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**INCREASING PUBLIC SERVICE PERFORMANCE THROUGH THE
CAPITALIZATION OF DYNAMIC CAPABILITY AND INNOVATION
PERFORMANCE: AN EMPIRICAL STUDY
OF PUBLIC SERVICE AGENCIES IN INDONESIA**

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Abstract

In Indonesia, agencification is practiced through the granting of autonomy to several community service centers (which main form of business is service), in the form of a Public Service Agency (BLU). The key success factors that need to be owned by the organization (Public Service Agency) to win the competition in the future are dynamic capability dimensions that are specifically focused on public service. As with dynamic capabilities, innovation performance is also one way to deal with stagnant conditions in the Public Service Agency to improve service efficiency (company and organizational performance). Hence, how public service can effectively apply its dynamic capability and develop innovation performance in order to provide a quick response to a dynamic environment has become an urgent need. The purpose of this paper is to discuss the abovementioned issues. In order to gain the best exploration on dynamic capability, innovation performance, and organizational performance, the questionnaires are distributed to 100 respondents and structural equation modeling (SEM) with Partial Least Square (PLS) is used to analyze the survey result. The results indicate that dynamic capability is an important basic organizational mechanism through which the benefits of innovation performance are converted into performance effects at the corporate level. That is, dynamic capability enhances the innovation performance of organizations. While dynamic capability, in turn, increases public service performance and provides competitive advantages.

Keywords: Dynamic Capability, Innovation Performance, Public Service Performance.
