

The Effect of Transformational Leadership and Organizational Culture on Employee Performance Moderated Organizational Commitment

Diansyah¹, Fella Attaqi Putri²

^{1,2}Universitas 17 Agustus 1945 Jakarta, Indonesia

diansyah.170845@gmail.com, fellaputri35@gmail.com

Abstract

The purpose of this study is to provide recommendations to companies on Transformational Leadership to improve employee performance. The research method used is Structural Equation Modeling (SEM), the data analysis tool used is Partial Least Square (PLS). The population in this study were all workers in as many as 100 respondents. It is very important to instill the attitude of Transformational Leadership and Organizational Culture in a company because seeing its large role directly affects Organizational Commitment and is able to moderate the influence of the independent variables of Transformational Leadership, Organizational Culture on the dependent variable, namely Employee Performance and Organizational Commitment.

Keywords

leadership; organizational; performance



I. Introduction

Human Resources (HR) is the most important component in a company or organization to run the business it does. Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired (Shah et al, 2020). The development of human resources is a process of changing the human resources who belong to an organization, from one situation to another, which is better to prepare a future responsibility in achieving organizational goals (Werdhiastutie et al, 2020).

In today's work environment, efforts to improve employee performance have almost become the main goal of human resources (HR). HR really needs to be managed professionally to create harmony between the interests of employees and the interests of the organization in an effort to advance the organization (Mappamiring et al., 2020). Very high employee performance is one of the expectations desired by an organization and how to encourage employee engagement through leadership. The relationship between the leader and its members must really be harmonious so that it can indirectly increase the involvement of its members in the spirit and motivation to work (Al-Ali et al., 2017).

The results of employee performance can be seen from the development of their performance. Employee performance is the result of the activities carried out. Performance arises not only from formal education, but in practice in the field. To improve performance, leaders must try to complete their work or tasks assigned to them. The transformational leadership approach is considered the most suitable style for fostering follower attitudes in the context of organizational change (Sharma et al., 2012). Leadership is also very influential on organizational performance because if the organization fails or the expected goals are not achieved, then the leadership is considered a failure. How organizational culture in an organization cannot be underestimated, because organizational

culture plays a role in giving identity to an organization (Cheung et al., 2011). The function of culture in an organization is to connect its members so that they know how to interact with one another. Organizational culture can help employee performance, because it creates a great level of motivation for employees to give their best ability to take advantage of the opportunities provided by the organization.

Based on the phenomenon and explanation of the research, it was determined that this research was conducted aimed at providing recommendations to an organization regarding efforts to improve employee performance and to evaluate the impact of transformational leadership, organizational culture, employee performance, and organizational commitment with moderating variables.

Problem Formulation

1. Does transformational leadership affect employee performance?
2. Does organizational culture affect employee performance?
3. Does organizational commitment affect employee performance?
4. Does transformational leadership affect employee performance moderated by organizational commitment?
5. Does organizational culture affect the performance of employees who are moderated by organizational commitment?

Objective of the Problem

1. To test and analyze the effect of transformational leadership on employee performance
2. To examine and analyze the influence of organizational culture on employee performance
3. To examine and analyze the effect of organizational commitment on employee performance
4. To examine and analyze the influence of transformational leadership on employee performance who is moderated by commitment organization
5. To examine and analyze the influence of organizational culture on employee performance moderated by organizational commitment

II. Review of Literature

2.1 Transformational

Transformational leadership is a leadership style that can meet the needs of the millennial generation because millennials tend to give the best response to leaders who show honesty and integrity, which are behaviors displayed by a transformational leader (Holt, 2018). Transformational leadership pursues transformation and change, encouraging employees to think and solve problems (Afsar et al., 2018). Previous research conducted by Mahmud et al with the title *"The Influence of Transformational Leadership on Employee Performance"* based on the results of research and discussion conducted by researchers, it can be concluded that there is a significant positive influence between transformational leadership on employee performance.

2.2 Organizational Culture

Cremer (1993) states that organizational culture is an unspoken code of communication among organizational members. Organizational culture can affect organizational performance because organizational culture provides rules and ways of behaving for its employees (Tjahjadi, 2001). In other words, the aggregate effect of

organizational culture at the individual level affects the organizational level. Previous research conducted by Montgomery Warbal et al with the title *"The Influence of Organizational Culture on Employee Performance at the Social Service of Maluku Province"* based on the results of research and discussion conducted by researchers, it can be concluded that there is a significant positive influence between organizational culture on employee performance.

2.3 Employee

Employee performance is one of the important elements that influence and determine organizational performance and improve its reputation (Anesukanjanakul et al., 2019). The importance of employee performance has increased and taken root over the last few years, as it has become the fastest and first important variable in any organization. It has taken the highest priority in all aspects of work and in administrative contexts (Gridwichai et al., 2020). Previous research conducted by Lopez Cabarcos et al with the title *"Approach to Employee Performance through work environment variables and leadership behavior"* based on the results of research and discussion conducted by researchers, it can be concluded that there is a significant positive effect.

2.4 Organizational

Organization must have a goal to be achieved by the organizational members (Niati et al., 2021). The success of leadership is partly determined by the ability of leaders to develop their organizational culture. (Arif, 2019).

Commitment Organizational commitment is the relative strength of an individual's identification with and involvement in the organization (Mowday et al., 1979). Robbins (2019) defines organizational commitment as the stage in which employees recognize a particular group with a purpose, and hope to maintain status as a member of the group. Previous research conducted by Ni Luh Gede Putu Purnawati et al with the title *"Organizational Commitment as Mediating the Effect of Career Development on Performance"* based on the results of research and discussion conducted by researchers, it can be concluded that there is a significant positive influence between organizational commitment on employee performance.

III. Research Method

This research is quantitative research, which is designed to explain the influence between variables through hypothesis testing. The population is 100 workers. Data collection is done by direct delivery from respondents and guiding respondents to fill out questionnaires. Score in determining respondents' answers, using a Likert scale. After testing the validity and reliability. The next step is to process the data to answer the problem formulation. The analytical model used is a structural equation model (SEM) based on theory and concepts with the Partial Least Square (PLS) program.

Conceptual Framework

Based on the description above, not only problems in the context that have been supported by several theoretical studies and empirical studies, the hypotheses in this study are: Hypothesis 1 is to measure transformational leadership on employee performance, Hypothesis 2 is to measure organizational culture on performance employees, Hypothesis 3 is to measure organizational commitment to employee performance, Hypothesis 4 is to

measure transformational leadership to organizational commitment, Hypothesis 5 is to measure organizational culture to organizational commitment.

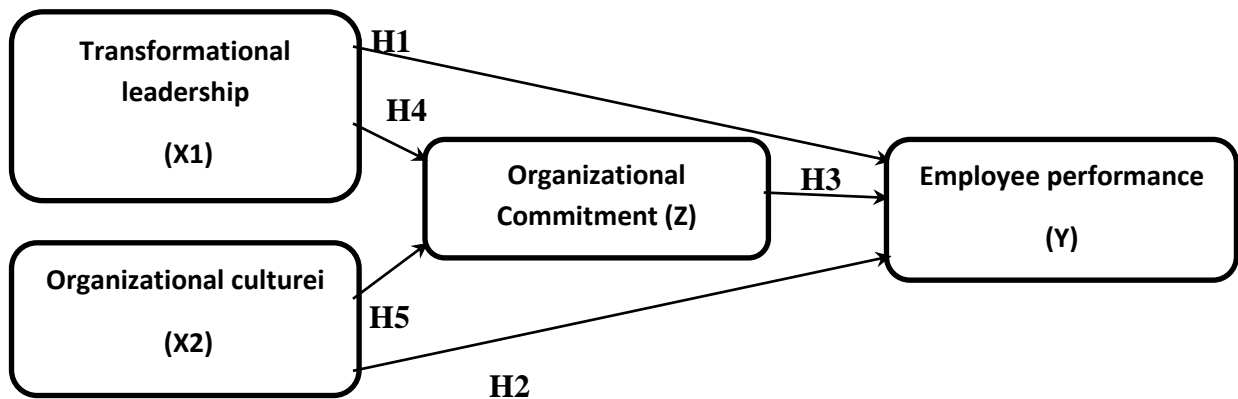


Figure 1. Conceptual Framework

IV. Results and Discussion

4.1 Results

In the operational variables in this study, the data were processed using PLS or *Partial Least Square*), in which the *Algorithm* is useful for testing the feasibility of the model. Measurement model or *Outermodel* which is basically the relationship between the *loading factor* and the indicator used to assess the feasibility of the model. To test whether the model is valid, values are used, but to measure reliability, the scores of the three *outer models* (CA/Cronbach's Alpha, CR/Composite Reliability, and AVE/Average Variance Extracted).

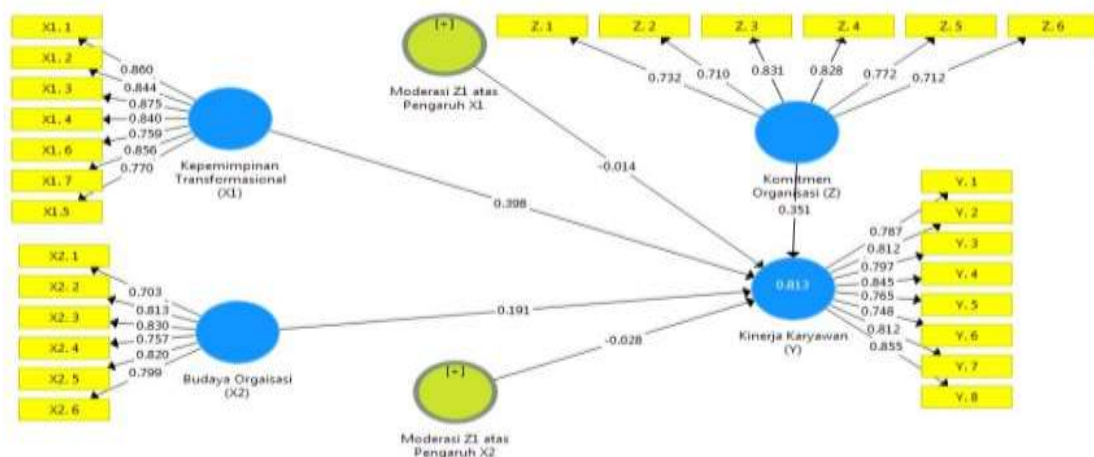


Figure 2. Results of Smart PLS Data Processing

Table 1. Outer Loading

Matrix	Transformational Leadership	Organizational Culture	Employee Performance	Organizational Commitment
X1.1	0.860			
X1.2	0.844			
X1.3	0.875			
X1.4	0.840			
X1.5	0.759			

X1.6	0.856			
X1.7	0.770			
X2.1		0.703		
X2.2		0.813		
X2.3		0.830		
X2.4		0.757		
X2.5		0.820		
X2.6		0.799		
Y.1			0.787	
Y.2			0.812	
Y.3			0.797	
Y.4			0.845	
Y.5			0.765	
Y.6			0.748	
Y.7			0.812	
Y.8			0.855	
Z.1				0.732
Z.2				0.710
Z.3				0.831
Z.4				0.828
Z.5				0.772
Z.6				0.712

From the results of data processing on the *outer loading* it was found that all indicators gave reliable results, with every indication producing the original sample > 0.50 so that it meets the validation standard.

a. Reliability Test

Table 2. Test Results of CA/Cronbach's Alpha, CR/Composite Reliability and AVE/Average Variance Excited Construct reliability and validity

<i>Variable</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Average Variance Extracted (AVE)</i>
Transformational Leadership	0.924	0.939	0.689
Organizational Culture	0.882	0.908	0.622
Employee Performance	0.921	0.936	0.645
Organizational Commitment	0.587	0.858 0.895	Based

On table 2 above, it can be concluded that *composite reliability* proves the score of the data > 0.7 because the overall value of the above variables exceeds 0.7 CA also proves that the data score is > 0.6. It can be concluded that the data X1/*Transformational Leadership*, X2/*Organizational Culture*, Y/*Employee Performance* and Z/*Organizational Commitment* are *reliable* and can be used to test hypotheses. For the *average variance extracted* (AVE) value, all of the variable values are above > 0.5.

b. Significant Test

After all *indicators* are confirmed *valid* and *reliable*, so that a significant test can be performed on *the inner model*. It is intended to prove the hypothesis of significant measurement between variables or constructs in the structural model. *score inner model* or *path* seen from the value of *TStatistic* 1.96 and *P-Value* <0.05. The significant test values are presented in the following table 3 data:

Table 3. Path Coefficients

Variable	Original	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistic	P-Values
Transformational Leadership (X1) -> Employee Performance (Y)	0.398	0.379	0.107	3.710	0.000
Organizational Culture (X2) -> Employee Performance (Y)	0.191	0.212	0.083	0.296	0.022
Organizational Commitment (Z) -> Employee Performance (Y)	0.351	0.315	0.130	2.699	0.007
Moderation 1 -> on the Effect of X1 -> Employee Performance (Y)	- 0.014	-0.044	0.086	0.158	0.874
Moderation 2 -> on the influence of X2 -> Employee Performance (Y)	-0.028	0.005	0.112	0.255	0.799

4.2 Discussion

a. Discussion of the First Hypothesis

H1 is the first hypothesis in this research: Transformational Leadership on Employee Performance. The *path coefficient* shows the *Original Sample* = 0.398, *T statistics* = 3.710 1.96 and *P value* = 0.000. This proves that there is Transformational Leadership with Employee Performance that has influence. This shows that Transformational Leadership has an effect on Employee Performance.

b. Discussion of the Second Hypothesis

H2 is the second hypothesis in this research: Organizational Culture on Employee Performance. The *path coefficient* shows the *Original Sample* = 0.191, *T statistics* = 0.296 1.96 and *P value* = 0.022. This proves that Organizational Culture with Employee Performance has an influence. This shows that Organizational Culture has an effect on Employee Performance.

c. Discussion of the Third Hypothesis

H3 is the third hypothesis in this research: Organizational Commitment to Employee Performance. The *path coefficient* shows the *Original Sample* = 0.351, *T statistics* = 2.699 1.96 and *P value* = 0.007. This proves that Organizational Commitment with Employee Performance has an influence. This shows that organizational culture has an effect on employee performance.

d. Discussion of the Fourth Hypothesis

H4 is the fourth hypothesis in this research: Transformational Leadership on Employee Performance Moderated by Organizational Commitment. The *path coefficient* shows the *Original Sample* = 0.014, *T statistics* = 0.158 and *P value* = **0.874**. This means that there is an insignificant negative relationship between *Transformational Leadership* on Employee Performance which is moderated by Organizational Commitment because the *Original Sample* shows min (-) which has an effect on between variables which are still weak and *T statistics* 1.96. Thus H4 is rejected. So the results of these tests can be concluded that the moderation of Organizational Commitment weakens the influence of Transformational Leadership on Employee Performance.

e. Discussion of the Fifth Hypothesis

H5 is the fifth hypothesis in this research: Organizational Culture on Employee Performance Moderated by Organizational Commitment. The *path coefficient* shows the *Original Sample* = -0.028, *T statistics* = 0.255 and *P value* = **0.799**. This means that there is an insignificant negative relationship between *Transformational Leadership* on Employee Performance which is moderated by Organizational Commitment because the *Original Sample* shows min (-) which has an effect on between variables that are still weak and *T statistics* 1.96. Thus H5 is rejected. So the results of these tests can be concluded that the moderation of Organizational Commitment weakens the influence of Leadership on Employee Performance.

V. Conclusion

1. The results of testing the first hypothesis, show that *Transformational Leadership* has a positive and significant influence on employee performance. The results of this research were accepted.
2. The results of testing the second hypothesis, show that *organizational culture* has a positive and significant influence on employee performance. The results of this research are accepted.
3. The results of testing the third hypothesis, show that *Organizational Commitment* has a positive and significant effect on employee performance. The results of this research were accepted.
4. The results of testing the fourth hypothesis, show that *Transformational Leadership* is not able to be moderated by Organizational Commitment in a positive and significant manner on employee performance. The results of this research hypothesis are rejected because the significant value is negative
5. The results of testing the fifth hypothesis, show that Organizational Culture is not able to be moderated by Organizational Commitment in a positive and significant manner on employee performance. The results in this research hypothesis are rejected because the significant value is negative

Suggestions

From the conclusions above, suggestions for further researchers are for further researchers, it is expected to add other variables so that research is more complete and accurate, because with good and appropriate Transformational Leadership and Organizational Culture it can improve the performance of the company and so that the goals of the company itself can be achieved.

References

- Arif, S. (2019). Influence of Leadership, Organizational Culture, Work Motivation, and Job Satisfaction of Performance Principles of Senior High School in Medan City. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)*. P. 239-254
- Choudhary, V., & Saini, G. (2021). Effect of job satisfaction on moonlighting intentions: Mediating effect of organizational commitment. *European Research on Management and Business Economics*, 27(1), 100137. <https://doi.org/10.1016/j.iedeen.2020.100137>
- Eliyana, A., & Ma'arif, S. (2019). Job satisfaction and organizational commitment effect the transformational leadership towards employee performance. *European Research on Management and Business Economics*, 25(3), 144–150. <https://doi.org/10.1016/j.iedeen.2019.05.001>
- Ferine, K. F., Aditia, R., & Rahmadana, M. F. (2021). An empirical study of leadership, organizational culture, conflict, and work ethic in determining work performance in Indonesia's education authority. *Heliyon*, 7(7), e07698.
- Islam, M. N., Furuoka, F., & Idris, A. (2021). Mapping the relationship between transformational leadership, trust in leadership and employee championing behavior during organizational change. *Asia Pacific Management Review*, 26(2), 95–102. <https://doi.org/https://doi.org/10.1016/j.heliyon.2020.e04973>
- Khtatbeh, M. M., Mahomed, A. S. B., Rahman, S. bin A., & Mohamed, R. (2020). *The mediating role of procedural justice on the relationship between job analysis and employee performance in Jordan Industrial Estates*. *Heliyon*, 6 (10), e04973. <https://doi.org/doi.org/10.1016/j.heliyon.2020.e04973>
- Lingmont, D. N. J., & Alexiou, A. (2020). The contingent effect of job automating technology awareness on perceived job insecurity: Exploring the moderating role of organizational culture. *Technological Forecasting and Social Change*, 161, 120302. <https://doi.org/DOI:10.1016/j.techfore.2020.120302>
- Mahmud, M., & Sopiah, S. (2022). Pengaruh Kepemimpinan Transformasional terhadap Kinerja Karyawan. *Syntax Literate; Jurnal Ilmiah Indonesia*, 7(3), 1490–1505.
- Niati, D. R., Siregar, Z. M. E., & Prayoga, Y. (2021). The Effect of Training on Work Performance and Career Development: The Role of Motivation as Intervening Variable. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2385–2393. <https://doi.org/10.33258/birci.v4i2.1940>
- Shah, M. M., et al. (2020). The Development Impact of PT. Medco E & P Malaka on Economic Aspects in East Aceh Regency. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Volume 3, No 1, Page: 276-286.
- Sudibjo, N., & Prameswari, R. K. (2021). The effects of knowledge sharing and person–organization fit on the relationship between transformational leadership on innovative work behavior. *Heliyon*, 7(6), e07334. <https://doi.org/doi.org/10.1016/j.heliyon.2021.e07334>
- Werdhiastutie, A. et al. (2020). Achievement Motivation as Antecedents of Quality Improvement of Organizational Human Resources. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal)* Volume 3, No 2, Page: 747-752.