

# CHAPTER I

## INTRODUCTION

### Background

In today's increasingly global and competitive economy, accessing the same resources as competitors has become relatively straightforward, particularly regarding technology and products. However, what completely distinguishes one firm from another is its human resources (Aguinis, 2019). A company's growth mainly depends on how well its employees perform (Nayem & Uddin, 2024). Organizations with engaged, motivated, and skilled employees who give outstanding service and generate unique ideas will surpass their competition, even if their products are comparable. Hence, the employee's performance must be managed well to maintain and improve human resources development and retention rates. It ensures that employee performance is aligned with the organization's expectations and meets the resources required by employees to accomplish previously set performance targets.

Employee performance in the public sector is crucial, as civil servants significantly impact societal well-being. Strong employee performance enhances the effectiveness and efficiency of the public sector, ensuring that government policies are implemented and organizational performance targets are achieved successfully. The success of public organizations and, consequently, a nation's economic development heavily relies on the performance of its human resources (Afrasiabi et al., 2022). Employee performance in the public sector significantly

affects the quality of services provided to the community. When employees underperform, the public experiences delays, low-quality service, and widespread dissatisfaction, which can erode trust in government institutions (Wright & Grant, 2010).

Public sector employee performance faces unique challenges such as bureaucracy, political pressures, and complex stakeholder relationships, making employee performance critical for enhancing service efficiency and citizen satisfaction (Amha & Brhane, 2020). The demand for high-performing employees in the public sector is even more pressing due to the global shift toward accountability and transparency, where public institutions are consistently scrutinized for efficiency (Kaleem, 2019). Public sector workers must navigate complex systems, ensuring not only compliance but also high standards of service delivery, which directly influence public trust and organizational effectiveness.

Additionally, employee performance in the public sector is influenced by several factors, including leadership, organizational support, employee behavior, motivation, and the work environment. A performance management system (PMS), for instance, plays a crucial role in promoting effective implementation (C. Ezenwakwelu & Etukokwu, 2021). Moreover, research has shown that providing a supportive environment, offering training, and implementing clear PMS can significantly improve employee productivity, ultimately enhancing public service institutions' overall efficiency (Amha & Brhane, 2020).

A well-designed PMS is critical to addressing these challenges. Performance management identifies, measures, and develops employee performance,

individually or in teams, and aligns it with the organization's strategic goals (Aguinis, 2019). It is a continuous, ongoing, never-ending process of goal and objective setting, observing, and coaching (Dessler, 2020). Moreover, Dessler (2020) explained that performance management necessitates managers to align employees' activities and outcomes with the organization's objectives. Establishing this connection enables the organization to achieve a competitive edge, as performance management directly ties individual and team performance to organizational goals, thereby clarifying the employees' contributions to the organization. Managers would have a major role in this process to ensure the alignment of employee activities and outcomes with the organization's strategic objectives. This alignment is necessary to maintain competitive performance; it directly correlates each employee's performance with the achievement of broader organizational goals, and it is clear that every employee contributes to organizational success.

However, despite its importance, there remains a common misconception within many organizations in using the term performance management, even though they only implement an appraisal system (Aguinis, 2019; Denisi & Smith, 2014; Sharma et al., 2016). Performance management is not just about appraising employees who produce information about their strengths and weaknesses. Performance management is driven by the line manager for strategic business purposes and provides ongoing feedback, emphasizing the past, present, and future.

In reality, performance management often devolves into disjointed phases or is mistakenly considered a stand-in for performance appraisal. However,

organizations must tap into their potential by developing robust systems, tools, and technologies to formalize and standardize these practices (Aguinis, 2019). PMS is a set of organizational activities, tools, regulations, or procedures designed to align employee behavior with the company's strategic goals by focusing attention on and motivating actions. The primary objective of these systems is to ensure that both employees and management act in the company's best interests, thereby enhancing decision-making and increasing the likelihood of achieving organizational goals (Sales, 2019). The data gathered from PMS can potentially be used by managers as the foundation for making decisions to enhance the employee's achievement, decent and fair compensation, competency-based placement, training programs, career development programs, and future performance design.

Pandey (2024) mentioned that PMS enhances employee performance and organizational effectiveness. He emphasized that effective PMS significantly contributes to organizational effectiveness, agility, and high-value innovation by aligning individual performance with organizational goals, providing regular feedback, fair appraisals, and opportunities for skill development. Well-designed PMS positively correlates with improved employee performance, ultimately enhancing organizational efficacy. Clear goal setting, transparent feedback mechanisms, and employee engagement drive organizational success. Effective PMS can significantly improve employee motivation and engagement, especially by incorporating managerial values and clear communication. When employees perceive that performance evaluations are fair and aligned with their personal and

professional goals, they are more likely to be motivated and engaged in their work (Awan et al., 2020; Neher & Maley, 2019; Sharma et al., 2022)

The effectiveness of PMS is linked to its ability to achieve established goals and influence employee performance while distinguishing levels of employee performance. In this context, researchers have found that employee acceptance of the PMS is a crucial factor, as an effective PMS is one that employees perceive as accurate and fair. This highlights that the success of a PMS depends not only on its design and implementation but also on how employees view the system as just and trustworthy (Denisi & Smith, 2014; Lawler, 2003; Sharma et al., 2016). Hence, the effectiveness of PMS should be the concern of all stakeholders, especially regarding employees' perceptions of the accuracy and fairness of the system.

The PMS in organizations has distinctive elements based on the organizational culture. In the public sector, civil servants' performance is essential because it indirectly influences the quality of public satisfaction through public service (Handayani et al., 2019), building trust in government, encouraging excellent service (Hayat & Artisa, 2019) to meet public expectations, ensuring effective service delivery, and enhancing overall organizational productivity (Thusi et al., 2023).

Moreover, by implementing structured performance evaluations, civil service can better assess employee effectiveness and identify areas for improvement, helping to understand public needs and expectations and leading to more responsive and effective civil service practices. Monitoring and analyzing the process is essential to ensure compliance is consistently upheld at appropriate levels.

Additionally, suppose PMS is considered a communication tool between the manager and the employee regarding the objectives to be achieved, the methods for achieving them, and the progress of the work. In that case, it becomes clear that PMS involves both the supervisor and the employee (Thusi et al., 2023)

Despite the recognized importance of PMS, their effectiveness has been debated among scholars (Brown et al., 2019; Schleicher et al., 2019). Ensuring that a PMS is effective is critical because it is key in driving and enhancing employee improvement (Razack & Upadhyay, 2017). A key focus of effective PMS is the development of work systems, the working environment, and individual growth. The underlying strategy must be well understood for these systems to be developed and function effectively (Amstrong, 2009).

While numerous studies on effective PMS have been conducted in developed countries, research in developing countries remains limited, particularly in the public sector (Brown et al., 2019). The public sector presents unique challenges due to its distinctive characteristics and cultures (Teeroovengadum et al., 2019). Research findings on the effectiveness of PMS in the public sector vary widely. Some studies have found PMS to be ineffective (Selepe, 2022), while others describe them as effective but inaccurate (Modipane et al., 2019) or moderately effective (Kang & Choi, 2019; Teeroovengadum et al., 2019). Additional research suggests that PMS in the public sector requires adjustments (Hayat & Artisa, 2019), delivers lower satisfaction levels compared to the private sector (Rodrigues et al., 2023), and struggles with effective implementation (Nigam & Mishra, 2018).

In Indonesia, the performance of public sector employees faces several challenges. First, the Professionalism Index of Civil Servants (abbreviated as ASN) remains low. The ASN Professionalism Index is a statistical measure conducted by the National Civil Service Agency (abbreviated as BKN), which has the authority to oversee ASN management. This index assesses the professionalism of civil servants based on four indicators: competence, qualifications, performance, and discipline (Badan Kepegawaian Negara, 2019b). The first measurement was conducted in 2019, with an average employee professionalism index of 65.95 out of 8% of the total ASN (Badan Kepegawaian Negara, 2019a). In 2023, BKN measured the professionalism index of 100% of civil servants in Indonesia by utilizing employee self-assessment, with results indicating a low index, as shown in the table. This suggests that, from various perspectives, including performance, the professionalism of civil servants remains inadequate.

Table 1.1 Indonesian ASN Professionalism Index 2023

Agency	Respondents	Dimension				IP Value	Category
		Q	C	P	D		
<b>Central Agencies</b>	<b>856.560</b>	<b>21,30</b>	<b>21,83</b>	<b>23,70</b>	<b>5,00</b>	<b>71,82</b>	<b>Moderate</b>
Ministries	683.185	21,32	21,51	23,73	5,00	71,56	Moderate
Institutes	173.375	21,29	22,04	23,68	5,00	72,00	Moderate
<b>Regional Agencies</b>	<b>2.720.335</b>	<b>21,07</b>	<b>12,93</b>	<b>18,67</b>	<b>5,00</b>	<b>57,67</b>	<b>Low</b>
Provincial	470.521	21,48	12,69	20,19	5,00	59,36	Low
District	2.249.814	21,03	12,95	18,56	5,00	57,54	Low
<b>All</b>	<b>3.576.895</b>	<b>21,10</b>	<b>14,09</b>	<b>19,33</b>	<b>5,00</b>	<b>59,52</b>	<b>Low</b>

Source: Badan Kepegawaian Negara, 2023

The data above shows that the average ASN professionalism index at the central level is moderate, while at the regional level, the score is 59.52, categorized as low. Despite the decrease in the average index from 2019, the quantity of measured employees has increased significantly, reaching 100%. The aspects measured include 25% alignment between qualifications and the position held (Q),

40% competency (C), 30% performance (P), and 5% discipline (D). Performance, evaluated based on work output and behavior, scored only 19.33 out of a maximum of 30. This calls for special attention to improve ASN professionalism.

Interestingly, unlike the national average performance scores in the IPASN, BKN employees in 2023 mostly received ratings of “Good,” with 1,830 employees, and “Very Good,” with 519 employees. Only three employees were rated as “Needs Improvement.” This reflects that performance accounts for 25 out of a total weight of 30 in the scoring system, indicating that BKN employees’ performance is higher than the national average for central agencies.

In this context, BKN Regional Office XII in Pekanbaru, which represents BKN at the regional level, oversees 41 local governments across three major provinces in Indonesia, namely West Sumatra, Riau, and the Riau Islands, along with several vertical agencies. The employee performance ratings in this BKN representative office are also largely “Good,” with 91 out of 100 employees receiving this rating, as shown in the table below. Unfortunately, the percentage of employees rated “Very Good” at Regional Office XII BKN Pekanbaru, only 9%, falls short of the overall BKN total, where over 22% of employees achieved this higher rating.

Table 1.2 Employee Performance in BKN 2023

No.	Scope	Total Employee	Very Good	Good	Need Improvement	Others
1	Badan Kepegawaian Negara (Nationally)	2354	519	1830	3	2
2	Regional Office BKN Pekanbaru	100	9	91	-	-

Source: Badan Kepegawaian Negara, 2023



Furthermore, the changes to the ASN performance evaluation methods have impacted employee performance outcomes. Before 2019, ASN performance assessments were based on the 46th Government Regulation in 2011. Performance evaluations prior to 2019 were quantitative, based on the actual achievements of individual employees' performance. Additionally, assessments were aligned with predefined tasks set for each position, which resulted in individual performance often exceeding organizational performance (Taufiq, 2022).

Therefore, aligning individual and organizational performance remains crucial in improving civil servant professionalism since the 5th law of 2014 regarding Civil Servants emphasizes organizational goal achievement (Taufiq, 2022). Nevertheless, approximately three steps have been taken to reform public service performance management: (1) the 46th Government Regulation in 2011, (2) the 28th in 2018, and (3) the 30th Regulation in 2019. Afterward, the 6th Menpan RB Regulation of 2022 revoked that regulation by regulating performance management for the Indonesian state civil apparatus. The long journey has finally resulted in a new PMS for the state civil apparatus in Indonesia.

Second, implementing these regulations, further supported by Ministerial Circular No. 3 of 2023 on the procedures for determining employee performance ratings, specifies that performance evaluations must align with the overall performance of the unit or agency. For example, in a unit with a "Good" performance rating, no more than 70% of employees may receive a "Good" rating, and some employees must receive ratings of "Needs Improvement," "Below

Expectations," or "Poor."The remaining employees may be rated as "Very Good" or "Very Poor."

While the regulations do not explicitly state that this is a forced distribution system, classifying employees based on specific distribution patterns is a key characteristic of this approach (Aguinis,2019).According to Aguinis(2019),forced distribution systems are often seen as biased and unfair because employees who do not fall into the top rankings may feel that the organization does not value their contributions. In addition, Dessler (2020) also mentioned that this approach might increase discrimination and employee dissatisfaction, making employees feel that performance appraisals were dysfunctional.

Third, predefined tasks (credit points) are no longer the primary basis for determining employee performance. Previously, credit points served as the primary reference for functional officials in setting performance plans and targets according to their specific roles and expertise. Moreover, functional positions were more attractive due to faster career advancement than managerial roles. In addition, most civil servants occupy functional positions in a total of 2,226,301 (Badan Kepegawaian Negara, 2023a).

However, with the implementation of this new PMS, employee performance is now based entirely on the performance targets of direct supervisors and work units. Consequently, this shift may lead to a lack of clarity regarding job responsibilities and the previously established competencies and qualifications. Furthermore, converting performance evaluations into credit points regulated by Ministerial Regulation No.1 of 2023 on Functional Positions has caused employees

to require twice as much time to achieve promotions and career advancements. This will inevitably affect employee performance.

The ASN PMS is managed with the E-performance application named E-kinerja, which is an information system for managing ASN employees' performance integrated with the State Civil Apparatus Information System (SIASN). This system uses the ASN database in the BKN database, facilitates the management of ASN employee performance, and accelerates personnel services such as promotion and dismissal services integrated with SIASN.

Moreover, in addition to significant changes in civil servant performance management regulations, the ASN management digitalization program is an issue that will affect employee performance. Based on Law number 20 of 2023 concerning the State Civil Apparatus, the digitalization of ASN Management is carried out to ensure the effectiveness, efficiency, and accuracy of implementing processes and decision-making in ASN Management. This is done by utilizing digital technology that is systematically and data-integrated to facilitate the implementation and service of ASN Management. This digitalization process provides digital services nationally, transforming ASN organizations and work systems. The digitization process of ASN Management in Indonesia did not start in 2023 but since the implementation of the Computer Assisted Test (CAT) application in 2019 for structural and functional position tests (Badan Kepegawaian Negara, 2014).

Furthermore, researchers found that digital transformation significantly affects individual job performance, especially task and contextual performance

(Guzmán-Ortiz et al., 2020). This transformation has significantly changed the way ASN works. Almost all work shifts from paper-based to paperless, which means increasing the use of technology. For example, BKN, which manages ASN administration, has various service applications present in every aspect of ASN management, as listed in Table 1.3. A total of 99 applications are utilized in BKN, 86 of which are services in the integrated management ASN system and 13 used for daily administration.

Table 1.3 Application Used in BKN

No	System	Apps Number	Description
1	SIASN (Services)	86	Integrated system for ASN Management Service
2	Administration	13	Administrative system and e-office
	Total	99	

Sources: Badan Kepegawaian Negara, 2024

Furthermore, digital transformation requires employees to adapt to the large amount of digital information they receive. In this context, digital literacy is crucial, as it involves how employees comprehend and effectively use this information (Syah, 2021). Digital literacy extends beyond basic digital skills; it also encompasses appropriate behavior in online communities and utilizing suitable tools to complete tasks and decision-making (Santoso et al., 2019). Moreover, digital literacy involves various skills, including technical, cognitive, ethical, and social-emotional competencies within digital environments (Oladimeji et al., 2024). Hence, if the employees do not possess proper digital literacy, the organization will have difficulty surviving the digital transformation (Kozanoglu & Abedin, 2021). On the other hand, robust digital literacy will increase employee and organizational performance because it has a positive direct relationship (A

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et al., 2019) and an indirect impact on employee performance (Moharrami et al., 2020). Improving digital literacy will increase the organization's learning capacity and improve performance.

Moreover, using numerous applications forces ASNs to use computers and other technology to complete daily tasks and responsibilities. This can affect stress caused by technology, as known as technostress. Tarafdar et al. (2019) mentioned that technostress is the stress individuals experience from Information Systems use, which can affect job satisfaction and commitment (Ragu-Nathan et al., 2008). This stress arises because of the obligation to use technology, which increases stress hormones and leads to cognitive symptoms (La Torre et al., 2020). Furthermore, Golz et al. (2021) emphasized that technostress can also arise from learning and using computer technology, thus affecting physical and mental health, workability, and job satisfaction. As a type of job stress (Zhao et al., 2020), this inability to cope with technology also manifests as a struggle to accept technology. It negatively affects the organization (C. A. Ezenwakwelu et al., 2023).

In this case, organizations are required to support employees in overcoming potential technostress. An effective PMS addresses these challenges by offering regular feedback, performance tracking, and development opportunities, which are crucial for helping employees navigate the complexities of new technologies (Aguinis, 2019). By aligning employee objectives with organizational goals and

overload and stress caused by rapid digitalization (Sharma et al., 2022). A supportive work environment enhances employee well-being and promotes better

performance and retention, making it a vital component of organizational health (Maipita et al., 2023; Solís et al., 2023).

Hence, the public sector, such as the Indonesian ASN, faces unique challenges in coping with technostress, including stricter regulatory environments and higher public expectations. In this context, an effective PMS is crucial for enhancing individual performance and ensuring that public services meet high standards of quality and accountability (Hayat & Artisa, 2019). As public sector employees increasingly rely on digital tools, the role of PMS in mitigating technostress becomes even more critical, ensuring that they can balance technological demands with their service obligations (Rodrigues et al., 2023).

Although civil servants' performance appraisals in Indonesia are mostly as expected, and only a tiny percentage are less, the ASN professionalism index is still low. In addition, forced distribution and elimination of predefined tasks will potentially affect employee performance appraisals. So, it is necessary to investigate employee performance, especially focusing on employee behavior or action rather than the results of the action with an individual work performance approach (Koopmans et al., 2014).

Furthermore, despite the popularity of research on the effectiveness of PMS, there is a significant gap related to the public sector focus (Brown et al., 2019), especially in developing countries such as Indonesia. Moreover, although digital literacy is important for enhancing public sector performance, most research focuses on technological and external organizational factors rather than internal

factors such as employees (Kozanoglu & Abedin, 2021), and there is still limited research linking it to performance outcomes (Oladimeji et al., 2024).

To fill the gap, this study will explore the effect of PMS effectiveness and work-related technostress on employee performance of the Indonesian ASN, particularly in the Regional Office XII BKN Pekanbaru, which is moderated by digital literacy. By focusing on this unique context, the study will provide valuable insights into how public sector organizations can better support employees in adapting to digital transformations.

### **Research Questions**

Based on the issues mentioned above, the following are considered as research questions:

1. How does the PMS effectiveness affect employee performance in the Regional Office XII BKN Pekanbaru?
2. How does Work-related Technostress affect employee performance in the Regional Office XII BKN Pekanbaru?
3. How does Digital Literacy affect employee performance in the Regional Office XII BKN Pekanbaru?
4. How does digital literacy moderate the effect of the PMS effectiveness on employee performance in the Regional Office XII BKN Pekanbaru?
5. How does digital literacy moderate the effect of the Work-related Technostress on employee performance in the Regional Office XII BKN Pekanbaru?

## **Research Purposes**

This research aims to identify the PMS effectiveness within the Indonesian ASN, its role in mitigating technostress, and its relationship with employee performance. In detail, this study aims to:

1. Investigate the PMS's effectiveness affecting employee performance in the Regional Office XII BKN Pekanbaru.
2. Investigate the effect of Work-related Technostress on employee performance in the Regional Office XII BKN Pekanbaru.
3. Investigate the Digital Literacy effect on employee performance in the Regional Office XII BKN Pekanbaru
4. Investigate the moderate effect of digital literacy on the relationship between the PMS's effectiveness and employee performance in the Regional Office XII BKN Pekanbaru.
5. Investigate the moderating effect of digital literacy on the relationship between Work-related Technostress and employee performance in the Regional Office XII BKN Pekanbaru.

## **Benefits of the Research**

### **1. Theoretical Contribution**

As part of research on performance management in the public services sector, this research proposes new concepts and theoretical hypotheses concerning the PMS effectiveness and work-related technostress and how it will affect employee performance, moderated by digital literacy in the Indonesian public sector.

### **2. Practical Contribution**



Practically, this research provides several contributions as follows:

- a. For Writers: By applying knowledge in presenting ideas and concepts to explore and analyze problems, the outcomes can be implemented in carrying out tasks and responsibilities in the workplace.
- b. For Researchers: Providing insight and knowledge for academics, both directly and indirectly, and reference material for conducting more in-depth future research.
- c. For Government and stakeholders: The government and stakeholders can use the results of this study to decide how to improve their officer performance to increase public satisfaction and trust.

### **Scope of Discussion**

#### **1. Conceptual Scope**

This research is related to PMS effectiveness in fairness and accuracy, work-related technostress, the moderating role of digital literacy, and their influence on employee performance in the Regional Office XII BKN Pekanbaru.

This study distinguishes the employee perception of PMS in the Indonesian public sector. Its scope is limited to Regional Office XII BKN Pekanbaru employees as representatives of Indonesian civil servants.

#### **2. Contextual Scope**

This research is conducted at the Regional Office XII BKN Pekanbaru, Indonesia. The data collection and questionnaires were distributed in November 2024. This locus was selected to represent BKN in three major provinces, namely West Sumatera, Riau, and Riau Islands, and forty-one local government institutions

to represent the Indonesian public sector as their authority, particularly in public human resources management technical supervisor. The extensive use of technology and a well-implemented PMS in this office certainly can support this research in obtaining samples that meet the criteria.

### **Writing Format**

The structure of the writing is divided into several chapters as follows:

#### **CHAPTER I INTRODUCTION**

The introductory chapter is the opening section of the thesis, designed to guide the reader in understanding what was studied, the rationale, and the methodology behind the research.

#### **CHAPTER II LITERATURE REVIEW**

Explains the theories used, previous research, the development of hypotheses, and the conceptual framework.

#### **CHAPTER III RESEARCH METHODS**

Describes the research design, population and sample, data sources, data collection techniques, research variables, operational definitions, variable measurements, and analysis methods.

#### **CHAPTER IV RESULTS AND DISCUSSION**

Explains the respondent profile, descriptive analysis of research variables, the results of hypothesis testing, and a discussion of the findings obtained.

#### **CHAPTER V CONCLUSION**

Explains the conclusions, implications, limitations, and recommendations of the research relevant to the findings obtained from the study.