



## **The Influence of Leadership Competencies, Organizational Culture, Employee Motivation and Performance (Studies in PDAM Malang, East Java, Indonesia)**

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### **Abstract**

The purpose of this study is to examine the influence of leadership competencies and organizational culture on the motivation and performance of employees. The study population is the fixed employees of local water supply company (PDAM) Malang using interview technique and purposive sampling approach, a sample of 72 employees on the basis of who agreed to be interviewed only. Partial least square software is used to analyze data. The results showed that there is no significant direct influence between leadership competencies and organizational culture on employee performance, but there is an influence of leadership competencies and organizational culture on employee motivation, and also there is a significant influence of motivation on employee performance. The research findings indicate that the motivation variable has a full mediating role on relationship between leadership competencies and organizational culture on employee performance. It means that to improve the performance of employees, must be built high motivation to improve employee performance.

**Keywords** Leadership Competencies; Organizational Culture; Motivation; Employee Performance

### **1. Introduction**

Regional water supply company of Malang Municipal is a regional government owned company demanded to conduct a good corporate governance to achieve a high growth and competitive advantages. In doing so, it is needed an extra effort to realize through implementation of vision, mission, as well as goals in an effective and efficient way. This effort should be accompanied by appropriate internal resources allocation to ensure a successful objective of the company. Based on this background, it is urgently needed a research on how to measure employee's performance related to leadership, organizational culture, and employee's motivation.

Previous research on causalities relationship between leadership and employee's performance by Sharkie, 2009; Cools, 2010; Salman, 2011; Xu and Zhong, 2013 found a positive and significant impact of leadership on employees' performance. Their performance will be rise up if a leader has an expected capability, high integrity, as well as directive capability accepted by organization members. A contrary result revealed by Minh and Nguyen (2014) and Yang et al. (2012) that leadership is unable to increase employees' performance.

Ahmad (2009), Li et al. (2012) examined an effect of leadership on employees' motivation and found that there is a positive and significant impact of leadership character on employees' motivation. Another study conducted by Cools (2010) and Chaudhry et al. (2012) in Pakistan demonstrated a similar result that transformational and transactional leadership have a positive and significant effect on employees motivation.

A good climate of work should appear in an organization to keep every employee fully dedicated his/her ability to execute all of their tasks. It will be achieved if there exists a strong motivation of an employee in an organization. A positive and significant relationship between work motivation and employees' performance shown in research conducted by Hayati and Chaniago (2012) and Cools (2010). A strong influence of a leader is a must in an organization to maintain a worker voluntarily to work hard and to give all of their potential for working. It is a challenging duty for a leader who required a good skill to motivate an employee.

A study of leadership impact on employee's performance in real estate companies conducted by Li et al. (2012) and Cools (2010) based on 118 of 187 responses have shown that leadership competencies have a positive impact on employees' performance through mediating role of motivation. A further research by Cools (2010) demonstrated a good mediating role of motivation in relationship between organizational culture and employees' performance. This research will be done based on those finding.

## 2. Research Conceptual Framework

Based on the previous research findings and literature reviews, it can be described a following conceptual framework as shown in Figure 1.

## 3. Hypotheses

### 3.1. Impact of leadership on employee's performance

Achieving vision, mission, and objectives effectively, and efficiently by properly allocation of internal resources are main goals of such organization. A leader required high competencies and capability to direct employees accomplish their tasks based on a strong motivation. Xu and Zhong (2013), Sharkie (2009), and Cools (2010) found a positive and significant impact of leadership on increasing performance of employees, where employees' performance will rise up if a leader has a high competency, integrity, and capability to direct his/her followers to achieve organizational goals. On the other hand, Minh and Nguen (2014) show that leadership capability solely is not enough to increase employees' motivation, there is also a mediating role of work satisfaction to leverage employees' morale to accomplish their work (Yang et al., 2012). This is a research gap could be filled in this study.

$H_1$ : A high leadership competencies will increase employees' performance.

### 4. Impact of Organizational Culture on Employee's Performance

A conducive organizational culture will trigger employees to work more productive and creative, especially in developed technological information era where transfer and access of knowledge between countries is easier. However, a high adaptability of employees is a must to adopt rapid changes of technological information. An organizational culture could be viewed as competitive advantages when it is valuable, rare, un-inimitable, and non-substitutable (Barney, 2001). Several researches demonstrated a positive and significant impact of organizational culture on employees' performance Gajendran and Brewer (2007); Haerani et al. (2012); Cools (2010), and Oemar (2007). However, a contrary result show by Liem (1995) that organizational culture decreases employees' performance. Based on this statement, it can be proposed the second hypotheses:

$H_2$ : A better organizational culture may increase employees' performance.

### 5. Impact of Leadership Competencies on Employee's Motivation

A study by Li et al. (2012) and Ahmad (2009) show that leadership characteristics have a positive and significant impact on employees' motivation. A similar result also revealed by Cools (2010) and Chaudhry et al. (2012) who conduct research in Pakistan that both transformational and transactional leadership influence employees' motivation positively and significantly.

In public sector organizations, a leader is demanded to have a professional attitude, provide prime services for societies from all level of administrative government. In addition, a good leader is not only required to have a good vision, wise, honest, creative, and innovative but also mastering excellent competencies and capabilities in leadership. Based on this explanation, it can be stated that:

H<sub>3</sub>: A high-level leadership competencies may increase employees' motivation.

## 6. The Impact of Organizational Culture on Employees' Motivation

A profit oriented organization could absorb such values and believes in its social environment and then implement it for a code of conduct to create a good work climate. Cools (2010), and Cucu-Ciuhan, and Guita-Alexandru (2014) proved that there is a positive and significant effect of organizational culture on increasing employees' motivation to work. A similar result revealed by Panagoitis et al. (2014) who conduct research in state universities of Athena that clan organizational culture increase work motivation of employees, but contrary influence shown by both hierarchy and bureaucracy culture.

H<sub>4</sub>: A better organizational culture may increase employee's motivation.

## 7. The Impact of Employees Motivation on Employees Performance

A good organization will maintain a positive value as a code of conduct of all employees in accomplishing their tasks. Every member of an organization is expected to complete all his/her job based on job allocated. It will be realized when an employee has a strong motivation to do his/her task. Hayati and Caniogo (2010) found a positive and significant influence of motivation on employees' performance.

Motivation is a natural driving force to satisfy and to survive (Clayton, 2000). A motivation produced by employee's attitude to cope with the working environment. Motivation can also be seen as condition and energy to direct an employee moving toward organization's objectives. Soeroso (2002) said that motivation is a set or collection of behaviors as a base or reason to reach specific goals. A work motivation can be divided into two: (1) An extrinsic motivation, (2) intrinsic motivation.

Based on the definitions above, it could be said that a motivation objective is to raise an employee willingness to work, to exploit his/her internal potential, to behave that force a better performance. According to this, it can be proposed further hypotheses.

H<sub>5</sub>: A higher or stronger employees' motivation may increase employees' performance.

## 8. Hypotheses Testing

The results of testing the research hypothesis more clearly can be described as follows:

H1 : Leadership Competence Influence on Employee Performance

H2 : Organizational Culture affects Employee Performance

H3 : Leadership Competence Influence on Employee Motivation

H4 : Organizational Culture Affects Employee Motivation

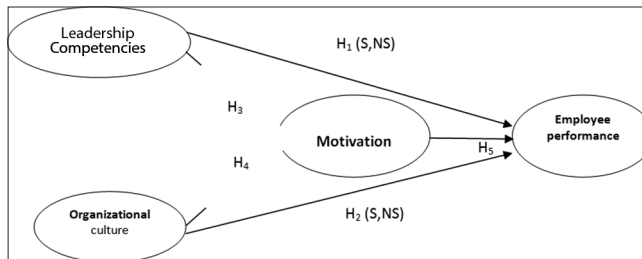
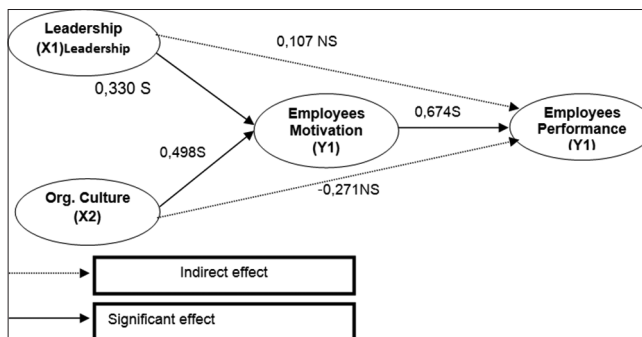
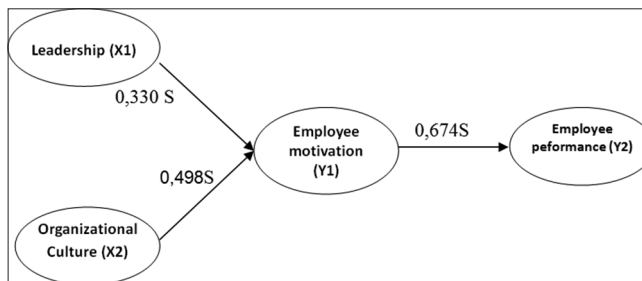
## 9. Discussion

### 9.1. The impact of leadership on employees' performance

The results show that leadership does not influence significantly on employees' performance. In other words, higher leadership competencies cannot directly affect an increasing of employees' performance. A direct impact analysis of leadership on employees' performance reveal path coefficient value of 1.107 with t-statistic 1.090 and P-value 0.275. It describes that relationship between leadership and employees' performance does not exist. It also mean that leadership competencies in regional water supply company

**Table 1: Recapitulation of research results**

Variables' relationship	Path coefficient	T-test	P-value	Description
Leadership→employees' performance	0.107	1.090	0.275	ns
Organizational culture→employees' performance	-0.271	1.486	0.137	ns
Leadership→employees' motivation	0.330	4.133	0.000	Sign
Organizational culture→employees' motivation	0.498	6.698	0.000	Sign
Employees motivation→employees' performance	0.674	5.243	0.000	Sign

**Figure 1: Conceptual framework of the research****Figure 2: Testing direct effect****Figure 3: Finding model of the research**

(PDAM) cannot rise up employees' performance. In other words, there exist other variables that could increase employees' performance, such as work motivation in term of material or nonmaterial. It can be concluded that leadership competencies are less considered in leveraging performance by employees.

This result also proved that a dominant indicator that contributes to leadership is individual capability with the highest loading factor 0.868. It is accordance to internal condition in the company in general that employees' view of leader with a good individual capability, self-confidence, high intelligent, and mature personal will easily be followed by organization members in executing their jobs.

## 10. The Impact of Organizational Culture on Employees Performance

Organizational culture has not significant influence on employees' performance. It is mean that although a better organizational culture exists in the company, there is no guarantee that an increasing employees performance appears. An analysis direct impact of leadership on employees' performance shows a negative path coefficient  $-0.271$  with t-statistic 1.486 and P-value 0.137. These numbers describe that organizational culture in the company does not have an effect on employees' performance because they consider a less risk task in the company.

Based on the descriptive analysis that organizational culture considered as a good viewed by respondent due to a high average score of aggressivity indicator 4.03 of 5.00 Likert scale. This number shows employees' viewed that an aggressive organizational culture to optimize job can increase employees' performance.

Hypotheses testing show that the dominant indicator that contributes to organizational culture is team orientation with loading factor 0.818. This result is in accordance with internal climate of PDAM organization that team orientation may increase employees' performance because work environment is built on family based.

## 11. The Impact of Leadership on Employees' Motivation

Leadership has a positive and significant effect on employees' motivation that higher leadership competencies will automatically increase his/her motivation. The direct and indirect effect analysis of leadership on employees motivation revealed by path coefficient value 0.330, t-statistic 4.133 and P-value 0.000. These numbers indicate that there is a positive and significant impact of leadership on employees' motivation. In other words, an increase in leadership competencies will cause a higher working motivation for employees.

Based on the descriptive analysis, employees motivation is viewed as a good matter by respondent in term of a highest average score of socialization need indicator 4.08. This number indicates that a good communication need and a support climate among employees and between employees and leaders are viewed as added value to increase working motivation in organization.

The study result proved that the dominant indicator contributes to employees' motivation is a safety needs with loading factor 0.844. This number demonstrates that employees consider safety needs in term of safety assurance and protection on job risk may increase employees' motivation to work.

## 12. The Impact of Organizational Culture on Employees' Motivation

The research demonstrates that a good organizational culture in terms of innovative, result orientation (Deresky, 2008), human orientation, aggressive, and concern with stability will increase employees' motivation. This result supports the previous research found by Cools (2010), and Cucu-Ciuhan and Guita-Alexandru (2014).

## 13. The Impact of Motivation on Employees Performance

The empirical results have proved that a high work motivated employees always show an excellent performance. These findings also demonstrate that motivation may increase employees' performance in regional water supply company (PDAM) of Malang Municipal. This result is in accordance with the previous research by Cools (2010), and Hayati and Caniago (2012).

## 14. Findings

This research found that to increase employees' performance of PDAM Malang Municipal through leadership and organizational culture, it must be preceded by forming a high work motivated employees. The motivation in this study is fully mediated the relationship between leadership and organizational culture on employees' performance. In the long term, it will rise up organizational performance. An appropriate research conceptual model for the PDAM is as shown in Figure 3.

## 15. Limitations

This research has limitations in terms of sample respondent consists of fixed employees in Malang Municipal PDAM and data collected is a cross section data. Hence, the result has low generalization to describe another regional water supply companies.

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