So that the existing innovations within the current employee, only limited to ideas and desires, have not been applied concretely to complete daily work.

The Relationship between Soft skills and Employee Performance

Empirical tests have been conducted to determine the relationship between soft skills variables and employee performance. The results in Table 6 shows that soft skill has a positive and significant relationship to employee performance. This shows that teamwork (X10), leadership (X8), and communication (X9) respectively have a significant impact on employee performance. This result is also strength-
ened by the existing value on F-Square which shows that soft skills have a moderate (moderate) relationship to employee performance. The results of the study are also consistent with research conducted by Grugulis (2011) which states that soft skills can be affected by employee performance. Teamwork provides the highest impact on employee performance. It can be seen from the highest outer loading value of teamwork indicators when compared with other indicators. Strong teamwork can not be separated from the role of each individual who has the nature of dependence or realizes that every work carried out is related to one another. Besides, good relations between employees and leaders and the role of leaders in creating a conducive work atmosphere is in fact, able to provide comfort to employees while working, this is what then can indirectly affect employee performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the study results above, it can be concluded several things as follows:

1. The Implementation of human resource management practices can affect employee performance. Both compensation and occupational health and safety programs are contributed most to the implementation of human resource management practices.

2. Intrapreneurial behavior currently does not affect employee performance. This happens because in doing the job most employees tend to have the anxiety to start a risky new job. Other than that employees who work as staff in the company are not required to continue to innovate. That is why for the moment intrapreneurial behavior hasn’t affect employee performance.

3. Soft skills become one of the variables that affect employee performance. Teamwork, leadership, and communication in a row contribute high to soft skills. The relationship between employees and colleagues and superiors is one of the most influential factors.

Recommendations

Based on the study results above, it can be recommended several things as follows:

1. Human resource management practices and soft skills are two variables that have a positive and significant relationship to employee performance. Therefore, supporting the company can provide more focus on these two variables. Excels at improving compensation and developing on human resource management and leadership variables on soft skills variables.

2. There is further research with the same variables but compared to different types of organizations, for example in private companies with Indonesian SOEs Companies.

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