

The Effect of Transformational Leadership Style on Employee Performance Through Organizational Culture as an Intervening Variable

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Abstract

The existence of human resources in a company has a very important role. One of the important factors related to human resources that affect the progress and development of a company is employee performance. Factors that affect performance include transformational leadership style and organizational culture. This study aims to determine the effect of transformational leadership style on employee performance, the effect of transformational leadership style on organizational culture, the influence of organizational culture on employee performance, and the influence of transformational leadership style on employee performance through organizational culture as an intervening variable at PT. XYZ. This research uses correlational quantitative method. The sampling technique used is a saturated sample with a population of 37 respondents, data obtained from primary data by distributing questionnaires. This research is processed using smartPLS version 3.3.9. The results of the calculation of transformational leadership style (X) on employee performance (Y) have a path coefficient of -0.217 with a t-statistic value of $1.939 < 1.96$ and P-values $0.053 > 0.05$. The results of the calculation of transformational leadership style (X) on organizational culture (Z) have a path coefficient of 0.865 with a t-statistic value of $16.418 > 1.96$ and P-values $0.000 < 0.05$. The results of the calculation of organizational culture (Z) on employee performance (Y) have a path coefficient of 1.120 with a t-statistic value of $12.404 > 1.96$ and P-values of $0.000 < 0.05$. The results of the calculation of the indirect effect of transformational leadership style (X) through organizational culture (Z) on employee performance (Y) has a path coefficient of 0.969 with a t-statistic value of $9.285 > 1.96$ and p-values $0.000 < 0.05$. In this study it can be concluded that transformational leadership style has no significant effect on employee performance, transformational leadership style has a significant influence on organizational culture, organizational culture has a significant effect on employee performance, and transformational leadership style has a significant effect on employee performance through organizational culture as intervening variable.

Keywords: Transformational Leadership Style, Employee Performance, Organizational Culture

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I. Introduction

Employee performance is the work achieved by employees in carrying out the tasks assigned to them to achieve organizational goals. Employees can work well if they have high performance so they can create good work. Employee performance is one of the determining factors for the success of a company or organization in achieving its goals. For that the performance of employees can affect the performance of the company as a whole.

One of the factors that can affect employee performance is leadership. Leadership has a considerable influence on the interests of companies and organizations to achieve predetermined goals, a leader must be able to utilize all the resources owned by the company including human resources effectively and efficiently so that it can facilitate the achievement of company goals.

The high quality of human resources in a company is expected to improve employee performance. This will be realized in a supportive work environment, which among others is influenced by the right type of leadership. Leadership is needed by humans, because there is a certain dependence and superiority in humans. This is where the need for leaders and leadership arises.

Another factor that can affect employee performance is organizational culture. Organizational culture is a system of meaning adopted by members of the organization. This culture is attached to every individual who is a member in an organization.

And an organization basically goes through stages from time to time, or what is commonly called the organizational cycle. This means that an organization that grows and develops will undergo a process of life. The importance of organizational culture, understanding organizational culture as a shared agreement regarding the values that bind all individuals in an organization to determine the normative boundaries of the behavior of members of the organization.

PT. XYZ is one of the largest companies located in Serang Regency, Banten Province, Indonesia. It is located about 60 km from Jakarta (the capital city of Indonesia). PT. XYZ obtained various certifications verified by third parties for its commitment to efficient and sustainable operations. The company consistently develops environmentally friendly products that are recyclable, biodegradable and compostable to reduce packaging waste, as well as product innovations that have a good impact on the environment.

There are several interesting employee performance problems for the company to review in achieving its goals, namely limited knowledge or skills, lack of employee responsibility for completing work, and lack of initiative in carrying out work assignments.

In the transformational leadership style there are also several problems, such as the lack of leaders in providing instructions and explanations regarding duties and authority in carrying out work, leaders also do not inspire employees.

Another aspect observed by researchers is related to organizational culture. Where this aspect becomes an issue that reduces employee performance, namely employees who are less innovative and courageous in making decisions, as well as the lack of comfort for employees at work.

II. Material and Method

This study uses a survey method with a correlational quantitative approach. This study examines the effect of three variables, which consist of one independent variable, one intervening variable and one dependent variable. The independent variable is Transformational Leadership Style (X), the Intervening Variable is Organizational Culture (Z), while the dependent variable is Employee Performance (Y).

The population in this study are employees at PT. XYZ With a sample of 37 people and determined as research respondents

The data obtained in this study used primary data sources by distributing questionnaires and conducting interviews with related parties at PT. XYZ.

The data collection used in the research were: (1) literature study, (2) interviewing respondents through a questionnaire with research variables using a Likert scale, and (3) observation

Based on the hypothesis and research design, the collected data will be analyzed using smartPLS 3.3.9 software. Each hypothesis is analyzed to test the relationship between variables.

III. Results and Discussion

The following is the result of data processing obtained from respondents' answers through questionnaires which were distributed and processed with smartPLS 3.3.9

Table 1
Descriptive Employee Performance Variables

	N	Mean	Median	Min	Max	Standard Deviation
Y1	37	3,108	3,000	2,000	5,000	0,530
Y2	37	2,838	3,000	2,000	5,000	0,571
Y3	37	3,000	3,000	2,000	5,000	0,582
Y4	37	2,865	3,000	1,000	4,000	0,515
Y5	37	2,973	3,000	2,000	5,000	0,523
Y6	37	3,054	3,000	2,000	4,000	0,455
Y7	37	2,865	3,000	2,000	5,000	0,563
Y8	37	3,027	3,000	2,000	5,000	0,615
Y9	37	2,892	3,000	2,000	5,000	0,599
Y10	37	2,838	3,000	2,000	4,000	0,471
Y11	37	3,081	3,000	2,000	5,000	0,520
Y12	37	3,000	3,000	2,000	5,000	0,535
Y13	37	2,811	3,000	2,000	4,000	0,480
Y14	37	3,081	3,000	2,000	5,000	0,613
Rata-rata-	37	2,960	3,000	1,929	4,714	0,541

Table 2
Descriptive Variables of Transformational Leadership

	N	Mean	Median	Min	Max	Standard Deviation
X1	37	2,622	3,000	1,000	5,000	0,590
X2	37	2,730	3,000	1,000	5,000	0,597
X3	37	2,946	3,000	2,000	5,000	0,603
X4	37	3,000	3,000	2,000	5,000	0,604
X5	37	2,946	3,000	1,000	4,000	0,624
X6	37	2,919	3,000	2,000	5,000	0,613
X7	37	3,027	3,000	2,000	5,000	0,523
X8	37	2,757	3,000	1,000	5,000	0,569
Rata- rata	37	2,868	3,000	1,500	4,875	0,590

Table 3
Organizational Culture Variable Descriptive

	N	Mean	Median	Min	Max	Standard Deviation
Z1	37	2,757	3,000	1,000	4,000	0,569
Z2	37	2,919	3,000	2,000	5,000	0,568
Z3	37	2,865	3,000	2,000	5,000	0,515
Z4	37	2,892	3,000	1,000	5,000	0,554
Z5	37	3,027	3,000	2,000	4,000	0,523
Z6	37	3,216	3,000	2,000	5,000	0,585
Z7	37	2,892	3,000	2,000	5,000	0,505
Z8	37	2,811	3,000	2,000	5,000	0,556
Z9	37	2,892	3,000	1,000	5,000	0,577
Z10	37	3,108	3,000	2,000	4,000	0,530

Z11	37	3,027	3,000	2,000	5,000	0,593
Z12	37	2,946	3,000	2,000	5,000	0,558
Z13	37	3,162	3,000	1,000	5,000	0,594
Z14	37	2,838	3,000	2,000	5,000	0,548
Rata-rata	37	2,954	3,000	1,714	4,786	0,555

The results of the answers that the researchers obtained from the respondents are as presented in the following table:

Table 4
Employee Performance Variable (Y)

No	Weight	Score	Amount Answer	Percentage
1	Strongly agree	5	85	5,54%
2	Agree	4	396	25,83%
3	Disagree	3	747	48,70%
4	Don't agree	2	304	19,83%
5	Strongly Disagree	1	1	0,1%
Number of Total Answers			1533	100%

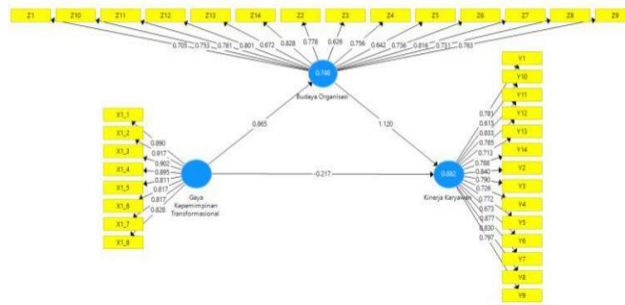
Table 5
Transformational Leadership Style (X)

No	Weight	Score	Amount Answer	Percentage
1	Strongly agree	5	55	6,50%
2	Agree	4	208	24,50%
3	Disagree	3	384	45,20%
4	Don't agree	2	194	22,90%
5	Strongly Disagree	1	8	0,90%
Number of Total Answers			849	100%

Table 6
Organizational culture (Z)

No	Weight	Score	Amount Answer	Percentage
1	Strongly agree	5	70	4,60%
2	Agree	4	448	29,30%
3	Disagree	3	699	45,70%
4	Don't agree	2	308	20,10%
5	Strongly Disagree	1	5	0,30%
Number of Total Answers			1530	100%

Evaluation of the measurement model used to evaluate the relationship between the construct and the indicators is divided into two, namely by convergent validity and discriminant validity. As for the measurement model for validity and reliability tests, the model determination coefficient and path coefficient for the equation model can be seen in the following figure:



Picture 1 Output Path Algorithm

Table 7 Employee Performance Variable Loading Factor (Y)

Dimensions	Indicator	Loading Factor	Standard loading	Information
Quantity Profession	Y1	0,781	0,5	Valid
	Y2	0,840	0,5	Valid
Quality Profession	Y3	0,790	0,5	Valid
	Y4	0,726	0,5	Valid
Creativity	Y5	0,772	0,5	Valid
	Y6	0,673	0,5	Valid
Cooperative	Y7	0,877	0,5	Valid
	Y8	0,830	0,5	Valid
Ability	Y9	0,797	0,5	Valid

	Y10	0,615	0,5	Valid
Quantity Profession	Y11	0,833	0,5	Valid
	Y12	0,785	0,5	Valid
Quality personal	Y13	0,713	0,5	Valid
	Y14	0,788	0,5	Valid

Table 8 Loading Factor Transformational Leadership Style Variables (X)

Dimensions	Indicator	Loading Factor	Standard loading	Information
Charisma	X1	0,890	0,5	Valid
	X2	0,917	0,5	Valid
Inspiration	X3	0,902	0,5	Valid
	X4	0,895	0,5	Valid
Stimulation Intellectual	X5	0,811	0,5	Valid
	X6	0,817	0,5	Valid
Attention Personal	X7	0,817	0,5	Valid
	X8	0,828	0,5	Valid

Table 9 Organizational Culture Variable Loading Factor (Z)

Dimensions	Indicator	Loading Factor	Standard loading	Information
Innovation and Risk Taking	Z1	0,705	0,5	Valid
	Z2	0,778	0,5	Valid
Attention to detail	Z3	0,626	0,5	Valid

	Z4	0,756	0,5	Valid
Result orientation	Z5	0,642	0,5	Valid
	Z6	0,736	0,5	Valid
Orientation to individuals	Z7	0,816	0,5	Valid
	Z8	0,731	0,5	Valid
Team Orientation	Z9	0,763	0,5	Valid
	Z10	0,753	0,5	Valid
aggressiveness	Z11	0,781	0,5	Valid
	Z12	0,801	0,5	Valid
Stability	Z13	0,672	0,5	Valid
	Z14	0,828	0,5	Valid

Table 10 Discriminant Validity dan Average Variance Extracted (AVE)

	Culture Organiza-tion	Transformational Leadership Style	Emplo-yee Performance	AVE
Culture Organizati on	0,744			0,554
Transformat io-nal Leadership Style	0,865	0,861		0,741
Employee Performanc e	0,933	0,752	0,776	0,602

In addition to measuring the outer model testing by assessing convergent and discriminant validity, it can also be seen from construct reliability. The construct reliability test is measured by composite reliability and Cronbach's alpha from the indicator block that measures the construct. The following are the results of composite reliability and cronbach's alpha testing from SmartPLS as follows:

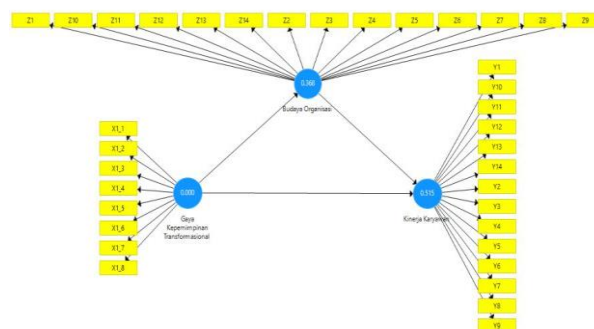
Table 11 Composite Reliability and Cronbach's Alpha

Culture Organization	0,937	0,945
Transformational Leadership Style	0,950	0,958
Employee Performance	0,948	0,955

Testing the structural model (inner model) can be seen from the R-Square value for each endogenous variable as the predictive power of the structural model. The structural model (inner model) can be evaluated in three ways, namely by looking at the R-square (R), Predictive Relevance (Q2), and Goodness of Fit (GoF) values.

Table 12 R-Square Value

Culture Organization	0,748	0,741
Employee Performance	0,882	0,875



Picture 2 Output Path Blindfolding

Table 13 Predictive Relevance (Q2)

	SSO	SSE	Q ² (=1-SSE/SSO)
Culture Organization	518,000	327,450	0,368

Transformational Leadership Style	296,000	296,000	
Employee Performance	518,000	251,379	0,515

IV. Conclusion

1. There is no influence between transformational leadership style on employee performance, this is evidenced by the results of calculating the path coefficient value -0.217 with a t-statistic value of 1.939 and a p-value significance value of 0.053 (> 0.05). This value is smaller than t-table (1.96), then H_a is rejected H_o is accepted. Friendly and mutually helpful relationships with colleagues and leaders are very important but do not have a strong relationship with employee performance, the better the leader is in supervising his employees the more comfortable and satisfied employees are in doing their jobs. However, even if this does not happen, it will not affect employee performance. This means that the better the transformational leadership style a leader has does not affect the level of employee performance.
2. There is an influence between transformational leadership style on organizational culture, this is evidenced by the results of calculating the path coefficient value of 0.865 with a t-statistic value of 16.418 and a p-value significance value of 0.000 (< 0.05). This value is greater than t-table (1.96), then H_a is accepted, H_o is rejected. Friendly and mutually helpful relationships with colleagues and leaders are very important and have a strong relationship with organizational culture, the better the leader in supervising his employees, the more comfortable and satisfied employees will be in doing their jobs. A good relationship with the leadership will make the leadership more often to motivate employees. This means that the better the leadership style possessed by a leader affects the level of organizational culture.
3. There is an influence between organizational culture on employee performance showing a path coefficient value of 1.120 with a t-statistic value of 12.404 and a significance p-value of 0.000 (< 0.05). This value is greater than t-table (1.96), then H_a is accepted, H_o is rejected. Employees with a high organizational culture are expected to expend all their abilities and energy to complete a job, so as to produce optimal performance for the company. This means that the higher the organizational culture of a company, the higher the level of employee performance.
4. Transformational leadership style influences employee performance through organizational culture showing a path coefficient value of 0.969 with a t-statistic value of 9.285 and a p-value significance value of 0.000 (< 0.05). This value is greater than t-table (1.96). This illustrates that the transformational leadership style has an indirect effect on employee performance through organizational culture. Then the results of this study show a significant meaning that the transformational leadership style will improve organizational culture which will then provide an increase in employee performance.

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