

The Mediating Role of Distributive Justice, Procedural Justice, and Organizational Citizen Behavior in the Influence of Strategic Performance Measurement System on Employee Performance in the Indonesian Ministry of Finance

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ABSTRACT

This study aims to examine the effect of the Strategic Performance Measurement System (SPMS) on the employees' performance through distributive justice, procedural justice, and Organizational Citizen Behavior (OCB) as the mediating variables. The respondents are the staffs and junior supervisors at the General Directorate of Treasury (GDT) of the Ministry of Finance, one of the agencies initiating the implementation of SPMS in the Indonesian public sector institution. Two hundred forty-nine data were collected using a survey method. Data analysis was performed using the structural equation model. The results show that SPMS directly affect the employees' performance and significantly has a positive effect on distributive justice and procedural justice. Distributive justice has a positive impact on procedural justice. Procedural justice itself has a positive impact on OCB. Furthermore, OCB has a positive impact on employee performance. In addition, the effect of SPMS on the employees' performance is mediated by distributive justice, procedural justice, and OCB. Besides that, the relationship can also be mediated only by procedural justice and OCB. Both alternatives show a complementary partial mediation relationship. This implies that the remuneration rubric, as the reflection of SPMS, needs to be matched with the individual and job characteristics, supported by the senior supervisors as the policy makers.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh Sistem Pengukuran Kinerja Strategis (SPKS) pada kinerja karyawan melalui keadilan distributif, keadilan prosedural, dan Organizational Citizen Behavior (OCB) sebagai variabel mediasi. Responden adalah staf dan pengawas junior di Direktorat Jenderal Perbendaharaan (DJP) Kementerian Keuangan sebagai salah satu lembaga yang memprakarsai implementasi SPMS di lembaga sektor publik Indonesia. Dua ratus empat puluh sembilan data dikumpulkan dengan menggunakan metode survei. Analisis data dilakukan dengan menggunakan model persamaan struktural. Hasil penelitian menunjukkan bahwa SPKS secara langsung mempengaruhi kinerja karyawan dan secara signifikan memiliki efek positif pada keadilan distributif serta keadilan prosedural. Keadilan distributif memiliki dampak positif terhadap keadilan prosedural. Keadilan prosedural itu sendiri memiliki dampak positif pada OCB. OCB memiliki dampak positif pada kinerja karyawan. Berikutnya, efek SPKS pada kinerja karyawan dimediasi oleh keadilan distributif, keadilan prosedural, dan OCB. Selain itu, hubungan tersebut juga dapat dimediasi hanya dengan keadilan prosedural dan OCB. Kedua alternatif menunjukkan hubungan mediasi parsial yang saling melengkapi. Ini menyiratkan bahwa rubrik remunerasi, sebagai cerminan SPMS, perlu disesuaikan dengan karakteristik individu dan pekerjaan, didukung oleh manajer senior sebagai pembuat kebijakan.

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1. INTRODUCTION

The performance of the public sector in Indonesia up to now is still a critical issue. The Minister of State Apparatus Empowerment and Bureaucratic Reform reveals that the most fundamental problem surrounding the state civil apparatus is their performance. Even after twenty years of adopting a performance measurement system, it still has not shown the expected results (Sofyani, Akbar, & Ferrer, 2018). Therefore, the performance of the public sector, both institutional and individual in Indonesia, still needs improvement.

Discussing the performance and its measurement systems in Indonesia, the Ministry of Finance-- one of the institutions-- initiated a Strategic Performance Measurement System (SPMS) in Indonesia, which cannot be neglected from the issue of remuneration. This is due to the remuneration, which is one of the significant problems accompanying the implementation of SPMS. When compared with the application of SPMS at the Ministry of Finance, remuneration has been born first and designed with the aim to motivate and improve the employees' performance. The existence of remuneration is believed to be able to encourage the employees to create a long-term value of the organization and avoid counterproductive actions (Jensen, Murphy, & Wruck, 2004; Patel, 2017) and also motivate them to improve their performance (Sancoko, 2011).

According to Locke & Latham (1990) and Owusu Ernest (2017), a design of a poor incentive scheme in an organization may result in unsatisfactory performance. The lack of effective remuneration resulted in the improvement of the distribution system in the Ministry of Finance (MoF). In its current development, determination and distribution have been done using the merit system. In technical terms, the merit system is reflected in an indicator named the Primary Performance Indicator (PPI), which is a translation and quantification of the annual strategic objectives of the organization compiled using the balanced scorecard. Every individual and the organizational unit, from the smallest to the largest, have their own PPI and is an annual performance target. The achievement of PPI is the basis for obtaining the remuneration guaranteed by the organization. Therefore, the remuneration system in the MoF is a reflection of the SPMS.

Various factors may influence individual performance in an organization. One of them is SPMS, which may generally improve performance (Hoque & James, 2000; Ittner, Larcker, & Randall,

2003; Speckbacher, Bischof, & Pfeiffer, 2003; Davis & Albright, 2004; Franco-Santos, Lucianetti, & Bourne, 2012; Yuliansyah, Gurd & Mohamed, 2017; Hassan, Maelah & Amir, 2016; Smith & Bititci, 2017). However, Taylor (2009) and Gerrish (2016) state that when introducing and developing a performance measurement system, it does not necessarily contribute directly to improve performance. Therefore, a variable that mediates the relationship is needed. When associated with remuneration, organizational justice is a variable that deserves consideration. Colquitt, Scott, Rodell, Long, Zapata, Conlon, & Wesson (2001) divide organizational justice into three main dimensions, namely distributive, procedural, and interactional. Distributive justice focuses on actual rewards; procedural justice relates to the process and procedure of reward distribution. Interactional justice emphasizes personal interaction between individuals. Since the current study tries to search the link of the organizational perspectives with personal performance, interactional justice is not analyzed.

In the relationship between SPMS and organizational justice, Johnson, Holladay, & Quinones (2009), Nurkholis & Wiranti (2019), and Mugo (2016) reveal a direct correlation between assessment of performance evaluation and interpretation of organizational justice. According to Lau & Sholihin (2005) and Lestari & Setya (2018), job satisfaction will increase if employees' perceptions about the use of non-financial judgments are fair. However, when it is associated with individual performance, there are factors considered capable of mediating the relationship between these two factors, namely Organization Citizen Behavior (OCB) (Burney, Henle, & Widener, 2009; Sani, 2013). Thus, the aim of this study is to analyze the effect of SPMS on the employees' performance using distributive justice, procedural justice, and OCB as mediating variables in a governmental institution, while previous studies had focused on business organization.

The object of this research is the employees of General Directorate of Treasury (GDT) of the Ministry of Finance. GDT was chosen because it is one of the institutions that initiated the implementation of SPMS in the Indonesian public sector, has the second-largest number of employees after the General Directorate of Taxes which are spread throughout Indonesia, and has above average performance values in Echelon 1 of the MoF based on annual performance reports. Another reason is that the Ministry of Finance is a benchmark

for implementing SPMS for public institutions in Indonesia. The results of this study are expected to provide empirical evidence regarding the relationship between SPMS, distributive justice, procedural justice, OCB, and the employees' performance. Besides, the results of this study can also be used as consideration for public sector organizations that develop and implement SPMS as an effort to improve their employees' performance.

The following sections include the theoretical framework and hypothesis development, continued by the explanation of the research method. The statistical results and interpretations are then discussed in the next part. Finally, the paper ends with the conclusion, implication, limitation, and suggestion for future research.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Goal-setting theory is one of the motivational theories which states that a more challenging goal will result in a higher level of performance than an easy target. Additionally, a specific purpose will produce a higher output than general instruction (Locke, 1968). This theory confirms that goals, ideas, or real things can be a strong motivation for employees to move towards that goal. Concerning SPMS, Sholihin, Pike, & Mangena (2010), and Yuliansyah & Khan (2015) revealed that the use of multiple performance measurements using financial and non-financial indicators might influence individual behavior which has specific and clear objectives. Locke (1968) stated that the aim would be to increase the role of incentives in improving the employees' performance. SPMS-based incentives can improve performance through motivation (Kaplan & Norton, 1996) and decrease the ambiguity of characters (Burney & Widener 2007; Rasit & Isa, 2014). In another perspective, Burney *et al.*, (2009), Lee, Cho, and Lee (2013), and Beuren, Barros, and Dal Vesco (2016) stated that SPMS in their influence on the employees' performance is mediated by organizational justice and OCB.

Another theory used to describe the relationship between organizational justice and the employees' performance is equity theory which was first put forward by Festinger (1957), who states that the inconsistency of one's perception would create cognitive dissonance and give rise to corrective action. Adams (1963, 1965) says that each employee will compare the ratio of input and outcomes received and compare the results with others in the scope of work (comparison person). If a balance occurs, the results can be said to be fair. Factors that

can be used as a comparison of a level of equity are input and outcomes. The input can be in the form of performance, time, and experience, while outcomes can be in terms of salaries, rewards/bonuses, and benefits.

This study provides the scope of the employees' performance based on role/in-role performance (Williams & Anderson, 1991; Wagner, 2017). The in-role performance is the ratio of the employees' achievement to work results, or successes based on specific indicators in the specified period concerning the task and responsibility. Bisbe and Malagueno (2012) and Yuliansyah and Jermias (2018) define SPMS as a performance measurement system that has features such as integration of long-term strategies and operational objectives, provisions for performance measures and measures of action in various perspectives, and an explanation of the causal relationship of objectives and standards of performance. Moreover, Silvi, Bartolini, Raffoni, and Visani (2015) believe that performance measurement systems have several characteristics, namely a combination of long and short terms measurement, integration of financial and non-financial indicators including internal and external point of view, presence of forward-looking perspectives, and definitions of causal relationships in various sizes and perspectives. Therefore, SPMS is categorized as non-traditional performance measurement systems (Ghalayini & Noble, 1996; Taouab & Issor, 2019).

In relation to the employees' performance, SPMS began to work because the strategy formulation is in line with the goals of the organization (Gimbert, Bisbe & Mendoza, 2010; Bisbe & Malagueno, 2012) then communicated it through actions, as well as financial and non-financial measures (Ittner *et al.* 2003; Burney & Widener, 2007; Taouab & Issor, 2019) which represent the critical success factors of the organization (Kaplan & Norton, 1996) to various internal parties both vertically and horizontally. The strategy formulation itself will be useful if the bottom line of operations of the organization goes according to the policy created by the executives (Chenhall, 2005; Kaplan & Norton, 2006; Ho, Wu & Wu, 2014). Also, SPMS provides information that serves to plan actions both individually and collectively (Otley, 1999), and clarify job descriptions and reduce the existence of role ambiguity (Burney & Widener, 2007; Abdul Rasit & Isa, 2014). In another point of view, the SPMS is also designed to take into account employee and organization learning (Waterhouse & Svendsen, 1998; Yuliansyah & Jermias, 2018), reinforce the role

of managers (Kenny & Bourne, 2015), and the relationship between actions and results (Argyris, 1994; Hill & Ledford, 2016) which ultimately may improve employee performance.

Some studies agree on the relationship between the effect of SPMS implementation on the employees' performance improvement (Franco-Santos *et al.*, 2012; Bourne, Pavlov, Franco-Santos, Lucianetti & Mura 2013; Pollanen Abdel-Maksoud, Elbanna & Mahama, 2017; Rajnoha, Lesníková & Korauš, 2016; Elbanna, Andrews & Pollanen, 2016). However, Taylor (2009) and Gerrish (2016) argue that when a performance measurement system is introduced and developed, it does not necessarily directly contribute to performance improvement. Burney *et al.* (2009), Iqbal, Azis & Tasawar (2012), Lee *et al.* (2013), and Beuren *et al.* (2016) state that the relations are both mediated by organizational justice and OCB.

Moreover, distributive justice is a perception of justice as a result of comparing commitment to one's performance and another, with commitment and performance of other employees (Colquitt, Conlon, Wesson, Porter & Ng 2001; Lamont, 2017). Adams (1963, 1965) and Grund and Rubin (2017) state that each employee will compare the ratio of input and outcomes received. In this case, the input is an effort for each employee or the resulting performance, while the outcome is the reward received.

In the meantime, procedural justice is a perception of justice related to the fairness and feasibility of the rules and procedures used to allocate the distribution of rewards received by employees. Leventhal (1980) and Radburn and Stott (2019) state that the procedure is fair if it has the following criteria: applied consistently to every employee all the time, free from bias, information used in decision making is accurate, has a mechanism to correct decisions that are flawed or inaccurate, appropriate with applicable ethical or moral standards, and taking into account the opinions of various groups affected by the decision.

Moreover, Organ (1988) and Jan and Gul (2016) define Organizational Citizen Behavior (OCB) as behavior that represents individual discretionary behavior, which is not directly related or explicitly recognized by the organization's formal reward system, and in aggregate improves organizational function effectively and efficiently. Organ (1988) mentions several indicators of OCB such as altruism (giving help which is not an obligation that is borne), conscientiousness (reaching far above and far ahead of the primary requirement), sportsmanship (tolerant of circumstances less ideal in

organizations), courtesy (maintaining good relations), and civic virtue (responsibility in the life of the organization).

The equity theory can generally explain the relationship between SPMS and distributive justice. Brata and Juliana (2014) mention that basically, every human being has personal goals and has a self-interest in material terms. This is one of the motivations to work. At work, they will compare the input ratios and outcomes they receive. Among these two factors, a form of balancing information is needed, which can be used as a guide to categorize the balance. At this point, SPMS plays a role in providing information about those two factors (Kim, 2016).

Burney *et al.* (2009) state that SPMS has two characteristics when associated with an incentive plan. First, strategic causal model aligns between organizational goals and strategies into indicators that can be communicated to all organizational lines. Second, technical validity ensures that the indicator is accurate, can be achieved, and measured. The indicator of technical validity is a goal and a measure of the success rate of each employee that reflects the level of reward that will be achieved if the indicator can be completed properly. Thus, the SPMS sets expectations for employees with regard to rewards and matches them with predetermined organizational goals. Besides, employees will feel justice in performance evaluation when given feedback on targets achieved (Sholihin *et al.*, 2010; Yuliansyah, Bui & Mohamed, 2016) will be satisfied with incentives/salaries if associated with performance measurement (Ducharme, Singh & Podolsky, 2005), which is clear enough (Koonmee, 2011). From this explanation, the first hypothesis of this study is as follows:

H1: SPMS positively affects distributive justice

The relationship between SPMS and procedural justice can be briefly explained through process control theory (Erdogan, 2002). Employees have the desire to take control of what happens to them (Thibaut & Walker, 1975). This can increase motivation because they feel being valued (Lind & Tyler, 1988), including in terms of rewards/incentives. On this basis, control tools, such as the reward system, are believed to be effective if they are said to be connected with performance (Fitzgerald, 2007). A similar opinion was expressed by Anthony and Govindarajan (2007) who argue that an adequate control system is needed to encourage individuals to achieve personal

goals that are consistent and in line with the goals of the organization.

Additionally, Chen and Fu (2011) mention that there are two control functions, namely the control of processes related to processing control in performance measurement and the provision of rewards as well as decision control compared to the ability to handle the outcome. SPMS may divide the two types of control. Decision control is in the hands of the executive, while process control is in the hands of employees.

Furthermore, the types of performance measures and how they are used are essential aspects of the SPMS and tend to influence employee perceptions about the fairness of the performance evaluation process (Lau & Sholichin, 2005). These conditions then have an effect on the perception of fairness in the compensation distribution process. This result is supported by research which also believes that the SPMS has a positive effect on procedural justice (Al-Sharabi & Auzair, 2018; Brata & Juliana, 2014). From these explanations, the second hypothesis in this study is:

H2: SPMS positively affects procedural justice

When individuals achieve benefits and get what they want, they will not pay too much attention to the distribution process (Robbin & Judge, 2015). However, if they feel unfair, they will pay attention to the process. In fact, the needs and desires of each individual in the organization are much varied and almost impossible to accommodate all, because of the bias and subjectivity. Therefore, the distribution process becomes a focus that needs to be considered by the organization and become a justice balance among employees.

Cole and Flint (2005) and Laundon, Cathcart & McDonald (2019) reveal that people pay attention to procedural performance measurement only when the processes and procedures are carried out to make a decision and allocate fair rewards. The same thing was expressed by Colquitt (2001) who states that employees compare commitments (can be responsibilities, risks, and work results) and the rewards they receive with those received by other employees in accordance with their commitments. If an employee receives a reward for his work and feels unfair, the employee will compare with other employees, and if other employees experience the same thing, then the employee will be more receptive to the decision on the reward (Robbin & Judge, 2015). Employees tend to be satisfied with the actual rewards they receive if the processes and

procedures are considered fair (Dyer & Theriault, 1976; Yean & Yosuf, 2016). Therefore, the third hypothesis of this study is:

H3: Distributive justice positively affects procedural justice

The relationship between procedural justice and OCB can be explained using the social exchange theory (Burney & Widener, 2007). Organizations provide needs, recognition, comfort, and fair treatment to employees, and employees will give a response in the form of performance as required or even more. Thus, justice is considered to be a predictor of improving organizational citizen behavior in organizations (Alotaibai, 2001; Dolan, Tzafir & Baruch 2005) primarily procedural justice (Moorman, 1991; Iqbal *et al.*, 2012; Taghinezhad, Safavi, Raiesifar & Yahyavi, 2015). Organizational justice has a significant role in employee behavior because unfair treatment of employees may result in low performance and decreased OCB (Skitka & Bravo, 2005).

Guangling (2011) also shows that perceptions of fairness in organizations may strengthen OCB among employees. His research found that teachers as employees will behave positively towards developing their professionalism if they feel they have a proper organizational justice. Therefore, a sense of organizational justice has a positive predictive role in positive behavior in organizations.

Since organizational justice has several dimensions, this study tries to narrow down one dimension, which has a more significant influence. Moorman (1991), Ghorbian and Saffari (2016), and Koodamara, Rao, Prabhu, Noronha & Rao (2019) found that procedural justice has a strong influence on OCB, but on attributable justice, there is no such effect. This condition is slightly different from Iqbal *et al.* (2012) who mentions that organizational justice has a strong influence on OCB, but when explained in detailed, procedural justice is an aspect that plays a significant role in the relationship, while distributive justice only has a weak influence. From this explanation, the fourth hypothesis of this study is:

H4: Procedural justice positively affects OCB

OCB of employees correspond in increasing collaboration between employees, being proactive in terms of helping to solve problems for others, and willingness to participate and be active in organizational activities (Chiang & Hsieh, 2012).

This has the potential to change the mindset and social atmosphere of the entire organization so that it can improve employee performance in the organization. OCB then plays a role in employee intentions in carrying out knowledge sharing in organizations (Jo & Joo, 2011) that can improve the knowledge and capabilities of employees in the organization, to improve performance.

According to Wirawan (2009), the employees' performance is influenced by their internal factors. One of the examples is the employees' level of knowledge so that it can lead to an increase in their performance. Several studies have been conducted and support the positive influence of OCB on performance (Harwiki, 2013, 2016; Tehran, 2013; Sawitri, 2016; Sadhegi, Ahmadi & Yazdi., 2018). On the contrary, Rosidi, Madjid & Dewi (2018) conclude otherwise that OCB does not have a significant effect on performance. From this explanation, the fifth hypothesis of this study is as follows:

H5: OCB positively affects the employees' performance

From the previous explanation, an overview of the relationship between the SPMS and the employees' performance through goal setting theory is obtained. However, the SPMS corresponds to the reward/incentive/remuneration system. Therefore, the organizational justice variable becomes relevant to be included as the mediating variable between the SPMS and the employees' performance. Organizational justice has two dimensions that are relevant when associated with performance measurement systems, namely distributive justice and procedural justice. Furthermore, several studies indicate that organizational justice and the employees' performance are not directly related but are mediated by OCB. However, several studies show a stronger relationship between procedural justice and OCB. Burney *et al.* (2009), Lee *et al.* (2013), and Beuren *et al.* (2016) use the same construct in explaining the relationship between these variables.

There are several studies that construct the relationship between SPMS, organizational variable, OCB, and the employees' performance as a whole. Burney *et al.* (2009) conclude that the SPMS influences performance through organizational justice, both distributive and procedural, and OCB. Similar conclusions are expressed by Lee *et al.* (2013) and Beuren *et al.* (2016) who state that the impact of the SPMS on the employees' performance is mediated by organizational justice and OCB. Employees who are satisfied with rewards based on

fair procedural assessments, for example linking reward and performance, tend to be more productive and motivated (Kim, 2016). They can improve their performance. Therefore, the sixth and seventh hypotheses in this study are as follows:

H6: SPMS positively affects the employees' performance through distributive justice, procedural justice, and OCB

H7: SPMS positively affects the employees' performance through procedural justice and OCB

3. RESEARCH METHOD

This study used a survey method in the form of a questionnaire for collecting the data. The respondents were the staffs (employees on the lower management level) and junior supervisors. According to the official website of MoF on April 2019, the total number of the staffs and junior supervisors was almost 7,000. By using Slovin method, the number of samples should be around 400. The questionnaires were distributed online and offline to all GDT vertical and branch offices throughout Indonesia by using simple random sampling. The respondents were selected because they were directly affected by the remuneration policy implemented at the MoF. Besides, the junior supervisors were those who bridge the strategic policy and operationalization on the lowest level and assess the performance of the staffs. The questionnaire was distributed with the support of permits and official notes from the authorized officials of the GDT Headquarters in Jakarta. Two hundred and forty-nine were then returned. Although the number of returned questionnaires did not reach 400, it was still acceptable because the minimum amount obtained should only be ten times the total number of variables, which meant fifty.

There were five variables in this study, namely SPMS, distributive justice, procedural justice, OCB, and the employees' performance. This study used Burney *et al.*'s (2009) indicators in measuring the variables with a Likert scale of 1-7 because this range had validity and reliability criteria as well as discrimination strength and favourable stability (Budijaji, 2013). Burney *et al.* (2009) stated that SPMS is a performance measurement system that uses various financial and non-financial measures specifically determined because it represents the success factors of an organization.

Fourteen statement items were used. Moreover, Colquitt *et al.* (2001) stated that distributive justice is

a perception due to comparing the commitment of an employee's work and performance, with the other. This study used four criteria adopted from Colquitt *et al.* (2001) and Burney *et al.* (2009) to measure distributive justice. Furthermore, the questionnaire adopted seven criteria compiled by Burney *et al.* (2009) based on the requirements set by Leventhal (1980) for procedural justice. Then, Hidayah and Harnoto (2018) defined OCB as other behaviors related to work that goes beyond routine tasks determined by their job descriptions or measured in formal evaluations. This study adopted seven criteria compiled by Burney *et al.* (2009) to assess OCB. According to Mangkunegara and Prabu (2014), performance is "the quality and quantity of work results achieved by an employee in carrying out their duties following the given responsibilities." This study used seven criteria used by Burney *et al.* (2009), which is more accurately called role-based performance (in-role performance) as the indicators for employee performance.

4. DATA ANALYSIS AND DISCUSSION

The first stage of data testing was the pilot test carried out with the help of smartPLS 3.2.8 application on the 50 initial data entered to ensure the data obtained was valid and reliable to be analyzed in the next stage. The pilot test was carried out for the outer model with convergent validity criteria, discriminant validity, AVE, composite reliability, and Cronbach Alpha (Hair, Ribble & Sarstedt, 2013). The results of the analysis showed that several criteria must be excluded because they had a loading value of <0.5 .

Next, path analysis was carried out for all 249 data with two stages, namely analysis of outer model and inner model. The outer model analysis had the same functions, steps, and criteria as the pilot test. Its role was to ensure the data received was valid and reliable before proceeding to the step of testing the hypothesis. The results of validity and reliability test are presented in Table 1.

Table 1
Construct Reliability and Validity

	Cronbach's Alpha	rho	Composite Reliability	Average Variance Extracted
EP	0.9290	0.9360	0.9470	0.7820
DJ	0.9480	0.9490	0.9630	0.8650
PJ	0.9360	0.9400	0.9480	0.7240
OCB	0.8230	0.8370	0.8830	0.6540
SPMS	0.9540	0.9570	0.9590	0.5820

The results showed that the value of AVE > 0.5 , the value of Cronbach Alpha > 0.7 and the composite reliability value > 0.7 . The loading and cross-loading values of each indicator were also obtained. The loading value for each variable indicator is higher than the cross-loading with other latent variable indicators. At this position, the value following Hair *et al.* (2013). However, there were several indicators of SPMS that had a value of less than 0.7. Hartono & Abdillah (2014) stated that indicators with a loading value of 0.5-0.7 should not be discarded, provided; the AVE value is more than 0.5. On that basis, the indicator was maintained on this model. From the explanation above, it can be concluded that the data obtained was valid and reliable to be continued at the inner model stage or hypothesis testing.

Next, the criteria determined in the hypothesis test were with a 95% confidence level and a t-statistical value for the one-way hypothesis, namely 1.64 (Hair *et al.*, 2013). The results of hypothesis

testing are presented in Table 2. The results showed that the p values for the seven relationships tested are under 0.05, which means all hypotheses are accepted. The acceptance of the first hypothesis indicates that the SPMS implemented by GDT may improve employees' perceptions of distributive justice in organizations. This result supports previous studies conducted by Burney *et al.* (2009), Brata and Juliana (2014), and Beuren *et al.* (2016). The SPMS reflected in the implemented remuneration system is able to balance the interests of the organization and employees. This may be done through the provision of information on indicators and goals at each unit level in the organization and the level of reward obtained if the targets and indicators are achieved. Thus, the employee feels what has been accomplished follows the input given to the organization through the indicators specified or required. Another reason for good perceptions in terms of actual rewards is that GDT is part of the Ministry of Finance, which

currently has the highest remuneration percentage (100%) in Indonesia. On this basis, therefore, the amount of reward is very synonymous with distributive justice perceived by employees.

Furthermore, the acceptance of the second hypothesis in this study can be interpreted that the SPMS or remuneration system used and

implemented by GDT may improve the perception of procedural justice by its employees. The results of this study reinforce the results of several previous studies conducted by Burney *et al.* (2009), Al-Sharabi and Auzair (2018), and Brata and Juliana (2014). However, on the other hand, the results of this study are not in line with Sholihin and Pike (2010).

Table 2
Path Coefficient Inner Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-Statistics (O/STDEV)	P values
DJ -> PJ	0.3000	0.2950	0.0660	4.5600	0.0000
PJ -> OCB	0.5030	0.5030	0.0520	9.7500	0.0000
OCB -> EP	0.7140	0.7170	0.0450	15.8790	0.0000
SPMS -> EP	0.1260	0.1270	0.0640	1.9850	0.0240
SPMS -> DJ	0.7020	0.7070	0.0390	17.7990	0.0000
SPMS -> PJ	0.6160	0.6200	0.0600	10.2960	0.0000
SPMS -> DJ -> PJ -> OCB -> EP	0.0760	0.0750	0.0200	3.8010	0.0000
SPMS -> PJ -> OCB -> EP	0.2210	0.2240	0.0370	5.9260	0.0000

The SPMS or remuneration system implemented by GDT is considered capable of a control system formulated by Chen and Fu (2011). In this case, decision control remains at the executive level, where the determination of the amount of remuneration for the government requires a basis in the form of legislation stipulated. However, in terms of process control, there is a portion that provides flexibility for employees to control the process of obtaining rewards in the remuneration mechanism. In that way, the employees feel what they get and what happens to them, not merely a decision from their superiors, but also based on their active role in designing the number of rewards earned. Therefore, the active involvement of employees in developing the number of rewards they get is in line with their perceptions of procedural justice in the organization.

Moreover, the acceptance of the third hypothesis means that positive perceptions in terms of actual rewards received by GDT employees may improve conscious perceptions of the process and procedure for the distribution of rewards. If employees get rewards that they think are worth the effort they spend and their achievements, then this will increase their perception of the fairness of the procedures and processes for determining and distributing the reward. On that basis, employees will feel they have sufficient control over the acquisition of rewards from the organization. Williams, McDaniel & Nguyen

(2006) state that a person's satisfaction with reward correlates with justice in giving the reward. The same opinion was expressed by Winurini (2014), who says that employees will be able to accept a decision related to rewards that are not beneficial as long as the process of making decisions is fair and consistent.

The results of this study corroborate with those conducted by Burney *et al.* (2009), Beuren *et al.* (2016), and Yean and Yosuf (2016). Besides, these also support the opinion of Robbin and Judge (2016), saying that if employees receive rewards with values that are deemed sufficient, they will assume that the processes and procedures for determining and distributing are good enough.

The acceptance of the fourth hypothesis indicates that a good perception felt by GDT employees can increase the employees' individual OCB in the organization. Appropriate treatment to the employees will improve their performance even beyond what has been determined or required by the organization. The results of this study are in line with Colquitt *et al.* (2013), Taghinezhad *et al.* (2015), Raja, Sheikh, Abbas & Bouckennooge (2018), and Roch, Shannon, Martin, Swiderski, Agosta, & Shanock (2019). Taghinezhad *et al.* (2015) state that procedural justice is one of the strong predictors of OCB in an organization. Burney and Widener (2009) believe that the relationship between organizations and employees is a social exchange (social exchange

theory). This opinion was confirmed by Colquitt's (2013) study, which states that the quality of social exchange mediates the relationship between perceptions of justice, performance, and OCB.

Still, in the same context, if employees feel to be treated fairly and consistent with what they have done, they will feel valued and may give rise to a sense of obligation for them to reciprocate the organization's treatment and giving. The idea was confirmed by Roch *et al.*, (2019) which believes that perceptions of justice are related to performance and OCB through feelings of bonds from employees. Winurini (2014) also mentions that fair treatment is a reflection that policymakers or executives respect their employees. When the employees feel valued, they will not be reluctant to give more than what is required or needed by the organization.

Additionally, the fifth hypothesis in this study is also accepted and means that increasing the individual OCB of GDT employees will improve the performance of these employees. This indicates that OCB can be a predictive variable for employee performance variables. In this context, it has become natural for someone to do an extra role job, meaning that their in-role performance has been resolved or has reached the desired target.

The results of this study corroborate the results

of previous research (Harwiki, 2013; Tehran *et al.*, 2013; Sawitri *et al.*, 2016; Harwiki, 2016; Sadhegi *et al.*, 2018), who conclude that OCB correlated with improving employee performance. OCB characteristics, such as helping colleagues in completing work, will enhance the performance of the employee. Another example is, if someone is active in every meeting, it can become a culture to finally adopt new standards in terms of activeness at the meeting. This may trigger other employees to be active and produce decisions, as well as improve the team and individual performance of the team members.

The results of hypothesis testing also indicate that the SPMS influences employee performance through distributive justice, procedural justice, and OCB. Table 3 shows that SPMS has a positive effect on distributive justice. Moreover, distributive justice positively influences procedural justice. Procedural justice has a positive impact on OCB, and ultimately OCB affects employee performance. Also, the influence of SPMS on employee performance has the t-statistic value at 1.99 (significant). The result indicates that distributive justice, procedural justice, and OCB partially mediate the influence of strategic performance measurement systems on employee performance.

Table 3
Path Coefficient and Indirect Effect after the Insert of Mediating Variable

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P values
DJ -> PJ	0.3000	0.2950	0.0660	4.5600	0.0000
PJ -> OCB	0.5030	0.5030	0.0520	9.7500	0.0000
OCB -> EP	0.7140	0.7170	0.0450	15.8790	0.0000
SPMS -> EP	0.1260	0.1270	0.0640	1.9850	0.0240
SPMS -> DJ	0.7020	0.7070	0.0390	17.7990	0.0000
SPMS -> PJ	0.6160	0.6200	0.0600	10.2960	0.0000
SPMS -> DJ -> PJ -> OCB -> EP	0.0760	0.0750	0.0200	3.8010	0.0000
SPMS -> PJ -> OCB -> EP	0.2210	0.2240	0.0370	5.9260	0.0000

A further test of mediation relationship can be carried out by a method developed by Baron and Kenny (1986) and refined by Zhao, Lynch & Chen (2010). Baron and Kenny (1986) state that there are main assumptions in mediation testing, namely the relationship between the independent variable and the dependent one that must be significant. From the statistical results, it is known that the influence of the SPMS on the employees' performance is substantial.

On this basis, the central assumption has been fulfilled, and then the mediation relationship can be seen in the indirect relationship from the results of the output. From the SmartPLS analysis, the influence of SPMS on the employees' performance through distributive justice, procedural justice, and OCB has a t-statistical value of 3,801 and P value of less than 5% (significant). Thus, distributive justice, procedural justice, and OCB mediate the relationship partially.

Besides, because the direct and indirect relationships are positive, it can be concluded that the partial mediation relationship is complementary.

The results of this study support Burney *et al.* (2009) and Beuren *et al.* (2016), who believe that distributive justice, procedural justice, and OCB are variables mediated the relationship between the SPMS and the employees' performance. GDT's SPMS is one of the benchmarks of performance measurement systems in other Indonesian ministries. This is a form of actual effort by the MoF in the framework of bureaucratic reform, one of which is the creation of high-performance bureaucracies. The direct or indirect impact between the SPMS and employee performance may be due to the MoF being the pioneer of the system in ministries or institutions in Indonesia, so that it avoids isomorphism which is the cause of failure to implement a performance measurement system in Indonesia (Sofyani *et al.* 2018).

Burney and Widener (2007) state that the company defines SPMS as a system that demonstrates business strategy into the results that can be delivered. Moreover, Kristiyanti (2012) states that there are several vital elements of performance measurement. The first two are setting organizational goals, objectives, and strategies, and formulating indicators and measures of performance. Concerning this study, the GDT's SPMS may translate the organization's vision, mission, and strategy that are still qualitative into specific and quantifiable targets and indicators to be used by employees as their personal goals at work.

The above indicators in best practice are the Key Performance Indicators (KPI). Whereas in GDT, it is called the Main Performance Indicator (IKU), which contains individual and unit work targets. In a positively significant direct relationship between GDT's SPMS and the performance of its employees, this indicator is thought to be able to motivate and improve employee performance. Whereas the indirect relationship through distribution justice, which is the number of remuneration benefits, plays a role as the highest percentage in Indonesia currently. Its distribution system is integrated with the performance measurement system, as explained in the previous section.

Furthermore, the relatively similar results were found in the influence of the SPMS on employee performance through procedural justice and OCB. Moreover, SPMS has a positive impact on procedural justice, procedural justice has a positive impact on OCB, and OCB affects employee performance positively. Thus, procedural justice and OCB mediate

the influence of SPMS on employee performance. Besides, the importance of SPMS on employee performance also shows the t-statistic value at 1.99 (significant). This means procedural justice and OCB partially mediate the influence of the SPMS on the employees' performance.

Similar to testing the previous mediation relationships, this study used a method developed by Baron and Kenny (1986), which was refined by Zhao *et al.* (2010). The testing begins with the significance of the influence of SPMS on the employees' performance. After the main assumption has been fulfilled, the mediation relationship can be seen in the indirect association of the output. From the smartPLS analysis, the influence of the SPMS on the employees' performance through procedural justice and OCB has a t-statistic value of 5,926 and a P value of less than 5% (significant,) so that procedural justice and OCB partially mediate. Also, because the direct and indirect relationships are positive, it can be concluded that the partial mediation relationship is complementary.

Briefly, the direct relationship between SPMS and the employees' performance has been explained in the previous section. The distinguishing aspects of this hypothesis are the mediating variables used, namely procedural justice and OCB, and eliminating other organizational justice variables. This indicates that basically, without distributive justice (actual rewards received), SPMS may have an indirect effect on employee performance as long as the processes and procedures for determining rewards and distribution are fair. The results of this study support Burney *et al.* (2009) but are slightly different from the study of Beuren *et al.* (2016), who mentions that there is a part of SPMS that does not significantly influence procedural justice.

The results also indicate that improving performance by using SPMS can be done through procedural justice because SPMS is relatively good in the implementation phase. This is indicated by the increased performance of GDT in its annual performance report. The results mean that the strategy of the executives has been conveyed quite well to the lowest level of the organization through the system. In other words, the process of internalizing the GDT's SPMS is relatively optimal.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study examines the relationship between SPMS, distributive justice, procedural justice, OCB, and the employees' performance at GDT, Indonesia. The results show that the implementation of SPMS

at GDT directly improves the employees' performance through the creation of performance contracts and performance indicators from each organizational level unit that can be quantified. The implementation of SPMS is also a reflection of the organization's strategy.

GDT's remuneration system, which is a reflection of its SPMS, can improve the employees' perceptions of distributive justice because GDT is one of the agencies that has received the highest remuneration percentage in Indonesia at this time. Furthermore, the implementation of the remuneration system, which is an incentive system that is integrated with the performance measurement system, can improve employee perceptions of fairness regarding the process and procedures to determine rewards and distribution for employees. This can be due to the executives who have the authority to determine the amount of remuneration. However, employees are actively involved in determining the amount received through the achievement indicators and performance targets.

Moreover, distributive and procedural justice indicate that the employees' satisfaction towards the rewards can improve their perceptions of fairness related to the processes as well as procedures and distribution of the reward. If the rewards they receive are fair, in the condition that they deserve the achievement, they will consider the process and procedures for determining the reward and distribution to be reasonable.

Furthermore, the link between procedural justice and OCB indicates that when perceptions are fair in the process and procedures for determining reward and distribution to employees, this will increase the employees' OCB. By being treated fairly, the employees will think indebted or obliged to repay the organization in a certain way. Employees feel that doing positive actions useful to organizations that are outside of what is required by the organization is the right way in replying to the fair treatment given.

The relationship between OCB and employee performance shows that further actions outside of what is required and determined by the organization may improve employee performance individually, because OCB may change the atmosphere of the organization to be alive, and set new standards in the organization's activeness. Under these conditions, employees become more active, so this may trigger an increase in performance or help to improve the performance of colleagues, or even the team and work unit.

The results of the study indicate that there are three indicators to reflect SPMS, which is considered necessary to be improved. First, the remuneration rubric needs to be adjusted to the characteristics of each individual. In terms of performance measurement and the amount of remuneration, the adjustments are essential according to the factors considered, such as the inherent risks of work, work location, work intensity, and so on. Second, increased support is required from superiors for the remuneration rubric. And third, understanding the trade-off of the risks faced when making decisions by individuals related to achieving their performance targets.

Furthermore, the results of this study are considered useful for organizations, especially the public sector, to design or implement SPMS. In this case, the SPMS is able to translate organizational strategy into indicators that can be quantified and become the work target of each unit level in the organization and can be implemented properly so that it can improve the employees' performance directly. However, if after an SPMS has been compiled and executed, it still cannot instantly improve performance, then organizations may consider incentive factors that correlate with distributive and procedural justice.

Financial issues are a common problem in an organization. Organizations may not be able to provide rewards fully satisfying their employees, especially for the public sector. The level of reward-related decision making in public sector organizations is relatively more complicated, static, and higher in scope than the private sector, in which the decision is more dynamic, and the decision-making range is relatively shorter. In Indonesia, in terms of the amount of reward, the decision may be in the hands of higher management at the regional or state level who has financial power, while in the private sector, it is generally in the hands of the directors. If at any time the organization is unable to distribute the rewards that can satisfy their employees, the organization should seek as much reward as possible. The organization may also focus more on the processes and procedures for determining the rewards and the distribution to employees.

This study encounters several limitations. The first is in terms of the amount of data obtained. Although the study had obtained 249 data, this number still should be increased. However, this could not be done due to the limited time to follow the administration process required by the institution. The second is that this research has

minimal descriptive data because the method of distributing the survey was through online media so that it had a risk of the magnitude of anonymity. Furthermore, the last is that the questionnaire was filled in by staff, not the higher management so that it has the subjectivity potential towards the response. It would be more reliable if the questionnaires were filled in by the supervisor level or above. This limitation occurs because the sampling method in this study is simple random so that each person from each position has the same opportunity.

Several recommendations are suggested for subsequent research. First, it is to consider which parts of the characteristics of the performance measurement system have the potential to have a stronger influence between one and another. As explained in the previous section, the performance measurement system has two main characteristics which may be separated in the next study. Second is that similar research may be carried out both at other public institutions or by other methods that can be strengthened and enriched through other empirical evidence considering that same research on public sector institutions is still minimal.

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