

Studying The Relationship between Organizational Culture and Transformational Leadership with Employees' Performance

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Abstract: In a high level of competitive industry, employees' performance become a determinant factor to gain the competitive advantages in the industry. PT Telkom Jakarta Region, a public telecommunication company at Jakarta, had shown low business growth in the recent years. It came to an assumption that company's low growth due to the problem of employees' performance. A preliminary survey that had been conducted described that more than 30% employees had problem with their work performance especially in quantity and quality of their work results, and in efficiency, effectiveness, accuracy as well as their productivity in doing their jobs. Using a correlational study and 125 employees as research sample, this research designed to study the company's organizational culture and transformational leadership that hypothesized had positive relationship with employees' performance. The research findings accepted all research hypotheses that (1) organizational culture had a positive relationship ($r = 0.756$, $p < 0.01$) with employees' performance, (2) transformational leadership had a positive relationship ($r = 0.641$, $p < 0.01$) with employees' performance, and (3) organizational culture and transformational leadership had a positive relationship ($r = 0.799$, $p < 0.01$) simultaneously with employees' performance. Based on that findings, we suggest to strengthen the company's organizational culture and to improve transformational leadership of all managers in the organization in order to enhance employees' performance and gain competitive advantage in the industry.

Keywords: Employees' Performance, Organizational Culture, and Transformational Leadership.

I. Introduction

In recent years, the competition in telecommunication industry in Indonesia become higher and severe. PT Telkom, a public telecommunication owned by government, challenged by many competitors from national even from international companies. Since 5 years ago, PT Telkom had yearly shown low business growth. It is believed that there are no significant differences among competitors in the technology level usage as well as in the marketing strategies. Then it traced further that to get a high competitive strength in the industry, it should be addressed that company's employee performance became a determinant factor.

In October 2018, a preliminary survey had conducted to get information about company's employee performance and other factor related to the employees' performance. This survey described some findings about employees' performance as follows (1) 37% of employees didn't meet the quality standard, (2) 32% of employees had low level of quantity of their work, (3) 37% of employees didn't follow the SOP regulations, (4) 31% of employees had low work efficiency, (5) 33% of employees had ineffective results in their jobs, and (6) 34% had worked in low level of productivity. It also identified that employees had low concerned about company's organizational culture factors such as work values and norms. The leaderships of company's managers had found less effective than it required.

Based on the findings from preliminary survey it could be assumed that the condition of organizational culture and leadership style of managers will have effect on employees' performance. By conducting this research, and if there were evidences of those relationship, then we can propose recommendations to improve employees' performance through strengthening the organizational culture of the company and leadership style of managers in the company.

The rest of this paper is organized as follows. Section II describes the bases of the theoretical foundations to understand the relationship between organizational culture and leadership style (specified as transformational leadership) with employees' performance. Section III describes the research method used. Section IV presents the results of the study and recommendations to improve employees' performance. The conclusions, recommendations, and acknowledgement close this paper.

II. Theoretical Background

This section presents the theoretical reference on the main themes of research: employees' performance, organizational culture, and transformational leadership, also some prior relevant researches, thus grounding the object of this research.

A. Employees' Performance.

Robbins and Coulter (2013) defined employee's performance as the final results of individual work activities during a period of time in the organizations. The results of work activities can be identified by some indicator as follows: efficiency, related to methods or techniques used in doing the jobs, effectiveness, related to degree of results achieved, and productivity, means the ratio of results gain and input factors used [1].

Daft (2010) stated that employee's performance is individual and group effort in accomplishing works requirements by using organizational resources efficiently, effectively, completely and productively. Complete works means meet all job standards, and productively means using resources to gain maximum output [2]. Nelson and Quick (2006) argue that employee's performance refer to the accomplishment of employee toward objectives of his/he jobs. It can be measured quantitatively and qualitatively [3].

Gibson et al (2012) define job performance as the outcomes of jobs that relate to the purposes of the organization such as quality, efficiency, and other criteria of effectiveness. Job performance is without a doubt a complex variable that depends on the interplay of numerous factors [4].

Based on the descriptions above mentioned it can be synthesized that employee's performance is individual final results or accomplishing work requirements in doing his/her jobs during a period of time. Employee's performance has some dimensions such as efficiency in doing the jobs, effectiveness in achieving the objectives, quantity (volume), quality in meeting the standard, and productivity as ratio of output per-input.

B. Organizational Culture and Employees' Performance

According to Schein (2010), organizational culture is the archetype accepted by organizations to act and solve problems, forming employees who are able to adapt to the environment and unify organizational members. For that it must be taught to members including new members as a correct way of assessing, thinking and feeling the problems faced. The culture within organizations has three basic elements: artifacts, espoused values, and underlying assumptions [5].

Ramlanto, Soewarto Hardhienata and Widodo Sunaryo (2017) stated that organizational culture is a shared perspective on the values, norms, and beliefs of individuals in the organization that is formed from the interaction between members to achieve common goals. The indicators that show the culture of the organization, namely: application of norms, confidence in the consensus value, confidence in the organization, integration with fellow members of the organization, clear ownership of the roadmap, seriousness of the joint achievement, and working principle of the agreed personnel within the organization [6].

According to Luthans (2012) defined organizational as the archetype of assumptions invented, discovered, or developed by certain groups such as learning to cope with external adaptation and internal integration that has worked quite well to be considered valuable and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to the matter [7]. Robbins (2003) argue that organization culture is a system of shared meaning held by members that distinguishes the organization from other organizations. The differences among organizations can be identified from individual's risk taking and innovation, attention to details, outcome orientations, people orientation, team orientation, aggressiveness and stability [8].

Based on the theoretical descriptions above mentioned that organizational culture - which consists of values, norms, and beliefs of individuals in the organization that is formed the interaction between members to achieve common goals, to act and solve problems - can have effect on employees' efficiency, effectiveness, quantity, quality and productivity in doing his/her jobs. If the organizational culture perceived by employees as a conducive situation or atmosphere, then it will support employees to perform his/her jobs. It can be hypothesized that there is a positive relationship between organizational culture and employees' performance.

C. Transformational Leadership and Employees' Performance.

Euis Dedeh Suartilah, Billy Tunas and Widodo Sunaryo (2017) stated that transformational leadership is the leaders' behaviour that influence his/her followers by his/her characteristics as follows. 1) *Idealized influence* consists of indicators (a) cultivating respect, and (b) having vision and sense of mission. (2) *Inspirational motivation* (indicator) (a) provides work challenges, and (b) gives positive impetus. (3) *Intellectual stimulation* (indicator) (a) encourages creativity, and (b) approaches intelligence and rationale. (4) *Individualized consideration* with indicators (a) acting as advisors, and (b) trainers [9].

Colquitt, Lepine and Wesson (2015) stated that transformational leadership involves inspiring followers to commit to a shared vision that provides meaning to their work while also serving as a role model who helps followers develop their own potential and view problems from new perspectives. There are four dimensions of transformational leadership: *idealized influence* involves behaving in ways that earn the admiration, trust, and respect of followers, causing followers to want to identify with and emulate the leader; *inspirational motivation* involves behaving in ways that foster an enthusiasm for and commitment to a shared vision of the future;

Intellectual stimulation involves behaving in ways that challenge followers to be innovative and creative by questioning assumptions and reframing old situations in new ways; and *Individualized consideration* involves behaving in ways that help followers achieve their potential through coaching, development, and mentoring [10] Robbins and Judge (2014) stated that transformational leaders inspire followers to transcend their self-interests for the good of the organization and can have an extraordinary effect on their followers. There are four dimensions of transformational leadership as follows: *Idealized Influence*: Provides vision and sense of mission, in still pride, gains respect and trust. *Inspirational Motivation*: Communicates high expectations, uses symbols to focus efforts, express important purposes in simple ways. *Intellectual Stimulation*: Promotes intelligence, rationality, and careful problem solving. *Individualized Consideration*: Gives personal attention, treats each employee individually, coaches, and advises [11].

Based on the definitions above mentioned that transformational leadership– which involves inspiring followers to commit to a shared vision, serving as a role model who helps followers develop their own potential and view problems from new perspectives, and have an extraordinary effect on their followers – can have effect on efficiency, effectiveness, quantity, quality and productivity of employee in doing his/her jobs. If the managers effectively conduct the transformational leadership style, it will influence, inspire and stimulate employees to achieve high performance on their jobs. It can be hypothesized that there is a positive relationship between transformational leadership with employees’ performance.

If there is a positive relationship between organizational culture with employees’ performance, and if there is a positive relationship between transformational leadership with employees’ performance, it also can be hypothesized that there is a positive relationship between organizational culture and transformational leadership simultaneously with employees’ performance.

D. Prior Related Works.

Lambok Simamora, Billy Tunas and Widodo Sunaryo (2016) generated their research finding that there is a positive significant relationship among variables under the following distribution of coefficient of correlation: organizational culture to individual lecturer’s performance ($r = 0.552, p < 0.05$) [12]. Nadiyah, Soewarto Hardhienata and Widodo Sunaryo(2018) had come to similar conclusion that there is a significant positive relationship between organizational culture and performance of lecturer with correlation coefficient $r = 0.61, p < 0.01$ [13].A research by Sumirta Adi, Soewarto Hardhienata and Widodo Sunaryo (2013) generated a conclusion that transformational leadership had significant effect (Path-coefficient = 0.458, $p < 0.05$) with individual performance in research settings [14]. Shahzad Naeem and Benish Khanzada (2018) generated their research finding that there is a positive significant relationship ($r = 0.593, p < 0.01$) between transformational leadership and employee’s performance [15]. Those research findings can be described at this table below.

Tabel 1: Prior Researches in Employees’ Performance in Relation with Organizational Culture and Transformational Leadership

No	Authors	Research Title and Method	Related Research Findings
1	LambokSimamora, Billy Tunas, and WidodoSunaryo (2016)[12]	The relationship between Organizational Culture, Emotional Intelligence and Job Satisfaction to Lecturers’ Performance (using Correlational and Regression Analysis Technique)	There is a positive significant relationship ($r = 0.552, p < 0.05$) between organizational culture with individual performance.
2	Nadiyah, SoewartoHardhienata and WidodoSunaryo (2018)[13]	Sequential Explanatory Analysis on lecturer’ performance investigated by reference to organizational culture, knowledge management, and personality	There is a significant positive relationship between organizational culture and performance of lecturer with correlation coefficient $r = 0.610, p < 0.01$.
3	SumirtaAdi, SoewartoHardhienata and WidodoSunaryo (2013)[14]	The effect of organizational culture, transformational leadership and work motivation toward teacher performance (using the Path Analysis Technique).	Transformational leadership had significant effect on individual performance in research settings (Path-coefficient = 0,458, $p < 0.05$).
4	ShahzadNaeem and BenishKhanzada (2018)[15]	Role of Transformational Leadership in Employee's Performance with Mediating Role of Job Satisfaction in Health Sector of Pakistan (Using Correlation and Regression Analysis Techniques)	There is a positive significant relationship ($r = 0.593, p < 0.01$) between transformational leadership and employee’s performance

Those research findings above mentioned had strengthened this research hypotheses that there is a relationship between organizational culture and individual performance, and there is a relationship between transformational leadership and employees' performance, and also there is a positive relationship between organizational culture and transformational leadership simultaneously with employees' performance.

III. Research Method

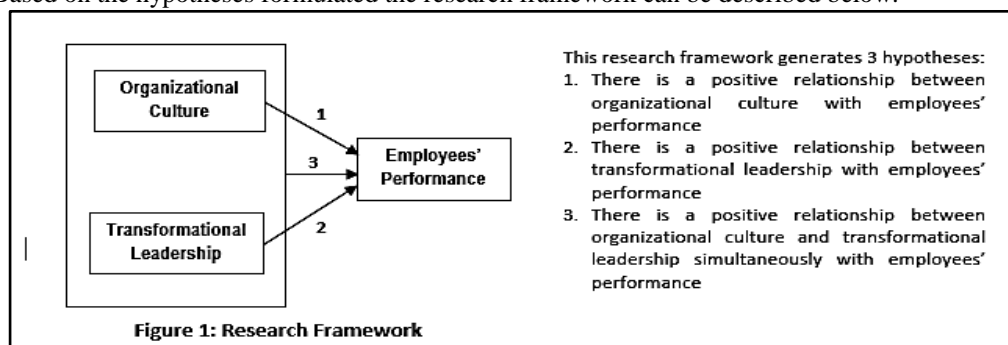
Systematic review of the relevant literature concerning the concepts surrounding the research hypotheses was carried out. This research method aims to summarize all the existing information about the research population and sample, research framework, data collection, statistical analysis and hypotheses testing.

A. Research Population and Sample.

This research conducted from October 2018 to July 2019 at PT Telkom Jakarta Region. The population are 181 permanent employees of PT Telkom Jakarta Region. The research sample was 125 employees taken from the population as it calculated by Taro Yamane Formula with 95% significance level [16].

B. Research Framework

Based on the hypotheses formulated the research framework can be described below.



C. Data Collecting

Data of employees' performance collected using a questionnaire filled by each employee's superior. His/her superior rated employee performance in 5 points Rating Scale. Data of organizational culture collected using a questionnaire filled by employee his/her-self. He/she rated his/her perception about all aspects of organizational culture in 5 points Likert Scale. Data of transformational leadership collected using a questionnaire filled by employee. He/she rated his/her superior's leadership style in 5 points Rating Scale.

All those questionnaires had already tried out (used 30 sample) to measure its reliability coefficient which calculated by Alpha Cronbach formula [17]. Table 2 below described each reliability coefficient of the questionnaires.

Table 2: Reliability Coefficient of Questionnaires

No	Questionnaire Measured	Sum of Items*)	Rated by	Reliability Coefficient
1	Employees' Performance	27 valid items	Superior	0.948
2	Organizational Culture	31 valid items	Employee	0.940
3	Transformational Leadership	28 valid items	Employee	0.939

*) Notes:

1. All questionnaires before validation trial each consisted of 40 items. There were some item dropped-out, and the rest is the valid items only.
2. Validation process of those questionnaires used Item Analysis Procedure (Item-Total Scores Correlation calculated by Pearson Product Moment Correlation at 0.05 Level of Significance).

D. Data Analysis

All those questionnaires applied to 125 employees as the research sample. Data from the sample analysed step by step as follows:

1. Applied basic statistical analysis to calculated Mean, Median, Mode, Deviation standard, highest and lowest scores.
2. Testing the Normality of empirical data from research sample used Lillifors Formula. This procedure used to examine that the research sample coming from a population with normal distribution.

3. Testing the Linearity of empirical data from research sample used Regression Analysis. This procedure used to examine that the relationship of the data from employees' performance, organizational culture and transformational leadership meet the principle of linearity.
4. Correlational Analysis to measure the strength of relationship between research variables.

IV. Results and Discussions

1. Based on basic statistical analysis it can be described empirical data measured by questionnaires from research sample in table below.

Table 4: Empirical Data from Research Sample

No	Statistical Data	Employees' Performance	Organizational Culture	Transformational Leadership
1	Sum of sample	125	125	125
2	Questionnaires Items	27	31	28
3	Highest Score	127	124	109
4	Lowest Score	64	67	68
5	Mean	93	99	90
6	Mode	100	97	86
7	Median	95.5	95.5	88.5
8	Deviation Standard	12.91	11.43	9.27

2. Normality Test for Empirical Data from Research Sample can be described in table below.

Table 5: Normality Test Results

No	Data Description by Lillifors Formula	Employees' Performance	Organizational Culture	Transformational Leadership
1	Empirical Data	0.063	0.075	0.052
2	Lillifors Standard	0.079	0.079	0.079
3	Results	Empirical < Standard	Empirical < Standard	Empirical < Standard

Based on Normality Test results mentioned above where empirical data is lower than Lillifors Standard, it can be concluded that data from each questionnaires of employees' performance, Organizational Culture and Transformational Leadership, coming from a population with a normal distribution.

3. Linearity Test for Empirical Data from Research Sample can be described in table below.

Table 6: Linearity Test Results

No	Data Description from Regression Analysis	Between Organizational Culture and Employees' Performance	Between Transformational Leadership and Employees' Performance
1	Deviation from Linearity	1,467	1,322
2	Significance Level (calculated)	0.086	0.169
3	Significance Standard	0.05	0.05
4	Results	Empirical > Standard	Empirical > Standard

Based on Linearity Test Results mentioned above where empirical linearity is higher than significance standard level it can be concluded that the relationship between organizational culture with employees' performance and transformational leadership with employees' performance followed the linearity principle.

4. Correlational Analysis

The correlational Analysis technique used to test the hypotheses. This analysis used Product-Moment Correlation Technique and applied t-test procedure with 0.05 minimum level of significance.

Table 7: Correlational Analysis Results

No	Analysis Description	Between Organizational Culture and Employees' Performance	Between Transformational Leadership and Employees' Performance	Between Organizational Culture and Transformational Leadership Simultaneously with Employees' Performance
1	Coefficient Correlation	0.756	0,614	0.799
2	Empirical t data	12.807	8,635	10,751
3	Standard t (0.05)	1,979	1,979	3,097
4	Results	Empirical > Standard	Empirical > Standard	Empirical > Standard

Based on Correlational Analysis Result mentioned above it can be concluded that all research hypotheses accepted. The present correlation coefficient of organizational culture with employees' performance (0.756) had similar direction (positive) and had slightly higher than prior related work (0.610). Also, the present correlation coefficient of transformational leadership with employees' performance (0.614) had positive direction and had slightly higher than prior related work (0.593).

V. Conclusion and Future Work

This research has examined the 3 hypotheses and generated 3 findings that it can be concluded as follows:

1. There is a positive, significant and strong relationship between organizational culture with employees' performance.
2. There is a positive, significant and strong relationship between transformational leadership with employees' performance.
3. There is a positive, significant and strong relationship between organizational culture and transformational leadership simultaneously with employees' performance.

Based on those conclusions above mentioned, and in order to enhance employees' performance and to get higher competitive advantage of PT Telkom Jakarta Region, we propose some recommendations as follows:

1. The company should increase the activities or program to internalize the organization's values, norms, and beliefs toward all employees in the organization that is formed the interaction between members to achieve common goals, to act and solve problems effectively.
2. The company should strengthen transformational leadership style of all managers which involves inspiring followers to commit to a shared vision, serving as a role model who helps followers develop their own potential and view problems from new perspectives.
3. If the increasing activities or program for strengthening the organizational culture and transformational leadership hold simultaneously it will generate a synergy effect to enhance employees' performance.

VI. Acknowledgement

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