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The Role of Civil Servant Professionalism and the Merit System on Employee Sustainable Performance Through Value Co-Creation

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Abstract

Research aims: This study aims to promote employee sustainable performance in the local government sector to support the achievement of organizational sustainability goals by examining the role of three important variables, namely civil servant professionalism, merit system, and value co-creation.

Design/Methodology/Approach: The research was conducted on civil servants in the Bukittinggi City Local Government with a total of 230 respondents. The research used a quantitative approach with a survey method and analyzed the data using structural equation modeling PLS.

Research findings: The results show that civil servant professionalism and value co-creation each had a significant positive effect on employee sustainable performance. Meanwhile, merit system had no effect on employee sustainable performance. Moreover, civil servant professionalism and merit systems each had a significant positive effect on value co-creation. Civil servant professionalism and merit system each had a significant positive effect on employee sustainable performance through value co-creation. This study demonstrates that value co-creation serves as a mediator, enhancing the impact of civil servant professionalism and merit system on employee sustainable performance.

Theoretical Contribution/Originality: These traits show how HRM practices play a strategic role in attaining long-term corporate success.

Practitioners/Policy Implications: The findings provide strategic recommendations for local government agencies to enhance civil servant professionalism and the merit system, initiating discourse on the efficacy of the merit system in local government, while also optimizing value co-creation as a collaborative method to improve employee sustainable performance. Consequently, this will ultimately facilitate the attainment of sustainable organizational success.

Research Limitations/Implications: This research has limitations, specifically that it was conducted just on a single local government entity.

Keywords: Professionalism; Merit system/meritocracy; Value co-creation; Employee sustainable performance

Introduction

The sustainability objectives for governmental bodies are gaining significance in a time marked by escalating environmental issues and public expectations for accountable governance. Governments globally

must formulate and execute policies that foster sustainability and adopt sustainable practices in their operations to guarantee that present and future generations can inhabit a just and balanced environment (Doppelt, 2017). In Indonesia, the Sustainable Development Goals (SDG) index in 2023 was 70.16 out of 100 points and ranked 75th out of 166 countries. Some of the SDG goals are red-labeled or are of particular concern, namely SDG 2: zero hunger, SDG 7: affordable and clean energy, SDG 14: life underwater, SDG 15: life on land, and SDG 16: peace, justice, and strong institutions (SDG Transformation Center, 2024). Consequently, it is imperative for governments, particularly local authorities, to accelerate the achievement of sustainable goals through sustainable employee performance.

Çilhoroz et al. (2023) and Bharti et al. (2022) indicated that the current requirement for employee performance is sustainable, characterized by high stability and the capacity to fulfill the employee's personal development expectations and the organization's needs for continuity. Currently, the management of civil servants in Indonesia has not prioritized sustainability in employee performance. This is evident from the regulations governing employee performance management outlined in Regulation of the Minister of Administrative Reform and Bureaucratic Reform Number 6 of 2022. Consequently, the authors propose employee sustainable performance as the focal point of this research to enhance sustainability factors in the performance of government employees, expediting the achievement of civil servant reform capable of attaining organizational sustainability objectives.

Several factors are believed to affect the attainment of employee sustainable performance, namely professionalism, the merit system, and value co-creation. Clifford (2016) asserted that professionalism is pivotal in public sector managerial transformation, influencing the attainment of public organizational goals. The professionalism of civil servants in numerous government offices in Indonesia is inadequate (Anggara et al., 2023; Budiaji & Ginting, 2023; Juliani, 2019; Natika & Septianti, 2023; Sari, 2023; Sutrisno et al., 2021). The Professionalism Index of civil servants in the Bukittinggi City Government has remained exceedingly low for three straight years, namely 55, 57, and 54 (2020 to 2023). Numerous studies demonstrate that professionalism enhances employee effectiveness (Aslam & Bilal, 2021; Fachmi et al., 2021; Iswanto, 2017; Mu'alim et al., 2021; Kahpi et al., 2022; Suparjo et al., 2020).

Meanwhile, no literature exists on the correlation between professionalism and employee sustainable performance, yet employee professionalism influences the sustainability of government operations (Aho, 2013; Twinn, 2013). Nonetheless, some studies indicated that competence (Syamsudin 2020) and discipline (Ferdiansyah & Hermina, 2022; Nurafni et al., 2024), which are components of professionalism, did not influence employee performance. Moreover, Kaawaase et al. (2020) and Fikri et al. (2021) found that professionalism did not significantly affect employee performance.

The second aspect is the merit system, an HR management approach predicated on performance, competence, achievement, fairness, transparency, and objectivity, irrespective of background and status, which enhances employee quality and

performance and promotes good governance (Khobiburrohman et al., 2020). Brewer et al. (2022) asserted that compliance with merit principles correlates with positive impacts for employees and organizations. Ukeje et al. (2020) stated that few or no sustainable development indices have been recorded for decades, which is because the recruitment process is not based on merit but rather on patronage. Patronage has been a persistent problem faced by many governments that hinders the sustainability of public sector reforms (Peters & Bianchi, 2022). State civil apparatus committee's (KASN) evaluation results indicate that many government agencies in Indonesia exhibit low or very low merit system implementation scores, with 273 out of 587 agencies reviewed (46%) falling into this category (KASN, 2024). The merit system index in the Bukittinggi City government has been evaluated positively; nonetheless, it is experiencing a downturn and has numerous observations from KASN that require resolution (Performance report of BKPSDM Bukittinggi, 2023). Meanwhile, research conducted by Park & Liang (2020), Mostafapour et al. (2021), and Herdiana (2018) indicated that the merit system significantly influences employee and organizational performance. This stands in contrast to Meyrina (2016) and Madeira et al. (2019), which did not agree that the merit system always has a good impact on improving employee performance.

The subsequent factor is value co-creation in HR, derived from the Service-Dominant Logic idea, which emphasizes active collaboration with stakeholders to generate value for users (Hewett & Shantz, 2021). This study examines HR's value co-creation as a mediating variable. The disparity in research findings on civil servant professionalism and the merit system's impact on employee performance indicates a research gap, necessitating an intermediary variable anticipated to enhance employee sustainable performance outcomes. This is predicated on value co-creation, which is at the forefront of advancing modern public governance (Ansell et al., 2021) and capable of fostering social development and attaining sustainability (Aquilani et al., 2016). This is in line with Nuryakin et al. (2018) stating that co-creation, as a mediating variable, enhanced the impact of relational capabilities and market knowledge competencies on business performance.

Building on the previously described phenomenon, there are suboptimal merit systems, insufficient professionalism, the importance of value co-creation in modern public governance, and inconsistencies in research findings. Consequently, undertaking this research is imperative. This research presents a novel contribution by proposing a solution to the inadequate attainment of sustainability objectives within government organizations through enhancing employee sustainable performance. It augments the facets of employee sustainable performance identified in prior studies, which encompass task performance, relational performance, contextual performance, human well-being, and adaptive performance (Chin et al., 2023; Çilhoroz et al., 2023; Fu et al., 2023; Jiang et al., 2017; Khanam et al., 2023; Min et al., 2020), by incorporating performance variables related to environmental, economic, and social elements (Iqbal et al., 2020; Piwowar-Sulej & Iqbal, 2023; Sapta et al., 2021). Finally, the value co-creation variable mediates the relationship between the merit system and civil servant professionalism in terms of employee sustainable performance. It adds something fresh to HR's new public governance.

Literature Review and Hypotheses Development

Sustainable Human Resources Management (SHRM) Theory

Mariappanadar (2022) defines sustainable HRM more broadly as focusing on the implementation of systems, policies, and practices with work characteristics that involve employees in synthesizing various outcomes of economic, environmental, and human/social sustainability. Iskandar & Nadeem (2021) outlined eleven characteristics of sustainable HRM. These characteristics include 1) Long-term orientation, 2) Concern for employees, 3) Concern for the environment, 4) Profitability, 5) Employee participation and social dialog, 6) Employee development, 7) External partnership, 8) Flexibility, 9) Compliance with labor regulations, 10) Cooperation, and 11) Fairness and equality. These traits show how HRM practices play a strategic role in attaining long-term corporate success. To advance the subject of sustainable HRM, organizations define HRM practices and create agreed meanings about the eleven sustainability characteristics. This includes sustainable employee performance, which is a component of an organization's performance management system.

Employee Sustainable Performance; E-Super

Performance is an individual's accomplishment in tasks and contextual contributions that collectively enhance the overall performance of the business (Rahim & Jam'an, 2018). De Jonge & Peeters (as cited in Bharti et al., 2022) defined sustainable work performance as "the integration of financial, environmental, and social objectives in the implementation of fundamental work activities to optimize value." This pertains to transitioning from an exclusively profit-oriented strategy to one that emphasizes social equality and environmental sustainability. Employee Sustainable performance denotes the endeavors of employees aimed at fostering sustainable personal and organizational development, assessed via contextual and adaptive performance (Min et al., 2020). According to Fu et al. (2023), employee sustainable performance pertains to genuine work accomplishments that advance organizational objectives, defined by elevated, consistent, and enduring performance. Jiang et al. (2017) stated that employee sustainable performance is an individual's contribution to both their sustainable development and that of their organization, encompassing sustainable task performance and sustainable relational performance. It can be concluded that employee sustainable performance refers to fulfilling work responsibilities and authority in alignment with established standards and objectives to attain organizational goals while also contributing to sustainable development for both the individual and the organization.

Professionalism of civil servant

Professionalism includes the competencies, knowledge and skills gained from higher education and practical experience, necessary for executing professional tasks, and the requisite attitudes for professional conduct, such as ethics, integrity, commitment to quality, service orientation, and loyalty to the social contract (Andreassen & Natland, 2022). By embodying the attributes of their profession through professionalism or

professional devotion, individuals can maintain the standards of their field and contribute to society. Professionalism entails that professional labor is characterized by professional virtue, elevated proficiency, competence, and compliance with a code of ethics to fulfill technical standards and behavioral norms (Hasibuan, 2017). Therefore, Professionalism is defined as the extent to which individuals in a profession meet the criteria of professional conduct.

The Indonesian government references professionalism in the Head of National Civil Service Agency Regulation Number 8 of 2019, which provides standards for assessing civil servant professionalism. This rule delineates the notion of professionalism, namely the degree of competence and knowledge employed in executing job responsibilities in alignment with the requirements and qualifications of the profession, which signifies the quality of individual comportment as members of a profession.

Merit system

In the realm of civil service, merit denotes the principles and practices that guarantee hiring, promotion, and other employment decisions are predicated on an individual's qualifications, skills, and performance rather than on political affiliation, favoritism, or other irrelevant factors (Woodard, 2005). The merit system is based on the concepts of transparency, equity, performance, qualifications, and competence (Rakhmawanto, as cited in Putra et al., 2020). This system aims to retain civil servants by offering equitable and adequate compensation, employing competent and ethical personnel, assigning them to governmental bureaucratic roles based on their capabilities, and safeguarding civil servant careers from politicization and policies that undermine merit (Khairani et al., 2023). The merit system in Indonesia's Civil Servant Management is outlined in the Regulation of the Minister of Administrative Reform and Bureaucratic Reform Number 40 of 2018, which mandates that each government agency develop a roadmap for implementing the merit system and implement it in every practice and policy of HRM system.

Value co-creation

The concept of value co-creation is derived from the service-dominant logic theory, where value creation is co-created due to the interaction process of sharing holistic experiences (Marcos-Cuevas et al., 2016). Value co-creation was then more specifically discussed by Prahalad & Ramaswamy in 2003 (as cited in Fan & Luo, 2020). They defined value as "creating something special for a particular customer." The essence of value is a highly meaningful experience from customized interactions. The core of value is a significant experience derived from customized interactions. Value co-creation is a model that emphasizes the evolving dynamics between firms and customers, wherein value is generated not solely by enterprises for client consumption but through interactions between companies and their customers (Prahalad & Ramaswamy, 2004).

Co-creation is employed in HR Management as "HR Co-creation," serving as a pivotal mechanism for value creation to attain organizational performance across business,

environmental, and community objectives concurrently (Hewett & Shantz, 2021). In the public sector, value co-creation influences sustainability, serving as the new public governance that catalyzes innovation and collective capacity in addressing community issues (Ansell et al., 2021). Co-creation in public sector human resources fosters employee engagement with essential stakeholders, leading to performance that aligns with stakeholder expectations.

Hypothesis Development

The professionalism of civil servants, encompassing competence, education, discipline, and professional attitudes, is suspected to yield elevated civil servant performance, specifically sustainable performance. This is in line with prior research (Aslam & Bilal, 2021; Fachmi et al., 2021; Iswanto, 2017; Mu'alim et al., 2021; Sapari Kahpi et al., 2022; Suparjo et al., 2020), showing that professionalism has a significant positive effect on employee performance. Moreover, employee professionalism influences governmental sustainability (Aho, 2013; Twinn, 2013).

H₁: Civil servant professionalism significantly influences employee sustainable performance.

The merit system guarantees the cultivation of accountable public employees, enhances productivity in the execution of their responsibilities, and elevates both employee and organizational performance (Brewer et al., 2022; Mostafapour et al., 2021; Oliveira et al., 2023; Park & Liang, 2020).

H₂: Merit system significantly influences employee sustainable performance.

The value co-creation in the public sector enhances service quality, fosters citizen engagement, and promotes a collective feeling of responsibility (Ramaswamy & Ozcan, 2018). Consequently, public services align more closely with community needs and preferences, thereby enhancing organizational performance (Hsieh, 2016; Nuryakin et al., 2018; Sharma & Bhat, 2022).

H₃: Value co-creation significantly influences employee sustainable performance.

Employee professionalism is crucial for establishing and enhancing value co-creation. Baptista et al. (2020) asserted that professional public sector employees play a crucial role in executing co-creation and co-production procedures. The merit system generates motivated and competent people to execute intricate policies and address public requirements effectively. Hewett & Shantz (2021) asserted that value co-creation necessitates an open, objective, and proficient management framework.

H₄: Civil servant professionalism significantly influences value co-creation.

H₅: Merit system significantly influences value co-creation.

Civil servant professionalism and merit system are believed to significantly enhance employee sustainable performance when coupled with value co-creation as a mediating variable. Chih et al. (2019) asserted that effective co-creation necessitates a degree of professional expertise and proficiency from service providers. Similarly, personal competencies and a transparent management framework augment the value co-creation process (Hewett & Shantz, 2021). Osborne (as cited in Qaedi Aqsa & Nugroho, 2023) indicated that cooperation between the government and stakeholders will enhance public services. Value co-creation establishes a shared objective (Michalik, 2023) that fosters a sense of ownership and accountability among employees, influencing long-term success.

H₆: Civil servant professionalism significantly influences employee sustainable performance through value co-creation.

H₇: Merit system significantly influences employee sustainable performance through value co-creation.

The conceptual framework diagram utilized as a cognitive reference in this study is Figure 1.

Research Methods

This research is quantitative and uses a survey method. The research was conducted in Bukittinggi City, with the population being civil servants in the Bukittinggi City Government, totaling 2,366 people. The determination of the sample size is based on the view (Hair et al., 2021a) that it is 5-10 times the number of parameters estimated in a study because the population is quite large. Furthermore, this study uses 23 indicators (four indicators of professionalism, eight indicators of the merit system, four indicators of value co-creation, and seven indicators of employee sustainable performance), with a maximum criterion of 10 x 23. Therefore, 230 civil servants were obtained as a sample. Furthermore, a random sampling technique (proportional stratified random sampling) was used to determine the sample for being the respondents. Strata in the population are based on position groups, which are divided into three positions: certain functional positions with 114 samples, general functional positions with 76 samples, and structural positions with 36 samples.

Proportional stratified random sampling was selected over alternative methods to guarantee an accurate representation of all subgroups within the population, thereby augmenting the reliability and validity of the results of the study. This approach guarantees a proportional representation of each job group in the sample, enhancing the research findings' accuracy and generalizability to the overall employee population.

Organizations typically categorize people into job categories based on responsibility level, experience, and competency. Utilizing simple random sampling may result in underrepresenting certain groups, particularly those with smaller populations, thereby leading to bias in the research findings. Hence, proportional stratified random sampling renders it a more appropriate option for the study.

However, it has its limits. A potential concern is selection bias, which may occur if the stratification criteria are inadequately stated or if particular subgroups are underrepresented in the population. Moreover, self-reporting bias may arise when the study depends on survey responses, as participants might offer socially acceptable answers instead of truthful representations of their experiences. To address this, the researchers established well-defined stratification criteria grounded in thorough and precise demographic data of the population. The prejudice inherent in self-reporting was mitigated by guaranteeing respondent anonymity and underscoring the significance of truthful answers. Validated survey instruments with neutral language were employed to mitigate the inclination towards socially desirable responses. Consequently, executing this technique can enhance the validity and dependability of the acquired data, ensuring that the study findings are more precise and can be generalized more effectively.

The operationalization of variables in this research are as follows:

1. Employee sustainable performance

Employee sustainable performance is evaluated through the perspective of task performance (Chin et al., 2023; Çilhoroz et al., 2023; Fu et al., 2023; Ji et al., 2021; Jiang et al., 2017; Khanam et al., 2023), *human well-being* (Ji et al., 2021), contextual performance (Min et al., 2020); adaptive performance (Min et al., 2020); and economic, social, and environmental performance (Iqbal et al., 2020; Piwowar-Sulej & Iqbal, 2023; Sapta et al., 2021).

2. Civil servant professionalism

In this study, civil servant professionalisms is assessed by four indicators: competence, formal educational qualifications of public servants, discipline (Regulation of the Head of the National Civil Service Agency Number 8 of 2019), and professional attitude (Zhou et al., 2019).

3. Merit system

The merit system is assessed by adherence to the Regulation of the Minister of Administrative Reform and Bureaucratic Reform Number 40 of 2018. It is merit-based for employee planning, employee procurement, career development, promotion and rotation, performance management, salary/compensation, recognition/rewards, protection and services, and integrated information systems.

4. Value co-creation

Value co-creation is measured by the Dialogue, Access, Risk Assessment, and Transparency (DART) approach (Prahalad CK and Venkat Ramaswamy, 2004).

The instrument in this study uses a questionnaire with a Likert scale (1-5 points), consisting of five alternative answers: Strongly Disagree, Disagree, Less Agree, Agree, Strongly Agree. Scoring is done from numbers 1 to 5 and will produce interval data. Data collection techniques include distributing questionnaires to respondents and data

processing after the questionnaire is collected. Data analysis techniques include structural equation model path analysis (SEM) with the partial least squares (PLS) method and the Smart PLS version 4 application.

Combining PLS and SEM (PLS-SEM) is a useful method for developing theory or building theory and testing hypotheses (Hair et al., 2021a). PLS-SEM estimates the coefficient or relationship path of the model to maximize the R^2 value of endogenous constructs. PLS-SEM can achieve the purpose of prediction (in sample), so this method is preferred when the research objectives are theory and variance explanation (prediction of constructs) (Hair et al., 2021b).

Results and Discussion

Outer Model Measurement

Outer model measurements describe the relationship between latent variables and observed indicators or manifest variables. The test results show that all indicators have met the criteria for validity assessment. The results of the validity and reliability tests (outer model) can be seen in Table 1, Table 2, Table 3, and Table 4.

Table 1 Outer loading indicator

Indicator	Outer loading indicator ≥ 0.5
X1.1 Competency	0.627
X1.2 Education qualification	0.546
X1.3 Discipline	0.825
X1.4 Attitudes	0.885
X2.1 Employee planning (<i>merit-based</i>)	0.726
X2.2 Employee procurement (<i>merit-based</i>)	0.601
X2.3 Career development (<i>merit-based</i>)	0.798
X2.4 Promotion and mutation (<i>merit-based</i>)	0.755
X2.5 Performance appraisal (<i>merit-based</i>)	0.808
X2.6 Compensation/award (<i>merit-based</i>)	0.765
X2.7 Civil service protection and services (<i>merit-based</i>)	0.696
X2.8 Integrated information system (<i>merit-based</i>)	0.741
M1. Dialogue	0.849
M2. Access	0.908
M3. Risk	0.858
M4. Transparency	0.856
Y1. Task performance	0.797
Y2. Contextual performance	0.839
Y3. Human well-being	0.755
Y4. Adaptive performance	0.788
Y5. Economy performance	0.793
Y6. Social performance	0.824
Y7. Environmental performance	0.772

Table 2 Construct reliability and validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Professionalism	0.704	0.773	0.818	0.539
Merit system	0.88	0.885	0.905	0.546
Value co-creation	0.891	0.895	0.924	0.753
Employee sustainable performance	0.904	0.908	0.924	0.634

Table 3 Validity Discriminant variable (Fornell-Larcker)

	Value co-creation	Employee sustainable performance	Professionalism	Merit system
Value co-creation	0.868			
Employee sustainable performance	0.751	0.796		
Professionalism	0.61	0.704	0.734	
Merit system	0.533	0.471	0.531	0.739

Table 4 Validity Discriminant variable (Heterotrait-Monotrait –HTMT)

	Value co-creation	Employee sustainable performance	Professionalism	Merit system
Value co-creation				
Employee sustainable performance	0.829			
Professionalism	0.757	0.846		
Merit system	0.586	0.515	0.684	

Structural Model Measurement (Inner Model)

The measurement of the inner model indicates that the constructed PLS model, namely the relationships among variables, is well-supported by empirical data, demonstrating a high degree of fit and predictive capability. The outcomes of the inner model assessment are presented in Table 5.

Table 5 Inner model measurement

Variable	VIF < 5	F Square	R Square	Q ² > 0
Value co-creation - Employee sustainable performance	1.765	0.445		
Professionalism - Value co-creation	1.393	0.263		
Professionalism - Employee sustainable performance	1.759	0.262		
Merit system - Value co-creation	1.393	0.107		
Merit system - Employee sustainable performance	1.542	0.000		
Value co-creation			0.433	0.32
Employee sustainable performance			0.660	0.41

Hypothesis Testing

The results of hypothesis testing are shown in Table 6. The results of data analysis from Smart PLS during the hypothesis testing phase are more distinctly illustrated in Figure 2.

Table 6 Hypothesis Testing Results

Hypothesis	Path Coefficient	t-statistic	p-value	Decision
H1: Professionalism - Employee sustainable performance	0.396	7.213	0.000	accepted
H2: Merit system - Employee sustainable performance	-0.015	0.276	0.782	rejected
H3: Value co-creation - Employee sustainable performance	0.517	7.539	0.000	accepted
H4: Professionalism - Value co-creation	0.456	8.713	0.000	accepted
H5: Merit system - Value co-creation	0.291	4.599	0.000	accepted
H6: Professionalism - Value co-creation - Employee sustainable performance	0.236	5.808	0.000	accepted
H7: Merit system - Value co-creation - Employee sustainable performance	0.151	3.772	0.000	accepted

The effect of civil servant professionalism on employee sustainable performance

The findings of hypothesis testing indicate that professionalism significantly enhances employee sustainable performance. The findings of this study are corroborated by other prior investigations, specifically (Aslam & Bilal, 2021; Fachmi et al., 2021; Iswanto, 2017; Mu'alim et al., 2021; Kahpi et al., 2022; Suparjo et al., 2020), stating that professionalism has a significant positive effect on employee performance. Moreover, Aho (2013) and Twinn (2013) suggested that professionalism is important in achieving organizational and community sustainability. This research differs from prior studies in its focus on the performance of sustainable employees. It broadens the notion of public servant performance, highlighting sustainability for both the individual and the institution, with an emphasis on attaining seven performance indicators: task performance, contextual, human well-being, adaptive, economic, social, and environmental.

This research demonstrates that competence, educational qualifications, discipline, and attitude contribute to achieving sustainable employee performance. A professional demeanor characterized by integrity guarantees that civil servant consistently adheres to professional and ethical standards. The disposition of responsibility signifies assiduity and adherence to regulations. Similarly, professional involvement demonstrates civil servant's commitment to ongoing advancement in their roles as public servants. In this context, discipline pertains to civil servant adherence to the code of ethics. Higher adherence to the civil servant code of ethics correlates with improved civil servant performance.

The competencies encompassing knowledge, skills, abilities, and experience that an individual possesses and applies in their profession dictate the degree of sustainable performance achieved by civil servants. Relevant educational qualifications will enhance

an individual's skills and competencies as assets in achieving sustainable success. Consequently, the elevated professionalism of civil servants will yield enhanced sustained employee performance.

The effect of merit system on employee sustainable performance

The findings of hypothesis testing indicate that the merit system does not influence employee sustainable performance. The findings of this study contradict the research conducted by Mostafapour et al. (2021) and Park & Liang (2020), which indicates that merit-based HR procedures significantly enhance government employee performance. Several studies are in line, namely Maulidan et al. (2020), Meyrina (2016), and Herdiana (2018), showing some HR management practices based on merit have no effect on performance. This research differs because the merit system encompasses eight civil servant management practices that utilize a merit-based approach in its implementation, whereas prior studies reference had only a few practices. In addition, the difference is in employee sustainable performance.

Meritocracy, in principle, is designed to improve employee performance by paying individuals according to their abilities, competencies, and accomplishments. Nonetheless, its impact on performance is not consistently clear-cut. Various variables may constrain the efficacy of meritocracy in enhancing employee performance. The application of meritocratic ideas frequently faces obstacles such as favoritism, bias, and unequal access to opportunities, which can compromise its intended fairness (Suzuki & Hur, 2022). Employees could view meritocratic systems as subjective when performance assessments depend on vague criteria, resulting in discontent and diminished motivation. Moreover, an excessive focus on individual merit may inhibit teamwork and knowledge-sharing since employees could emphasize personal accomplishments over shared organizational objectives. Moreover, in public sector firms, bureaucratic frameworks and inflexible hierarchies may impede the direct influence of merit-based rewards on performance, as promotions and incentives are frequently limited by rules rather than solely by merit.

The lack of impact of the merit system on employee performance in the government sector may be attributed to its inadequate implementation (Mulaphong, 2022; Suzuki & Hur, 2022). Evidence indicate that the implementation of the merit system within the Bukittinggi City Government is suboptimal (Bukittinggi City Bureaucratic Reform Evaluation Report, 2023; KASN Report, 2022). The Bukittinggi City Government has failed to implement equitable and objective competency development to facilitate employee career advancement. Employee planning has not been supplemented by comprehensive job description and workload analysis. The development of competency requirements and posts has not been completed as a whole. Employee advancements and promotion have not been grounded in career trajectories and talent management practices. The personnel information system has failed to facilitate the adoption of the merit system. Therefore, incentives, rewards, and prizes for employees have not been adequately aligned with success and performance due to political factors and traditional bureaucratic culture.

The deficiencies in implementing the merit system within the Bukittinggi City government adversely affect public servants' perception, leading to skepticism over the system's ability to enhance their performance. They contend that employee evaluation should not be the foundation for employee advancement. Consequently, it has not influenced sustainable employee performance. Conversely, for certain employees, the inadequate implementation of the merit system does not influence their performance, as other factors, such as their devotion to fulfilling their obligations and responsibilities, necessitating enhanced work output.

Moreover, several analysts assert that meritocracy functions as a double-edged sword, motivating individuals from high socio-economic origins while simultaneously posing a risk to people from low socio-economic backgrounds (García-Sierra, 2023). Certain literature elucidates the varying effects of meritocracy on several categories of humans. Meritocracy may directly influence individual achievement. Conversely, meritocracy exerts either a detrimental influence or no direct impact on individual achievement (García-Sierra, 2023; Madeira et al., 2019; Sandel, 2021). Mulaphong (2022) asserted that the execution of the merit system did not provide the anticipated outcomes. Therefore, there is no unequivocal direct correlation between meritocracy and individual performance.

The effect of value co-creation on employee sustainable performance

The outcomes of hypothesis testing indicate that Hypothesis 3 is accepted (p-value with significance level 0.000). Then, value co-creation significantly enhances sustainable employee performance. Value co-creation represents an "opportunity" for employees who prioritize active collaboration with users, public entities, and the community to generate public value aimed at satisfying diverse stakeholders or enhancing sustainable employee performance. The findings of this study are in with other prior studies, including Hsieh (2016), Sharma & Bhat (2022), Ortíz et al. (2023), and Nuryakin et al. (2018), indicating that co-creation positively influences organizational performance. Rinandiyana et al. (2023) asserted that co-creation positively influences employee performance. Monavvarifard et al. (2019) and Jaspers & Steen (2020) asserted that the co-creation approach yields valuable and durable outcomes for public organizations. This research differs from prior studies in that it focuses on employee sustainable performance inside the government sector.

This research demonstrates that value co-creation, encompassing dialogue, access, risk, and transparency (DART model) (Prahalad & Ramaswamy, 2004a), is crucial for fostering employee sustainable performance. Discourse among public workers fosters collaboration, enhances comprehension of public needs, promotes responsiveness and adaptability, and ultimately yields products and services more effectively align with public expectations. Dialogue necessitates accessibility, facilitating an environment for individuals to contribute and collaborate.

Government officials offer consumers, clients, and communities the opportunity to determine how they will receive, utilize, and acquire products and services. Subsequently,

furnish details regarding possible risks that may jeopardize users. This will facilitate early awareness for users, enabling them to collectively discuss and control hazards. The process must be transparent. Transparency constitutes a consistent communication framework that elucidates all information pertinent to the organization's vision, mission, and strategy, extending to the technical aspects of the product or project execution process. The processes of dialogue, accessibility, risk management, and transparency will enhance the product/service's success and value to users by engaging them at every level of distribution. Consequently, user, community, and stakeholder satisfaction constitute the achievement of employee sustainable performance.

The Effect of civil servant professionalism on value co-creation

The findings of hypothesis testing indicate that Hypothesis 4 is accepted (p-value with significance level 0.000). Professionalism exerts a strong beneficial influence on value co-creation. Increased civil servant professionalism correlates with enhanced value co-creation within the Bukittinggi City Government. This aligns with multiple studies exhibiting similarities, including those by Marco-Stefan Kleber & Volkova, (2017) Chih et al. (2019), Waseem et al. (2020), and Tuurnas (2018), indicating that the determinants of value co-creation encompass knowledge, competence, professional ethics, degree of professional knowledge, ongoing learning, professionalism, and interpersonal skills.

This study distinguishes itself from prior research by employing the phrase "employee professionalism" inside local government and conducting empirical tests on value co-creation through four indicators: competence, educational qualifications, discipline, and professional attitudes. This research has advanced the original notion of Hewett & Shantz (2021), that the co-creation of HR value is contingent upon the capabilities of its human resources. In this study, the term "ability" is reduced to "professionalism," resulting in civil servant professionalism being crucial for co-creating value within local government.

Professionalism, encompassing competence, guarantees that professional personnel possess substantial operant resources (competence and knowledge), which will enhance value when amalgamated with the operant resources of other participants in the value co-creation process. Social responsibilities and qualifications allow employees to more effectively comprehend the requirements of users and society. Moreover, integrity and responsibility foster positive emotional connections with users and communities, which are crucial in cultivating trust, credibility, and dedication.

Hence, professional staff can influence diverse stakeholders to utilize their resources collaboratively to deliver valuable public services and resolve emerging issues. The exceptional skill, discipline, honesty, and dedication exhibited by civil officials motivate other partners—such as communities, non-governmental organizations, and the private sector—to engage more actively in collaborative initiatives. Consequently, the results of this study indicate that civil servant professionalism is the primary prerequisite for the success of local governments in executing value co-creation within civil servant management to facilitate new governance structures.

The effect of merit system on value co-creation

Hypothesis testing results indicate that Hypothesis 5 is accepted (p-value with significance level 0.000). The merit system significantly enhances value co-creation. The merit system in civil servant management, which prioritizes achievement, performance, and equity, will yield proficient and results-driven personnel who can collaboratively generate value with users, public entities, society, and stakeholders. The reward system fosters public and stakeholder trust, hence motivating public actors to collaborate with government personnel in value creation.

The findings of this study are in with several prior investigations, including those by Baptista et al. (2020), Waseem et al. (2020), and Rahmanseresht et al. (2018), indicating that the determinants of co-creation are incentives, internal stakeholder pressure, rewards and recognition, and human resource management competencies. This study distinguishes itself from prior research by explicitly employing the term “merit system” and delineating eight indicators of HRM practices centered on merit, performance, and fairness. These indicators encompass employee planning, employee procurement, career development, performance appraisal, promotion and mutation, incentives and rewards, protection and services, and integrated information systems, all supported by empirical testing.

This study demonstrates that the merit system in civil servant management is crucial for achieving government bureaucracy transformation by generating “value” alongside users, society, and stakeholders. It facilitates the implementation of innovative public governance characterized by transformative dynamics in the public sector, wherein meritocracy acts as a catalyst for value generation. It underscores the notion that every component of a merit system is interconnected and collaborates to generate collective value through the cooperation of government, employees, and society. The merit system would facilitate effective governance in civil servant management by diminishing corruption and nepotism, thereby motivating staff to excel and collaborate while also enhancing community trust. Consequently, the process of value co-creation will be facilitated when the merit system is well executed.

The effect of civil servant professionalism on employee sustainable performance through value co-creation

The findings of hypothesis testing indicate that Hypothesis 6 is accepted (p-value with significance level 0.000). Civil servant professionalism significantly enhances sustainable employee performance through value co-creation. Moreover, civil servant professionalism, which includes competence, education, discipline, and professional attitudes, is an essential resource in value co-creation, ultimately yielding sustainable employee performance that benefits employees, tasks, the economy, society, and the environment. The professionalism of civil servants establishes the basis for value co-creation, which in turn facilitates the attainment of sustainable added value for all stakeholders. Consequently, increased value co-creation correlates with a greater influence of civil servant professionalism on sustained employee performance.

This discovery is in line with Chih et al. (2019), revealing that professionalism is essential to the value co-creation process, hence enhancing the utility for clients. Nuryakin et al. (2018) discovered that relationship skills and market understanding competencies significantly enhance value creation, substantially impacting the company's business performance. This study differentiates between use value and performance by focusing on employee sustainable performance. The discussed attributes pertain to the professionalism of local government officials, encompassing competence, knowledge, discipline, and professional conduct. The objective of value co-creation involves government employees and diverse public stakeholders. The findings of this study underscore the significance of value co-creation as an intermediary variable that enhances outcomes and addresses discrepancies in prior research, demonstrating that the presence of value co-creation increases the overall impact of civil servant professionalism on sustainable employee performance.

The effect of merit system on employee sustainable performance through value co-creation

The findings of hypothesis testing show that Hypothesis 7 is accepted (p-value with significance level 0.000). The merit system significantly enhances sustainable employee performance through value co-creation. Previous findings demonstrated that the merit system within the Bukittinggi City Government had no effect on sustainable employee performance. Nonetheless, the presence of value co-creation as a mediating variable indicates that the merit system exerts an indirect influence on sustainable employee performance. Thus, value co-creation is a complete mediator between the merit system and sustainable employee performance.

The merit system generates employees who are incentivized to collaboratively create value. Achievement orientation has motivated employees to engage in open discussion with users/community to get input and collaboratively create value that serves the interests of users/community. The merit system fosters an atmosphere that enhances employees' access, information dissemination, and transparency for users and communities in their work. Consequently, this collaboration enhances the efficacy of the programs and actions executed by public officials, thereby improving employee sustainable performance.

This discovery underscores the significance of value co-creation in the public sector for addressing sustainability challenges. SDL principles assert that value co-creation is not derived from the result itself but rather from the process in which the output is utilized and its advantages to the user. Users are not passive recipients; they actively participate in the value generation chain and are referred to as co-creators. The value acquired is integrative rather than distributive. These principles will guarantee that employee performance in delivering products and services meets the diverse needs of users from multiple perspectives.

The findings of this study establish a theoretical foundation indicating that value creation is a crucial intermediary variable that address discrepancies in prior research outcomes.

Mulaphong (2022) asserted that researchers must include moderating and mediating factors to ensure that meritocracy yields the anticipated outcomes. The presence of value co-creation as a mediating variable addresses this gap. It aligns the merit system with the principles of meritocracy theory, which aims to enhance employee performance for organizational sustainability.

Conclusion

The foregoing results and discussion indicate that value co-creation and civil servant professionalism significantly contribute to enhancing employee sustainable performance. The merit system does not directly influence employee sustainable performance. Meanwhile, merit system and professionalism influence value co-creation. Value co-creation significantly impacts employee sustainable performance as an innovative approach within human resources in new public governance. Value co-creation has been demonstrated to function as a mediator, significantly affecting the relationship between the merit system and employee sustainable performance, an influence that the merit system alone could not achieve. In addition, value co-creation serves as a mediator in the relationship between civil servant professionalism and employee sustainable performance.

However, this research has limitations, specifically that it was conducted on a single local government entity. This is attributable to constraints in time, energy, and financial resources. Nevertheless, concentrating on a singular local government entity facilitates a more profound comprehension of the phenomenon gap, associated issues, and suggested remedies. Moreover, responders share analogous organizational histories, encompassing leadership, and work culture. Consequently, the results acquired are more precise.

Moreover, this study underscores deficiencies in sampling, methodology, and generalizability. Proportioned stratified sampling might result in bias if the strata are inadequately delineated or disproportionate. Concentrating on a singular research subject constrains external validity, hence limiting generalization to alternative contexts. The quantitative survey method depends on self-reported data, which may be biased and lack profundity. These constraints necessitate prudence in the interpretation and use of the findings. Subsequent studies ought to use more varied methods across subjects to improve external validity and generalizability. Enhancing the stratification procedure to guarantee balanced and well-defined strata can mitigate sampling bias. Integrating quantitative tools with qualitative approaches, such as interviews or focus groups, may yield deeper insights and alleviate the limits of self-reported data.

This study recommends that the Bukittinggi City Government adopt advancements in public governance regarding Civil Servant Management. This might serve as a strategy for realizing the organization's sustainable vision and mission by emphasizing value co-creation, enhancing civil servant professionalism, refining the merit system implementation, and ensuring employee sustainable performance.

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Appendix

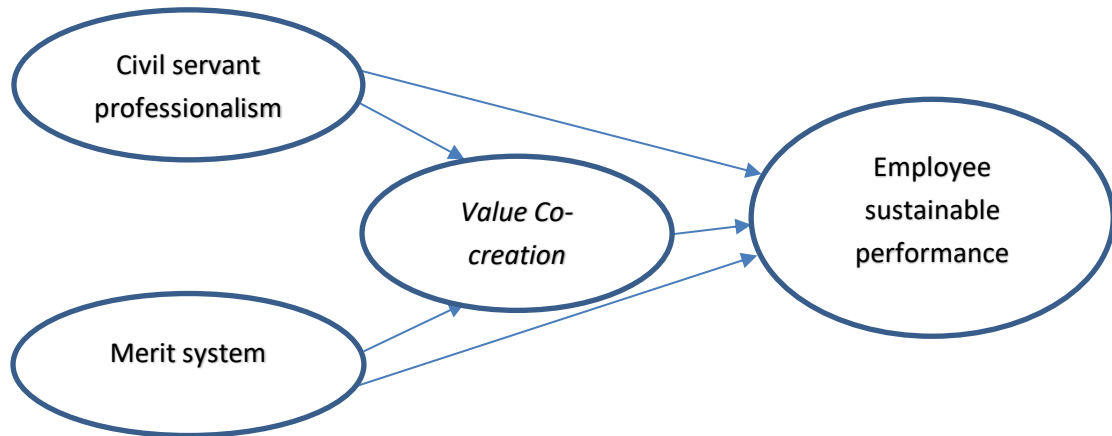


Figure 1 Conceptual Framework

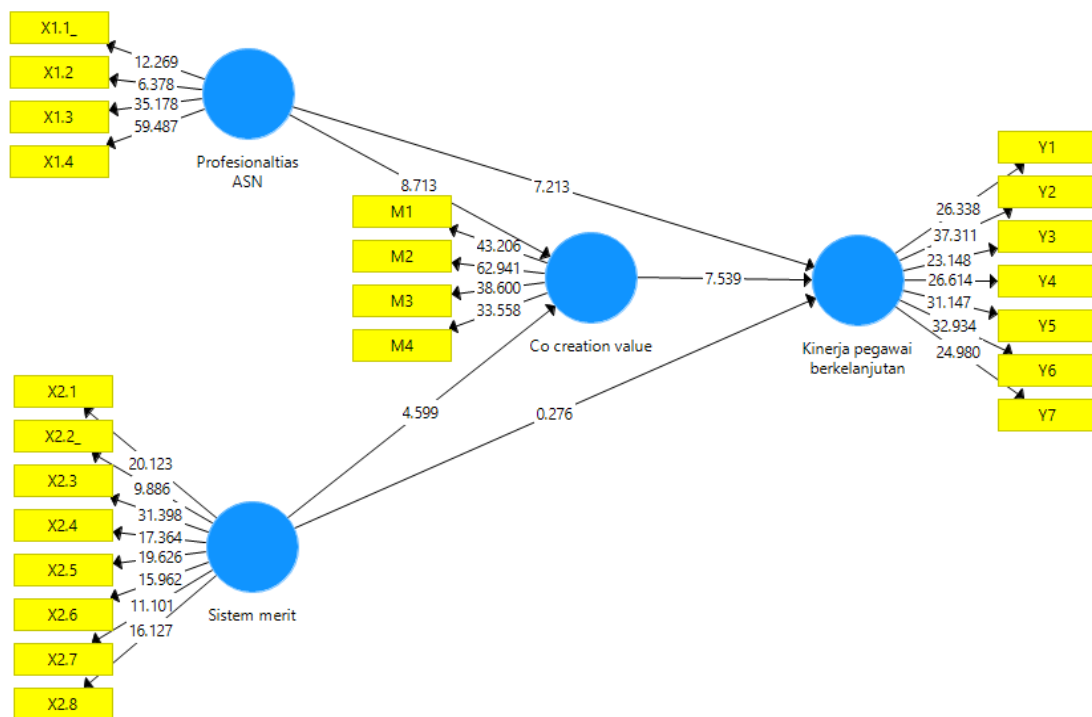


Figure 2 Result