The Influence of Organizational Culture and Leadership style on Employee Performance with Organizational Commitment as Intervening Variable

Study at PT Perkebunan Nusantara XIV

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Abstract

This study aims to critically examine the application of organizational culture and leadership style carried out by PT Perkebunan Nusantara XIV and its impact on organizational commitment and employee performance. This research was conducted at PT Perkebunan Nusantara XIV by taking data from permanent employees. Data collection was carried out by distributing questionnaires. Data were collected from 213 respondents who were selected using considerations, namely that they must have criteria as permanent employees and have a service period of more than 1 (one) year. The method of analysis is Structure Equation Modeling with the AMOS program version 24.0. The results show that organizational culture and leadership style have a positive and significant influence on organizational commitment. Then, organizational commitment has a positive and significant influence on employee performance. Organizational culture has a positive and significant influence on employee performance, but leadership style has no influence on employee performance. In addition, organizational culture and leadership style have a positive and significant influence on employee performance through organizational commitment.

Keywords: organizational culture; leadership style; organizational commitment; employee performance

INTRODUCTION

In the current age of globalization, companies are required to produce employees with remarkable performance in order to maintain the survival of an organization. If an organization wants to continue to grow, then high-performing human resources are necessary. Because assessment of work performance is the culmination of employee’s efforts in an organization. Employees with great performance can support the achievement of the goals and objectives set by the company. Performance is the output produced by functions or indicators of a task or a job within a certain amount time (Wirawan, 2009: 5 in Herlista, Joko and Dewi, 2012). Employee’s performance is the result of a synergy of a number of factors. Those factors are the organization’s internal environmental factors, external environmental factors, and internal employee’s factors. High-performing employees will produce results which will lead to the fulfillment of organizational goals. On the other hand, organizational goals will be difficult or even impossible to achieve if employees do not perform well in their jobs. According to Siagian (2002), there are many factors influencing the performance of public organizations. Some of them are organizational commitment, organizational culture, and job satisfaction. This is considering that these factors can improve Employee Performance in achieving the goals of an organization. Therefore, it takes organizational
commitment to make it happen. That commitment can be realized if individuals in the organization perform their rights and obligations in accordance with their respective duties and roles in the organization, because the achievement of organizational goals is the result of the work of all members of the organization collectively.

Another factor that can improve Employee Performance is leadership. Leadership is the process of inter-relationship or interaction between leaders, followers and situations. Leadership must involve other people, subordinates or followers. Leadership involves an unequal distribution of power among leaders and group members. Apart from being able to legally direct their subordinates or followers, leaders also have authority (Djatmiko, 2005). PT Perkebunan Nusantara XIV which is a subsidiary of PT Perkebunan Nusantara III (Persero) was established on March 11, 1996 based on Government Regulation Number 19 of 1996. The establishment of PT Perkebunan Nusantara XIV is stated in the Notary Deed of Harun Kamil, S.H. Number 42 on March 11, 1996. Business operations of PT. Perkebunan Nusantara XIV cannot be separated from various factors that can affect the performance of the company, both positive and negative. This is indicated by the company's performance report for the last 5 (five) years as shown below:

**Picture 1. Profit Loss Statement of PTPN XIV**

Based on SWOT results that have been reviewed by Price Water Cooper (PWC), PT Perkebunan Nusantara XIV has weaknesses in several aspects of human resources, including Limited Capabilities (People, System, and Technology) in operation and commercial. This aspect is crucial as PTPN XIV has moved from HR (Human Resources) to HC (Human Capital), which states that human is an asset that must be maintained and developed, not merely as a resource. Supplementing the passage above, according to the measurement results of organizational culture or Organizational Cultural Health Index (OCHI) which was conducted on November 2018 in collaboration with the consulting service ACT Consulting Jakarta indicates that PT Perkebunan Nusantara XIV is not performing well (20%) which means, culturally PTPN XIV is unhealthy, requiring cultural, structural transformation and leadership coaching. Based on the explanations above and the discovered phenomena, the writers are interested in discovering the relationship between these phenomena through a study titled: The Influence of Organizational culture and Leadership on Employee Performance with Organizational commitment as Intervening Variable (Study at PT Perkebunan Nusantara XIV).

**LITERATURE REVIEW**

Within an organization, the matters that need to be considered are human resources which are the main support for achieving organizational goals. Human resources (HR) have a strategic position in an organization, therefore human resources must be utilized effectively and efficiently so that they produce great results. HR management is a series of strategies, processes and activities designed to support company goals by integrating the needs of the company and its individuals (Rivai, 2012: 1). Dessler (1994) defined HR management as policy and also as the practice of determining the human
aspect or human resources in managerial position, including recruiting, screening, training, rewarding and appraising. According to Handoko (2012) Human Resource Management is a planning, organizing, in mobilizing and supervising on procurement, development, compensation, integration, maintenance, and termination of employment with intent in achieving the goals of integrated company organization. Meanwhile, Andrew in Mangkunegara (2012) argued that human resource or workforce planning is defined as a process of determining required labor to meet these needs so that their implementation is integrated with organizational plans.

Organizational Culture

According to Denison in Pranoto (2014) organizational culture is the values, beliefs and principles that are the foundation for management systems and practices as well as behaviors that enhance and strengthen those principles. Organizational culture can be formed in a relatively long time because it originated and can be influenced by internal culture, external culture, and big culture (Prasetyono and Kompyurini, 2008). The process of cultural formation is closely related in an identical characteristic to the process and formation of groups that are very important in their group or group characteristics, the pattern of thoughts sharing, beliefs, feelings and values generated and the sharing of experiences and simultaneously producing the culture and the group itself (Schein, 1992).

Leadership Style

Every leader basically has different behavior in leading his followers, the behavior of those leaders is called a leadership style. Leadership style is a way for leaders to influence their subordinates which is expressed in the form of behavioral pattern or personality. A leader is someone who has a plan and behaves jointly with group members using a certain way or style, thus leadership has a role as a dynamic force that encourages, motivates, and coordinates the company in achieving predetermined goals. Kartini Kartono (2008) stated that "leadership style is the nature, habit, temperament, character, and personality that distinguish a leader in interacting with others". One of the reviews about leadership style is a leadership style that is task-oriented and a leadership style that is oriented towards human relations. A task-oriented leadership style is leadership that is more concerned with leader behavior that leads to the preparation of work plans, determination of organizational patterns, securing communication channels, work methods, and clear procedures for achieving goals.

Organizational Commitment

Organizational commitment is defined as the identification strength and individual commitment with the organization. High commitment is characterized by three things, namely: strong belief and acceptance of the goals and values of the organization, a strong willingness to work for the organization and a strong desire to remain a member of the organization. Commitment appears in three separate but closely related forms, first is identification with the organizational mission, second is psychological involvement with organizational tasks and finally loyalty and attachment to the organization (Dessler, 1994). High organizational commitment is needed in an organization, for the creation of a high commitment will affect the professional work climate. Talking about organizational commitment cannot be separated from loyalty which often follows the word commitment. Such understanding makes the terms loyalty and commitment contain confusing meanings. Loyalty here is narrowly defined as how long employees work in the company or the extent to which they are subject to the orders of a superior regardless of the quality of the contribution to the company. A phenomenon has emerged in Indonesia regarding a person who is considered loyal by employees will submit to their superiors, even though not in the context of a work relationship (Alwi, 2001). According to Allen & Meyer (1993) in Didit (2013) organizational commitment can be divided into three types, namely affective, normative and continuous as a psychological state that characterizes the employee's good relationship with the organization or has
implications for influencing whether employees will stay with the organization. Mowday (1982) in Sopiah (2008: 155) stated that organizational commitment is an important dimension of behavior that can be used to assess the tendency of employees to stay as members of the organization.

**Job Performance**

Job performance of employees determines the success of a company, for that each company will seek to improve the performance of employees in achieving organizational goals that have been set. Organizational culture that is grown and maintained well will be able to spur the organization towards better development. On the other hand, the leader's ability to utilize and empower employees will affect job performance. August W. Smith defined performance as the result of a process carried out by humans. Lawler and Poter stated that performance is an achievement for the success that a person received from his actions. Based on those definitions, performance is the result achieved by a person according to certain standard, within a certain period of time, regarding job, behavior, and actions. Performance is the result of employee activities which is used as a basis for evaluating employees or organizations. Good performance is a step towards achieving organizational goals. Therefore, performance is a determinant in achieving organizational goals. Performance improvement must be pursued by any organizations. Based on statements above, it can be concluded that performance is job achievement of someone which is a part of his duties and responsibilities based on the standards of each company in a certain period of time.

**Conceptual Model**

Based on the activities described in the results of previous studies, the framework, and the relationship between variables in this study, the hypotheses proposed to be tested in this study are the following:

H1: Organizational culture has a positive and significant influence on Organizational commitment;
H2: Leadership style has a positive and significant influence on Organizational commitment;
H3: Organizational commitment has a positive and significant impact on Employee Performance;
H4: Organizational culture has a positive and significant influence on Employee Performance;
H5: Leadership style has a positive and significant influence on Employee Performance;
H6: Organizational culture through Organizational commitment has a positive and significant influence on Employee Performance;
H7: Leadership style through Organizational commitment has a positive and significant effect on employee performance.

![Theoretical Framework](image)

**Picture 2. Theoretical Framework**

**RESEARCH METHOD**

**Location and Research Design**

This study was conducted at PT Perkebunan Nusantara XIV in the span of 1 month. Based on the problems and research objectives to be achieved, the type of research is descriptive-quantitative, where this research uses a survey method with path analysis method to determine the effect of independent variables and dependent variables in PT Perkebunan Nusantara XIV .
Population or Samples

The population in this study were employees at PT Perkebunan Nusantara XIV, 1859 people in total as of October 2020 which includes 11 work units spread across eastern Indonesia. Based on the calculation of the Slovin formula, the minimum sample required is 144 samples (with a margin of error of 8%). In this study, 213 samples were taken and they met the minimum sample requirements. The sampling technique used purposive sampling-non-probability. The population of PT. Perkebunan XIV is depicted in the following figure:

**Picture 3. Employees Distribution at PTPN XIV**

Data Collection Method

In data collection, writers used the method of distributing online and offline questionnaires to respondents, which in this case are permanent employees of PT Perkebunan Nusantara XIV. The closed statement questionnaire system consisted of 40 indicators with a Likert scale of 5 (five) points.

EMPIRICAL RESULTS

Validity and Reliability Test

Validity is a test that shows the extent of the measuring tools we are using is able to measure what we want to measure and not to measure anything else. The validity test was tested with the AMOS 24 program by looking at the output estimate by comparing the p-value in the output estimate with alpha 5%, if the p-value is less than 5% then the indicator is declared valid (Ghozali 2011). Reliability is a test that shows the extent to which the stability and consistency of the measuring device, so as to provide relatively consistent results if the measurement is repeated. The measurement of reliability is based on a numerical index of coefficient. In a research, data quality testing that is often done is the reliability test for internal consistency reliability. Considered reliable if the Cronbach alpha value is> 0.7 (Ghozali, 2011).

**Table 2. Reliability Test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Reliability Test/ Construct Reliability</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational Culture</td>
<td>0.945</td>
<td>Reliable</td>
</tr>
<tr>
<td>Leadership Style</td>
<td>0.724</td>
<td>Reliable</td>
</tr>
<tr>
<td>Organizational commitment</td>
<td>0.914</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Performance</td>
<td>0.911</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source : Processed Data 2020

From the data above, the reliability test results for the 4 variables are declared reliable with the construct reliability value> 0.7. A construct or variable can be said to be reliable if it has Cronbach alpha value> 0.70 (Ghozali, 2011).

Main Variable Findings

Hypothesis test is conducted to determine the presence or absence of influence of
independent variable on the dependent variable. The hypothesis is accepted if the probability (P) value <0.05. The results of hypothesis testing can be seen in the table below:

Table 3. Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>P Values</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Organizational culture → Organizational commitment</td>
<td>0.011</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2 Leadership style → Organizational commitment</td>
<td>**0.003</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3 Organizational commitment → Employee Performance</td>
<td>**0.003</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4 Organizational culture → Employee Performance</td>
<td>**0.003</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5 Leadership style → Employee Performance</td>
<td>0.671</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Based on the table above, the results of hypothesis testing for the direct influence of this study can be described as follows:

1. The test of the influence of organizational culture on organizational commitment shows hypothesis testing with a significance value of 0.011. The resulting value is positive 2.550, this shows that organizational culture has a positive and significant influence on organizational commitment. Thus, the first hypothesis which stated that the organizational culture has a positive and significant influence on organizational commitment is accepted.

2. The test of the influence of leadership style on organizational commitment shows hypothesis testing with a significance value of 0.000. The resulting value is positive 3.685, this shows that leadership style has a positive and significant influence on organizational commitment. Thus, the second hypothesis which stated that Leadership style has a positive and significant effect on organizational commitment is accepted.

3. The test of the influence of organizational commitment on employee performance shows hypothesis testing with a significance value of 0.003. The resulting value is positive 2.932, this shows that organizational commitment has a positive and significant influence on employee performance. Thus, the third hypothesis which stated that organizational commitment has a positive and significant influence on employee performance is accepted.

4. The test of the influence of organizational culture on employee performance shows hypothesis testing with a significance value of 0.000. The resulting value is positive 5.288, this shows that organizational culture has a positive and significant influence on employee performance. Thus, the fourth hypothesis which stated that organizational culture has a positive and significant influence on employee performance is accepted.

5. The test of the influence of leadership style on employee performance shows hypothesis testing with a significance value of 0.671. The resulting value is positive 0.42, this shows that the leadership style does not have a positive and significant influence on employee performance. Thus the fifth hypothesis which stated that leadership style has a positive and significant influence on employee performance is rejected.

The detail of hypothesis testing result of indirect influence is shown below:

Table 4. Indirect Influence

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>P Values</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6 Organizational Culture → Organizational Commitment → Employee Performance</td>
<td><strong>0.029</strong></td>
<td>Accepted</td>
</tr>
<tr>
<td>H7 Leadership style → Organizational Commitment → Employee Performance</td>
<td><strong>0.029</strong></td>
<td>Accepted</td>
</tr>
</tbody>
</table>

Based on the table above, the results of hypothesis testing for the indirect influence in this study can be described as follows:

1. The influence of organizational culture on employee performance with organizational commitment as an intervening variable shows hypothesis testing with a significance value of 0.000. The resulting value is positive 3.963, this indicates that organizational culture through organizational commitment has a positive and significant influence on employee performance. Thus, the sixth hypothesis which stated that organizational culture through organizational
commitment has a positive and significant influence on Employee Performance is accepted.

2. The influence of leadership style on employee performance with organizational commitment as an intervening variable shows hypothesis testing with a significance value of 0.029. The resulting value is positive 2.179, this shows that leadership style through organizational commitment has a positive and significant influence on employee performance. Thus the seventh hypothesis which stated that leadership style through organizational commitment has a positive and significant influence on employee performance is accepted.

DISCUSSION

The discussion of the results of this study was carried out in order to analyze the findings obtained from PT Perkebunan Nusantara XIV. Further explanation regarding the results of this study can be described as follows:

The Effect of Organizational culture on the Organizational commitment

Hypothesis test result shows a significance value of 0.011. The resulting value is positive 2.550, this shows that organizational culture has a positive and significant influence on organizational commitment. Thus, the first hypothesis which stated that organizational culture has a positive and significant influence on organizational commitment is accepted.

Organizational culture at PT Perkebunan Nusantara XIV which is reflected in employee behaviors such as conflict resolution, innovative thinking, and compliance with regulations will affect employee organizational commitment. The attitudes above are indicators that according to survey have the highest average or more than 50% and fall into the high category of the 213 samples.

The results of this study are in line with previous study conducted by Wiwie Harwiski (2016) which concluded that there is a positive and significant relationship between organizational culture and organizational commitment.

The Effect of Leadership style on the Organizational commitment

Hypothesis test result shows a significance value of 0.000. The resulting value is positive 3.685, this shows that leadership style has a positive and significant influence on organizational commitment. Thus, the second hypothesis which stated that leadership style has a positive and significant influence on organizational commitment is accepted.

The leadership style has a very big influence on organizational commitment at PT Perkebunan Nusantara XIV because leaders are the spotlight and role models for their subordinates. Various actions that have been taken within an organization / company in achieving the pursued goals are inseparable from the existence of a leader who is capable and can utilize their employees to be willing to carry out work activities in a disciplined and committed manner to the organization.

The participatory leadership style is considered quite appropriate to be applied because currently PT Perkebunan Nusantara XIV is doing many new recruitments where the majority of those who enter are in the millennial age group category.

The results of this study support previous study conducted by Zehir et al (2012) which concluded that there is a positive and significant relationship between Leadership style and Organizational commitment.

The Effect of Organizational Commitment on the Employee Performance

Hypothesis test result shows a significance value of 0.003. The resulting value is positive 2.932, this shows that organizational commitment has a positive and significant influence on employee performance. Thus, the third hypothesis which stated that organizational commitment has a positive and significant influence on employee performance is accepted.

Based on these results it can be explained that the increase in employee performance at PT Perkebunan Nusantara XIV is caused by the increase of organizational commitment which includes emotional attachment to the company, pride to be part of the company, remain in the company because of needs and desires, the risk of leaving the company, and obligations and responsibilities to
the company.

The results of this study are in line with previous study conducted by Mulyanto & Mini S (2013) which concluded that there is a positive and significant relationship between organizational commitment and employee performance.

**The Effect of Organizational culture on the Employee Performance**

Hypothesis test result shows a significance value of 0.000. The resulting value is positive 5.288, this shows that organizational culture has a positive and significant influence on employee performance. Thus, the fourth hypothesis which stated that organizational culture has a positive and significant influence on employee performance is accepted.

An organizational culture that is grown and well maintained will be able to spur the organization towards better development, in other words, employee performance will also increase along with the growth of cultural values that support employee performance and organizational goals.

The results of this study are in line with previous study conducted by Taurisa and Ratnawati (2012) which concluded that there is a positive and significant relationship between organizational culture and employee performance.

**The Effect of Leadership style on the Employee Performance**

Hypothesis test result shows a significance value of 0.671. The resulting value is positive 0.42, this shows that the leadership style does not have a positive and significant influence on employee performance. Thus, the fifth hypothesis which stated that leadership style has a positive and significant impact on employee performance is rejected.

The research stated that leadership style does not have direct influence on employee performance. The attitude of participatory leadership style, which is chosen by majority of the employees of PT Perkebunan Nusantara XIV, cannot stand alone in influencing employee performance. In this case, leadership style requires other variables in influencing employee performance.

The results of this study are not in line with previous research conducted by Riandani (2010) which concluded that there is a positive and significant relationship between Leadership style and employee performance, but in line with research conducted by Himawan, Taba, and Reni (2019) which concluded that there was no positive and significant relationship between Leadership style and employee performance.

**The Effect of Organizational culture on the Employee Performance through Organizational commitment**

Hypothesis test result shows a significance value of 0.000. The resulting value is positive 3.963, this shows that organizational culture through organizational commitment has a positive and significant influence on employee performance. Thus, the fifth hypothesis which stated that organizational culture through organizational commitment has a positive and significant influence on employee performance is accepted.

The organizational culture of PT Perkebunan Nusantara XIV which takes into account the impact of results on employees (people orientation) makes them comfortable and creates positive feelings for employees in doing their work, which in turn makes employees satisfied with their job and encourages employees to be more committed to their organization.

The organizational commitment felt by employees will of course improve employee performance. Employees who feel valued, satisfied, and want to stay in the company are certainly more able to maximize their performance, because they feel the company is a part of themselves so that advancing the company is an obligation as well as a need for individual employee. This means that by improving organizational culture, organizational commitment will also increase which will be followed by an increase in employee performance.

The results of this study are in line with previous study conducted by Riandani (2010) which
concluded that there is a positive and significant relationship between organizational culture and employee performance through organizational commitment.

The Effect of Leadership style on the Employee Performance through Organizational commitment

Hypothesis test result shows a significance value of 0.029. The resulting value is positive 2.179, this shows that the Leadership style through organizational commitment has a positive and significant influence on employee performance. Thus, the seventh hypothesis which stated that Leadership style through Organizational commitment has a positive and significant influence on Employee Performance is accepted.

The participatory leadership style applied by the leaders of PT Perkebunan Nusantara XIV certainly makes employees feel satisfied, happy, comfortable, and feels appreciated because the leader is always supportive, easy to approach, and always asks employees for opinions in every decision making. The job satisfaction felt by employees will certainly increase organizational commitment.

The results of this study are in line with previous study conducted by Steyrer et al. (2008) which concluded that there is a positive and significant relationship between leadership style and employee performance through organizational commitment.

CONCLUSION

From the research results that it can be concluded that organizational culture at PT Perkebunan Nusantara XIV has a positive and significant influence on organizational commitment. This shows that the Organizational culture functions as the adhesive and builder of commitment among all employees at PT Perkebunan Nusantara XIV. Leadership style at PT Perkebunan Nusantara XIV has a positive and significant influence on Organizational commitment. This indicates that the implementation of directive, participatory, and supportive leadership by PT Perkebunan Nusantara XIV will increase organizational commitment. Organizational commitment at PT Perkebunan Nusantara XIV has a positive and significant influence on employee performance. This shows that the organizational commitment will cause the employees of PT Perkebunan Nusantara XIV to have a sense of belonging to the company. If employees feel involved and feel obliged to advance the company, then their performance will increase. Organizational culture at PT Perkebunan Nusantara XIV has a positive and significant influence on employee performance. This shows that an Organizational culture that is grown and well maintained will be able to spur PT Perkebunan Nusantara XIV towards better development, in other words, Employee Performance will also increase along with the growth of cultural values that support Employee Performance and organizational goals. Leadership style at PT Perkebunan Nusantara XIV does not have a positive and significant influence on employee performance. Individual assessment of leader figures in the work environment can encourage the emergence of good performance but must be accompanied by other variables (organizational commitment). When the leadership style stands alone, its contribution to performance will be very small, even insignificant. Organizational culture at PT Perkebunan Nusantara XIV has a positive and significant influence on Employee Performance through Organizational commitment. This shows that a good Organizational culture at PT Perkebunan Nusantara XIV will increase organizational commitment. Employees who have organizational commitment or feel they are attached to and responsible for the company will give their best performance. Leadership style at PT Perkebunan Nusantara XIV has a positive and significant influence on Employee Performance through organizational commitment. The leadership style that PT Perkebunan Nusantara XIV has will encourage the formation of organizational commitment. Employees who have organizational commitment or feel they are attached to and responsible for the company will give their best performance.
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