

# **The Effect of Leadership Styles and Organizational Culture to Employee Performance Through Job Satisfaction as Intervening Variables (Case Study in IIB Darmajaya)**

**Anik Irawati**

Institute Informatics and Business Darmajaya  
anikirawati@darmajaya.ac.id

## **ABSTRACT**

This study aims to find evidence of the influence of leadership style and organizational culture to employee performance through job satisfaction as intervening variable. The sample in this research are employees of IIB Darmajaya that are 122 respondents. Data collection was done through the distribution of questionnaires to the respondents. This research uses Structural Equation Modeling (SEM) path analysis approach. The result of the test using path analysis shows that there are the influence of leadership style to work satisfaction, organizational culture affects to work satisfaction, the influence of leadership style to employee performance, organizational culture affects to employee performance, organizational culture has effect to employee performance, the influence of work satisfaction to employee performance. Based on the test results, they have positive effect to employees performance, from the highest to the lowest effect respectively that are work satisfaction, leadership style, and organizational culture. The results indicate that is needed to improve the leadership style in order to get high work satisfaction and good employee performance. In addition, it also needs to improve the organizational culture to improve high job satisfaction and good performance of employee. The results of this study can be used as material for the management in optimizing employee performance. Employee performance in this case includes organizational culture, leadership style and job satisfaction.

**Keywords :** *Leadership Style, Organizational Culture, Job Satisfaction and Employee Performance*

## **1. Introduction**

Human resources are the most important company's asset. Douglas (2000) explains that companies need employees who have high performance (job performance). Other studies have concluded that employee performance was influenced by organizational culture (Chen, 2004;). While, Bass et al (2003) found that leadership had influences to employee performance. Important factors determining employee performance and organizational capability adapted to environmental changes according to Bass et al. (2003) and Locander et al. (2002) is leadership. Leadership describes the relationship between the leader and the follower and how a leader directs the follower that will determine follower to achieve the leader's goals or expectations (Locander et al 2002). Leaders developed and directed the potential and ability of subordinates to achieve and exceed organizational goals (Dvir et al 2002). Ogbonna and Harris (2000) found that leadership styles were not directly related to performance. However, in the relationship between competitive and innovative culture with organizational performance was found a positive and strong relationship. Organizational culture is a system of shared meanings, values and beliefs within an organization that is a reference to act and

differentiate one organization from another (Mas'ud, 2004). The organizational culture becomes the main identity or character of the organization that are maintained (Mas'ud, 2004). Mariam (2009) found that there is influence of leadership style with job satisfaction, there is influence between organizational culture with job satisfaction, there is influence between leadership style with employee performance, there is between organizational culture with employee performance and there is influence between job satisfaction with employee performance.

IIB Darmajaya is a developing university in Lampung Province. The vision of IIB Darmajaya is : To be a superior and competitive university based on technology and business. This vision can be achieved if all the individuals in the organization have optimum performance, so it is important for management to pay attention to human resources in order to give the best contribution to the institution. Institutions need to pay attention to factors that can improve employee performance.

## **Literature Review**

### **1. Employee Performance**

Employee performance refers to a person's performance measured by the standards and criteria

set by the company. Management achieving high human resource performance is intended to improve the company as a whole (Mas'ud, 2004). Performance is the success result or level of a person as a whole during the certain period to do the task that is compared to the standard work results, targets or criteria that have been determined in advance and have been mutually agreed (Rivai, 2004).

## **2. Leadership Style**

According to Robbins (2006), leadership is the ability to influence a group to achieve a goal. Leadership affects the interpretation of the events of his followers, organizing and activities to achieve goals, maintaining cooperative relations and group work, obtaining support and cooperation from people outside groups or organizations (Rivai, 2004). Leadership is a process used by leaders to guide organizations and give examples of behavior toward followers (subordinates) (Mas'ud, 2004).

## **Hypotheses**

### **The effect of leadership style to employee performance**

Bass et al (2003) research showed a stronger influence of transformational leadership to employee performance than transactional leadership.

H<sub>1</sub>: Leadership style positively affects employee performance

### **Organizational culture affects employee performance**

Everyone will behave in accordance with the prevailing culture to be accepted in their environment. A person's personality will be shaped by his environment and so that personality leads to positive attitudes and behaviors that must be supported by a recognized norm of truth and obeyed as a guide in acting. Feirianto (2013) the influence of corporate culture to the performance of employees in Universitas X Surabaya, and the results of research Chen (2004). Based on previous research, it can be drawn hypothesis as follows:

H<sub>2</sub>: Organizational culture has a positive effect on employee performance

### **The effect of work satisfaction to employee performance**

Lund (2003) in his research showed that job satisfaction described on the satisfaction of salary, promotion, supervision and cooperation among workers was very big influence in improving its performance, but it was strongly influenced by work

culture that was conducive workers to the organization. This will give an idea of their actions, reactions and decisions about their respectively work situations.

H<sub>3</sub> : Work satisfaction has a positive effect to employee performance

### **The influence of organizational culture on job satisfaction**

Mariam (2009), found that organizational culture affects on job satisfaction in PT. Bank Mandiri (Persero) Bandung Branch Surapati. Employee attitudes and behaviors were enhanced by organizational culture that demonstrated innovative characteristics.

H<sub>4</sub>: Organizational culture affects on job satisfaction

### **The influence of leadership style on satisfaction**

Leadership style as a form of interaction behavior relationship between leader with subordinate can influence job satisfaction, where one of factor is causing the highest the lowest of job satisfaction result from pattern of relationship between superiors and subordinates. Research Mariam (2009) found there was a positive and very significant relationship between transformational leadership style with employee job satisfaction PT. Bank Mandiri (Persero) Bandung Branch Surapati.

H<sub>5</sub>: Leadership style positively affects satisfaction

## **2. Research Method**

This study was categorized into qualitative research, the researchers tried to explain whether there was a significant relationship between independent variables with dependent variabel through SEM analysis.

## **Definition of Conceptual and Operational Variable**

### **Leadership Style**

The leadership style in this study is defined as transformational leadership, which is an independent variable, formed from four indicators namely: ideal influence (leadership style influences subordinate work motivation), inspiration (leadership style gives role model for achievement), intellectual development leadership provides stimulation to subordinates to continue to improve self-efficacy), and personal attention (leadership style mampu provide a conducive environment).

### **Organizational culture**

Organizational culture is defined as a set of values, beliefs, and patterns of behavior that shapes the

organizational identity and behavior of its members. Organizational culture variables are independent variables formed from six indicators, namely: professionalism, distance from management, trust in co-workers, regularity, hostility, and integration.

### Job satisfaction

Job satisfaction is the overall result of the degree of a person's likes or dislikes for various aspects of his work.

### Employee Performance

Employee performance over a certain period of time is measured by the quality and quantity of output produced. Employee performance variables are formed from eight indicators: innovative behavior, initiative taking, self-potential level, time management, achievement of quantity and quality of work, ability to achieve goals, relationships with colleagues and customers, and knowledge of the company's products and competitors' products. Measurements of variables in this study were measured on a scale of 1-7 to express strongly disagreeable opinions (STS) - strongly agreed (SS).

### Population and Sample

In this study is taken from IIB Darmajaya, sampling technique in this study is purposive sampling. The respondents in this study include 122 employees of IIB Darmajaya who have a working period of more than 1 year.

### Reliabilitas and Validitas Test

The next analysis is a full model modeled Structural Equation Model (SEM) after analyzing the unidimensionality of the latent variables formers tested by confirmatory factor analysis. Analysis of data processing result in full stage model of SEM is done by conducting fit test and statistical test. The result of testing of reliability and variance extract to each latent variable over its forming dimension shows that all variables show as a reliable measure because each has reliability greater than 0,6.

### Hypothesis testing

The hypothesis testing in this research is based on Critical Ratio (CR) value of a causality relationship from SEM processing result as in the following table. The results of variance extract testing also have shown that each latent variable is a large enough extraction from the dimensions. This is shown from the value of variance extract of each variable is more than 0.4. From the test results obtained that all CR values are above 1.96 or with a probability smaller than 0.05. Thus all Hypotheses are accepted.

## 3. Discussion

## Hypothesis testing

**Tabel 1. Regression Weight Structural Equational Model**

			Estimate	S.E.	C.R.	P
Job satisfaction	<---	Leadership style	.449	.116	3.755	***
Job satisfaction	<---	Organizational culture	.405	.146	2.228	.005
Employee Performance	<---	Job Satisfaction	.235	.108	2.171	.030
Employee Performance	<---	Leadership style	.228	.113	2.002	.043
Employee Performance	<---	Organizational culture	.278	.137	2.053	.042

### Hypothesis testing 1

The estimation parameter for testing of leadership style on job satisfaction shows CR value of 3.755 and with probability of 0.000. Both values obtained are eligible for H<sub>1</sub> acceptance ie CR value greater than 1.96 and probability smaller than 0.05. Thus it can be concluded dimension-leadership will affect the job satisfaction.

### Hypothesis testing 2

The estimation parameter for testing the influence of organizational culture on job satisfaction shows CR value of 2,002 and with probability equal to 0.005. Both values are eligible for the acceptance of H<sub>2</sub> ie probability smaller than 0.05. Thus it can be concluded the dimensions of organizational culture will affect the job satisfaction.

### Hypothesis Testing 3

The estimation parameter for testing the influence of leadership style on employee performance shows CR value of 2.022 and with probability of 0,043. The two values obtained are eligible for H<sub>3</sub> acceptance ie CR value greater than 1.96 and probability smaller than 0.05. Thus it can be concluded that the dimensions of leadership style will affect the performance of employees.

### Hypothesis Testing 4

The estimation parameter for testing the influence of organizational culture on employee performance shows CR value of 2.033 and with probability of 0.042. Both values obtained are eligible for H<sub>4</sub> acceptance ie CR values greater than 2.58 and probabilities smaller than 0.05. Thus it can be

concluded the dimensions of organizational culture will affect the performance of employees.

### Hypothesis Testing 5

Parameters for testing the influence of job satisfaction on employee performance shows the value of CR of 2.053 and with a probability of 0.030. Both values obtained are eligible for H5 acceptance is CR value greater than 1.96 and probability smaller than 0.05. Thus it can be concluded that the dimensions of job satisfaction will affect employee performance.

### Direct and Indirect Influence

Analysis of influence is intended to see how strong the influence of a variable with other variables either directly, or indirectly. Interpretation of these results will have important meanings to get a selection of strategies clearly. In accordance with the theoretical studies and results of previous hypothesis testing, organizational culture and leadership style will have a direct or indirect effect on employee performance. The indirect influence of these variables is by first passing job satisfaction, which further affects employee performance.

### 4. Conclusion

The results showed that organizational culture and leadership style have an influence to work satisfaction in improving employee performance. These results support the research of Mariam (2009), Hendrawan (2014) and Valentina (2015). The effect of leadership style to job satisfaction is significant, the influence of organizational culture to job satisfaction is significant; the effect of leadership style to employee performance is significant; the effect of organizational culture to employee performance is significant; and the effect of work satisfaction to employee performance is significant. Based on the test results, they affect on employee performance, with the level of influence from the highest to the lowest respectively are job satisfaction, leadership style, and organizational culture. In relation to this matter, the management can give attention especially:

1. Employee of work satisfaction (including satisfaction with promotion, satisfaction with superiors, satisfaction with the job itself, satisfaction with colleagues and satisfaction with salary).
2. Organizational culture (including hostility, professionalism, regularity, distance from management, trust in coworkers and integration).
3. Leadership Style (including ideal influence, intellectual influences, inspiration, personal attention).

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