

# The Effects of Organizational Culture and Leadership Style on Employee Performance Through Employee Engagement as Intervening Variable at Pt. Bank Mandiri Micro Banking Cluster Baturaja

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**Abstract**—This study focuses on the effects of organizational culture and leadership style on employee performance through employee engagement as intervening variable. The hypotheses which were tested in this study are: (1) organizational culture and leadership style had significant effect on employee engagement, (2) organizational culture, leadership style and employee engagement had significant effect on employee performance. The samples of this study was 68 respondents from Mandiri Bank of Baturaja Micro Banking Cluster (MBC). The data used were obtained from Mandiri Bank of Baturaja MBC and were analyzed using Structural Equation Models (SEM) with Smart-Partial Least Square (PLS) program. The results show that organizational culture did not have significant effect on employee engagement and employee performance, leadership style had positive significant effect on employee engagement and employee performance, while employee engagement had a positive significant effect on employee performance. This study is expected to be useful for a company especially for Mandiri Bank of Baturaja MBC as consideration in making improvement decisions and for further researchers this study can be used as one of the references for research that related to organizational culture, leadership style, employee engagement and employee performance.

**Keywords:** *organizational culture, leadership style, employee engagement, employee performance*

## I. INTRODUCTION (BACKGROUND)

Organizational culture is a system of spreading beliefs and values which grow in an organization and direct the behaviors of its members. It might be a main competitive instrument; in that organizational culture supports the organization strategy and it can solve or overcome the surrounding challenges fast and correctly.

Human resources management becomes very important for companies because they can achieve the expected performance and are able to have competitive superiority whenever their human resources do the best, work happily, and psychologically have strong sense of belonging to perform and produce their work. This results commitment of something or someone in the companies in order to grow the employee engagement.

Employee engagement is influenced by many factors, such as organizational culture, communication within the company, leadership styles, and company's image. Strong culture can create employee engagement. Organizational culture creates psychological conditions of *meaning fullness* (*job enrichment, work-role fit*), *safety* (support from manager and work partner) and availability natural resources which can engage employees, [31].

[57], states organizational culture is as a pattern of basic assumptions which are learned by a company to adapt with the external challenges and internal integration. These basic assumptions become a guidance for everyone in the company to perceive, think, feel, and behave. Organizational culture must be developed to support the increase of employees' styles and the increase of quality awareness. Similar to Kotter & Heskett (1998), both state that *visioner leader* and *role model* from the leaders and focus on *core values* could take long term success for the company.

Besides organizational culture, leadership style also affects employee commitment toward company's development. [55], emphasize the importance of leader and management in one organization. Therefore, factors that can create employee engagement are good quality of management and employees' feeling to be respected and their involvement in the company. These are very necessary for a leader to care about his employees, to fairly treat the employee, to give support and information, and help employees to develop.

Employee engagement is a positive behavior showed by an employee toward the company and the company's values. An employee engaging the work will concern with the company's existence and finally will benefit the company [55].

The descriptions above explain that today human resources which have work engagement with the company indeed play central and important the peak of success especially in the process of expansion which is currently done by PT. Bank Mandiri, Tbk (Persero).

Mandiri Bank was established on October 2, 1998, as a banking restructuring program implemented by the government. On July, 1999, four government banks, Bank

Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor Indonesia and Bak Pembangunan Indonesia were merged under the name Mandiri Bank, each of which had inseparable functions in economic development of Indonesia.

As an effort to increase the society funding collection through the improvement of comfortable transactions, Mandiri Bank nationally continues to expand its branch office networks, electrical networks, and any other service networks. Until December 2014, Mandiri Bank has had 2.312 branches, 15.344 ATM, and micro business network advance with the total 1.833.

One of the expansion effects done by Mandiri Bank was the changing of employee composition, which resulted two employee generations, old employees and new employees. The composition of new employees consisted of *fresh graduate*, contracted employees, and *outsourcing* or the employees who were admitted after the establishment of Mandiri Bank, while the composition of the old employees consisted of employees who were from the four banks before the merger and have joined until now.

To balance these two entities and to create work engagement toward both entities, would definitely result problems for each entity which made differences/gap in the work environment. That condition would become the challenges of implementing organizational culture of the company, because the vision and mission of the old companies changed into a new organizational culture which had to be followed together.

With the organizational culture, everybody who involved in the organization, both employees and Sumsel Mandiri Bank directors especially Bank Mandiri *Micro Banking Cluster* (called Mandiri Bank of Baturaja Micro Unit henceforth) Baturaja, was expected to have the same action and combination which were reflected in the same values in order to solve the external and internal challenges. The culture values kept socialized to all of the employees of Mandiri Bank of Baturaja *Micro Banking Cluster* to make this Bank better and to achieve the vision and mission of the company

Along with that matter, one of Bank Mandiri's efforts to increase employee performance through work engagement was doing cultural transformation by reformulating the cultural values to be a guidance for all the employees to behave, consisting five values called "TIPCE" (*Trust, Integrity, Professionalism, Customer Focus, and Excellence*). It will be explained one by one based on the newest update of Guidance book of Mandiri Bank.

#### 1. *Trust*

- Creating conviction and positive thinking among *stakeholders* in sincere and open relationship based on skill.
- respectful and collaboration
- honest, sincere, and open

#### 2. *Integrity*

- Always think, speak, and behave well, maintain dignity and uphold the professional code of ethics
- discipline and consistent
- think, speak, and behave well

#### 3. *Professional*

- Having commitment to complete the work accurately based on the best competence with full responsibility.
- competent and responsible
- giving the best solution

#### 4. *Customer Focus*

- Making customers as key partners for mutual benefit to grow sustainably
- innovative, pro-active, and fast-response
- doing service and customers' satisfaction

#### 5. *Excellence*

- Developing and making improvement in all sectors to get the optimal values and the best result continuously.
- Orientation toward positive values and improvement continuously
- environmental care

To examine the temporary descriptions about the understanding and implementation of TIPCE organizational culture at *Mandiri Bank of Baturaja Micro Banking Cluster (MBC)*, the writer did observation toward 20 employees in February 2017, and the result showed that not all employees had known and implemented organizational culture in their daily work behavior.

Table I Observation Results of 20 employees regarding the level of implementation of Culture TIPCE Organization at *Mandiri Bank of Baturaja Micro Banking Cluster (MBC)*:

TABLE I. OBSERVATIONS RESULTS

No	Questions about TIPCE Organizational Culture	Employee Assessment			Total Respondents	Target
		Very Good	Enough	Very Bad		
1.	<b>Trust</b> Already established a relationship of mutual respect and cooperation between sections with sincerity and openness	20	0	0	20	100%
2.	<b>Integrity....</b> ..... Work with discipline and consistency in words / actions	20	0	0	20	100%
3.	<b>Professional.....</b> Take responsibility and provide the best solution	20	0	0	20	100%
4.	<b>Customer Focus</b> Providing services and prioritizing customer satisfaction ..... ....	17	3	0	20	85%
5.	<b>Excellence</b> The company has made all improvements to get added value and the best results ..... ....	17	3	0	20	85%

Source: Observation Result of Mandiri Bank of Baturaja

*Micro Banking Cluster (MBC)*, 2017.

Based on table I about observation toward 20 employees interviewed, it showed that there were three employees stating that among 5 aspects of TIPCE (*Trust, Integrity, Professionalism, Customer Focus, Excellence*) there were 2 aspects which were still marked enough, both of which were *service excellence* and *customer focus*. These two aspects which had not been optimal were the attitude in the organizational culture, showing the inoptimal service to customer and the development and improvement of all

sectors which were not fully applied to get the positive value and the best result continuously.

Based on the interview with some marketing staff that had double job position as *surveyor*, the weak service to customers was due to the longtime process of *credit approval*. According to implementing guidance of company, it needed three days to process the *credit approval*, but practically the information of credit approval was (not) approved within 5 days.

Due to the lack of coordination between kredit analysts and marketing, it affected the *lead time* quite deeply in the process of credit approval. It impeded the credit release to the potential customers, so it was one of the factors why the assessment of *costomer focus* and *excellence* was low.

Related with the implementation of organizational culture above, the role of the leader is very crucial to socialize or to become a supporter and a controller so that organizational culture could be understood and implemented well. Furthermore, a leader should be able to omit and unite the gap existing in the entities of *Mandiri Bank of Baturaja Micro Banking Cluster (MBC)* employees with which his leadership style could increase employee performance to achieve the company's objectives.

Actually, someone's leadership style can be seen and determined in his communication among his fellows, by which his fellows give evaluation on his behavior and leadership. It is accordance with the observation toward 20 employees of *Mandiri Bank of Baturaja MBC* about temporary description of leadership style implemented.

Tabel II Observation Results of 20 employees regarding the leadership style description of the leaders at *Mandiri Bank of Baturaja Micro Banking Cluster (MBC)*:

TABLE II. OBSERVATIONS RESULTS

No	Questions about Leadership Style	Employee Assessment			Total Respondents	Target Realization
		Strongly Agree	Enough	Disagree		
1.	Leaders take the time to teach and train their subordinates	15	5	0	20	75%
2.	Leaders always provide direction so that quality work results	14	6	0	20	70%
3.	Leaders are a source of motivation and inspiration for employees.	16	4	0	20	80%
4.	The leader provides a detailed description of the work flow in order to achieve company objectives	18	3	0	20	90%
5.	The leader is always involved in all work.....	6	14	0	20	30%

<sup>b</sup>Source: Observation Result of Mandiri Bank of Baturaja

Micro Banking Cluster (MBC), 2017

Based on the observation, it showed the leadership style had not fully supported the employee performance. The data showed the lack of leader's involvement in solving problems, especially problems in *marketing/ surveyor*. Among 20 employees, there were 14 employees who answered enough and only 6 employees who answered strongly agree. However, in this condition employees were demanded to know the aspects of *product knowledge* and *handling objection*.

A leader had already explained the work procedures specifically in order to achieve the objectives of organization, especially in *teller and customer service* areas. It indicated from 18 employees' answers or its realization until 90%.

However, there were still 20% or four employees who thought that the leader had not given work motivation and inspiration. This occurred at assistance unit which was far from central office of regency.

Furthermore, there were 25% or 5 employees who thought they needed training and coaching at each unit, especially from their seniors. This assessment was given by field employees. They needed a *join visit* program to the customers' place, especially those who had just starting working for the first three months at *Mandiri Bank of Baturaja MBC*.

Along with the implementation of company culture and leadership style applied at *Mandiri Bank of Baturaja MBC* to unite two entities to support expansion resulting engaged employees, the management needed to concern the turn over value of employees for the last three years. Based on the internal data of *Mandiri Bank of Baturaja MBC* in the Human Resources area for the last three years from 2014 to 2016, there was an increase turn over value of employees with the average number of employees 68 per year. The further description is showed in table III

TABLE III. EMPLOYEES TURN OVER DATA for the LAST THREE YEARS at MANDIRI BANK of BATURAJA MBC

No	Year	Employees Out	Total Employees	Percentage
1	2014	2	68	2,94%
2	2015	3	68	4,41%
3	2016	6	68	8,82%

<sup>c</sup>Source: Human Resource Division of Mandiri Bank

The increase of employee *turn over* value was in 2015 and 2016 with the total 100% or twice in the division of marketing. In this division employees who did not achieve the loan target for three months would be evaluated. Usually, they were given chance for the second three months and if they still did not get the target they would be fired.

Because the employee turn over increased every year, it blocked the way to run the business strategies of *Mandiri Bank of Baturaja MBC* which was doing expansion, that needed a lot of employees to be placed in a new branch.

Based on the background above, it can be identified that to increase and maintain the employee performance of *Mandiri Bank of Baturaja MBC* it needed the implementation of organizational culture to motivate themselves to get prestige, because they were willing to identify the organizational values inside their hearts to achieve the objectives of company through the outstanding innovations (Mujiasih dan Ratnaningsih, 2012). Besides, the leadership style of the leader was very important to emerge *extra effort* that could increase professionalism and could grow the work engagement of the employees.

Therefore, the writer is interested to conduct a further study about the effects of organizational culture, leadership style, and employee engagement as intervening variables on the employee performance at *Mandiri Bank of Baturaja MBC*.

A. *The Problems of the Study*

The problems of this study were:

- 1) How was the effect of organizational culture on employee engagement?
- 2) How was the effect of leadership style on employee engagement?
- 3) How was the effect of organizational culture on employee performance?
- 4) How was the effect of leadership style on employee performance?
- 5) How was the effect of employee engagement on employee performance?

#### *B. The Objectives of the Study*

Based on the problems identified above, the objectives of this study were

- 1) To know and analyze the effect of organizational culture on employee engagement.
- 2) To know and analyze the effect of leadership style on employee engagement.
- 3) To know and analyze the effect of organizational culture on employee performance.
- 4) To know and analyze the effect of leadership style on employee performance.
- 5) To know and analyze the effect of employee engagement on employee performance.

#### *C. The Significances of the Study*

Based on the study conducted, it is expected to have significances, such as

- 1) Theoretical Significance
  - a. Enrich knowledge and information about employee performance and factors influencing it.
  - b. Increase the understanding about human resources which perform central and vital role that might take the company to the peak of success, especially in company's organization.

- 2) Practical Significance

The findings of the study are expected to be used as a valuable information for *Mandiri Bank of Baturaja MBC* which was advancing, where Human Resources role which had high performance was very important to achieve success in supporting the organizational changes and its business strategies.

## II. LITERATURE REVIEW

### *A. Organizational Culture*

Organizational Culture has very general definition. Thus, at first we start from the definition culture and organization. According to [57], culture is a pattern of basic assumption which is created, found, or developed by one certain group as a learning to overcome problems from external adaptation and legal internal integration and implemented well. Thus, culture is taught to the new members as a correct way to understand, think, and feel the problems.

Organizational culture is estimated by the scale developed by [6]. It is operated through variables below:

- 1) Autonomy

It reflects the level of freedom and empowerment given to employees in the organization. This plays an important role in making employees feel involved and valued. The principle is based on the belief that individuals are able to think logically and are able to make their own decisions.

- 2) External Orientation

Organizations are responsive to the changes that occur in their environment, therefore it is rare for an organization to make major changes without a strong push from its environment.

- 3) Interdepartmental Co-Operation

Defined as the close relationship which is an important aspect and interaction among departments. Relationships provide access or ease of interaction between departments and ultimately affect the process in the organization to develop.

- 4) Human Resource Orientation

Efforts to help employees to recognize well and be able to adapt to the situation or an environment or business climate of an organization.

- 5) Improvement Orientation

Speaking of evaluations and assessments that are able to describe the strengths and weaknesses of each unit in the organization and the possibility for the organization to provide ideas on how to achieve organizational objectives.

### *B. Functions of Organizational Culture*

[58], suggested that the function of organizational culture is related to external functions and internal functions. The external function of organizational culture is to adapt to the environment outside the organization, while inside it includes human resources. So externally the organizational culture will always adapt to the cultures that exist outside the organization, and so on so that the organizational culture will always be adjusted.

### *C. Creating and Maintaining Organizational Culture*

A culture in organizations does not just happen. When it has formed firmly, culture will not just disappear. What strengths influence the formation of a culture? What will strengthen and maintain that power when the power is in position. To be able to answer these questions, we can see from the concept of how a culture begins. The habits, traditions and general ways of doing things that already exist in an organization relate to the organization with its efforts.

### *D. Leadership*

Leadership words come from the word leader who has the understanding of people who are able to influence others and has managerial authority as well as having skills and strengths, especially skills and strengths in one area so that he is able to influence others to jointly carry out certain activities for the achievement of one or several goals, [53].

### *E. Leader and Manager*

According to [5] the leader is managing and the manager is the leader, but they are two different activities. A manager performs functions related to planning, investigating, organizing and controlling and is responsible for implementing the company's vision and strategic plan. While a leader is more on the interpersonal aspects, namely

inspiring employees, providing emotional support and encouraging employees to compete to achieve company objectives.

#### F. Leadership Theory Approach

Based on the explanation above it is known that leadership is the most important thing in the organization. With the leadership it will shape the company's business strategy, through the regulation and development of existing resources (people), finance and procedures. Leadership according to [29], is:

##### a) Trait Leadership Theory

This theory is also called the Great Man leadership theory, this theory approach is based on the assumption that some leaders do have the talent to be a leader.

##### b) Behaviour Leadership Theory

This theory arises due to two things, namely the assumption that trait leadership theory is not able to explain the effectiveness of leadership and relationships among people, while the effectiveness of leadership is influenced by leader behavior.

##### c) Situational Leadership Theory

This theory appears when the theory of leadership traits and behavior are no longer consistent in explaining related leadership styles.

##### d) Full Range Model Leadership Theory

This theory states that leadership behavior varies from laissez-faire leadership (there is no interference from the leader and gives employees freedom in completing work) to transactional leadership and transformational leadership.

#### G. Leadership Style

A good leadership style is a style that can maximize productivity, job satisfaction, growth, and easily adjust to all developing situations that are around us. Here are some definitions of leadership style according to experts: Some combined theoretical approaches are as follows:

##### 1) Transformational Leadership

According to [4], transformational leaders are people who encourage and inspire their fellows to achieve extraordinary performance and also develop their leadership abilities.

The four components of transformational leadership are as follows:

a. Idealized influence or also known as characteristics leadership

b. Inspirational motivation, leaders like this show enthusiasm and optimism, and create a work atmosphere that is committed to achieving the objectives and vision of the organization.

c. Intellectual stimulation, transformational leaders foster the creativity of followers and encourage a new breakthrough in solving problems.

d. Individual consideration, meaning that transformational leaders act as trainers as well as mentors, and respect individual needs and desires.

##### 2) Transactional Leadership

Transactional leaders are leaders who can direct or motivate their employees in accordance with predetermined directives by clearly assigning roles and tasks, as well as

rewarding or punishing according to the level of performance achieved [54]. This theory is also reinforced by [19] and they agreed to formulate the character of transactional leaders consisting of several dimensions, they are:

##### a. Contingent reward

Contingent rewards are leaders who are able to recognize achievement and promise rewards when performance is achieved. A reward can be a compliment for a great job, a pay raise or promotion.

##### b. Management by exception (active)

Management by exception is a characteristic of a leader who will intervene if there are things that are not in accordance with standards or rules. These dimensions are divided into management by exception (active) or management by exception (passive).

##### c. Management by exception (passive)

Conversely, leaders who have the character of management by exception (passive) will act after a deviation. The leader may be waiting for problems to appear or not even take any action.

#### H. Employee Engagement

The term Employee Engagement is first used by the Gallup research group in 1990 [7]. While [29] stated, employee engagement is one's attachment, satisfaction and enthusiasm for his work.

The concepts of employee engagement are suggested by several researchers and academics, including:

[56], *Development Dimensions International*, employee engagement has three dimensions:

- Cognitive, trust and support the objectives and values of the organization.
- Affective, a sense of pride and attachment to the organization.
- Behavior / individual values, willingness to work hard and desire to stay within the organization.

Employees who are bound to consistently show three general behaviors (say, stay and strive).

Meanwhile, [25], sees employee engagement as a psychological condition of personal engagement. According to Kahn, related to how employees employ themselves to carry out work performance. Work attachment is viewed as a form of employee to employ and express himself physically, cognitively and emotionally in carrying out his work performance.

From some of the concepts that have been explained above, [56] provide the essence of the meaning of work engagement, namely:

- Organizational commitment, especially effective commitment (emotional attachment to the organization), and ongoing commitment (willing to stay / be in the organization).
- Employee behavior that exceeds its role (discretionary behavior to streamline organizational functions). Although the terms employee engagement and work engagement are often used interchangeably, work engagement is considered to be more specific. Work engagement refers to the relationship between employees and the organization. Work engagement

according to Schaufeli, is defined as a positive thing, fulfilling and at work has characteristics that are characterized by the presence of *vigor*, *dedication* and *absorption*. These characteristics can be explained as follows:

- 1) *Vigor*, is an employee character who has high energy, has a willingness to work, is not easily tired and is able to face difficulties
- 2) *Dedication*, the character of employees who have a strong attachment to their work, are enthusiastic, inspire and have pride, and love challenges.
- 3) *Absorption*, is the character of an employee who enjoys his work, concentrates fully in his work and is inseparable from his work, and feels time flies when working.

I. Employee Performance

The success of an organization is influenced by employee performance (job performance), for that every company will try to improve the performance of its employees in achieving organizational objectives that have been set. Organizational culture that grows and is well maintained will be able to spur the organization towards better development, and the ability of leaders to move and empower employees will affect performance. On the other hand, trained resources will facilitate the achievement of company targets and can guarantee employee engagement with the company.

Employee performance refers to a person's achievements as measured by standards and criteria set by the company. Management to achieve high human resource performance is intended to improve the company as a whole. According to Waldman, performance is a combination of behavior with achievement of what is expected and the choice or part of the conditions of the task that exist in each individual in the organization.

However, to obtain a more comprehensive picture of employee performance in this study, it used behavioral based performance measurements. [54] suggest 8 (eight) dimensions to measure performance in aspects of employee specific behavior, namely: innovative behavior, initiative taking, level of self potential, time management, achievement of quantity and quality of work, ability to achieve goals, relationship with coworkers and customers, and knowledge of the company's products and competitor products (product knowledge). This method, according to Judge and Bono, aside from being intended to overcome measurement bias, is also intended to accommodate very broad performance measures, in order to obtain a comprehensive job performance picture.

J. Research Framework

The influence of organizational culture and leadership style is a factor that can foster employee engagement which aims to improve employee performance so that it can support the business strategy at *Mandiri Bank of Baturaja MBC* to be the main point in this study.

The organizational culture that occurs at the *Mandiri Bank of Baturaja MBC* can have a strong impact on the performance of its employees. A positive and open culture that occurs can create trust and loyalty among employees and leaders and gives employees the enthusiasm to work and provide dedication to the company. According to [53],

employees who feel comfortable in the organizational culture that is applied are more likely to inspire enthusiasm and productivity so that performance increases.

Based on the mindset stated above, then the following research framework can be described as follows:

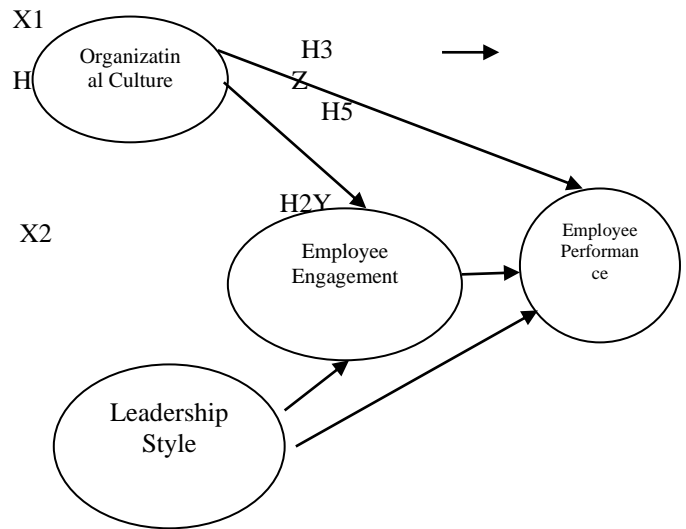


Fig. 1. Research Framework

The variables used in this study are:

- X1 = Exogenous Latent Variables: Organizational Culture
- X2 = Exogenous Latent Variables: Leadership Style
- Y = Endogenous Latent Variables: Employee Engagement
- Z = Endogenous Latent Variable: Employee Performance

K. Hypotheses

From the research framework previously described, the following hypotheses are presented:

- H1: Organizational culture significantly influences employee engagement at *Mandiri Bank of Baturaja MBC*.
- H2: Leadership style significantly influences employee work engagement at *Mandiri Bank of Baturaja MBC*.
- H3: Organizational Culture significantly influences employee performance at *Mandiri Bank of Baturaja MBC*.
- H4: Leadership style significantly influences employee performance at *Mandiri Bank of Baturaja MBC*.
- H5: Employee work engagement significantly influences employee performance at *Mandiri Bank of Baturaja MBC*.

III. RESEARCH METHODS

A. The Scope of the Study

This study will examine the factors that influence the performance of employees at *Mandiri Bank of Baturaja MBC*. To keep this study on the right track, the writer emphasizes the discussion on the influence of organizational culture and leadership style as well as employee engagement as an intervening variable at *Mandiri Bank of Baturaja MBC* the scope of the study area, namely 9 micro units located in 7 sub-districts of 3 districts. Ogan Komering Ulu Regency (OKU) namely; Trans Sumatra Unit, Baturaja City Unit, Baturanta Unit, and Review Unit. East Ogan Komering Ulu Regency (OKUT) namely; Petanggan BK 16 Unit, Belitang

Unit (1), Belitang Unit (2), Martapura Unit. South OKU Regency in Muara Dua Unit. These nine units are in one management or leadership center in Baturaja.

**B. Data Types and Sources**

In this study the data that will be used by the writer in the form of quantitative data sourced from primary data. According to Kuncoro, primary data is data obtained by field surveys using all original data collection methods. In this study primary data collection was conducted by distributing questionnaires to the employees of Mandiri Bank of Baturaja MBC to examine their behavior while working at it.

**C. Population dan Sample**

According to Sugiono, population is a generalization area consisting of objects / subjects that have certain qualities and characteristics that are determined by researchers to be studied and then drawn conclusions. The population in this study was employees of Mandiri Bank of Baturaja MBC which consisted of 9 units. The employees number of Sumatra Transit Unit, Baturaja City Unit, Batu Marta 2 and Review Unit was 27 employees. Employees of Petangan Village were 10 people. Employees of Belitang 1 and Belitang 2 were 10 employees. Employees of Martapura Unit 12 people and Muara Dua Unit were 9 people.

The sample of this study was obtained with the criteria that the employees had worked for at least 3 months and had attended training at *Mandiri University* Palembang and were not unit leaders as a reference to get respondents who truly knew about Mandiri Bank of Baturaja MBC. In this study, 68 employees were taken as the sample.

Table IV below explains the sample of the study at Mandiri Bank of Baturaja MBC;

TABLE IV. SAMPLE of the STUDY BASED on JOB DESCRIPTION

No.	Task	Frequency	Percentage
(1)	(2)	(3)	(4)
1.	Marketing	46	67,65
2.	Credit Analyst	5	7,35
3.	Teller	5	7,35
4.	Customer Service	5	7,35
5.	Security	5	7,35
6.	Office Boy	2	2,95
		68	100,00

**D. Methods for Collecting the Data**

The Data used in this study were collected using the survey method in the following ways:

**1) Questionnaire**

Data collection often does not require the presence of researchers, but is sufficiently represented by a list of questions (questionnaires) that have been carefully compiled in advance. The statements contained in the questionnaire of this study are statements related to organizational culture variables, leadership style and employee engagement which are indicated to affect the employees performance of Mandiri Bank of Baturaja MBC.

**2) Personal Interviewing**

Personal interview is defined as an interview between people, i.e., between the researcher (interviewer) and the respondent (interviewee), who is directed by the interviewer

for the purpose of obtaining relevant information. Personal interviews were also conducted to dig up unclear information from the results of the questionnaire data processing as well as data from Mandiri Bank of Baturaja MBC personnel.

**E. Sampling Techniques**

The sampling technique used is non-probability sampling, which is a sampling technique that does not provide equal opportunities for each member of the population to be selected as a sample, even the probability of certain members to be selected is not recognized. Non probability sampling technique used in this study was purposive sampling. According to Siregar, "purposive sampling is a method of determining respondents to be sampled based on certain criteria". The following are the criteria that can be sampled in this study:

1. Respondents are Mandiri Bank of Baturaja MBC employees who have worked at Bank Mandiri for at least 3 months.
2. Age of respondent  $\geq 21$  years
3. Respondents have attended training conducted by Mandiri University, which is located on Jl. Cap. A. Rivai, Palembang. The writer interviews first before giving a questionnaire to find out and ascertain whether the respondent meets the requirements in accordance with predetermined sample criteria.

**F. Research Instruments**

Research instruments are all devices that can support a study used by researchers to measure natural or social phenomena, [12].

The instrument in this study was measured using a Likert scale, which is a questionnaire obtained from the distribution of questionnaires tabulated based on a Likert scale, the sum of respondents' attitudes in responding to statements related to indicators of a concept or variable being measured. Respondents were asked to state their attitude towards each statement item in the questionnaire. The statement of attitudes consists of Strongly Agree to Very Disagree with a rating scale of 1 to 5. The score of the respondents' answers uses ordinal data.

Grouping scores for each statement item can be seen in Table 3.2 below:

TABLE V. SCORES of RESPONDENTS STATEMENTS

Category	Codee	Score
Strongly Agree	SS	5
Agree	S	4
Neutral	N	3
Disagree	TS	2
Strongly Disagree	STS	1

**G. Methods for Analyzing the Data**

**1) Descriptive Analysis**

This data description illustrates some of the respondents' conditions that are displayed statistically. This respondent's descriptive data provides some simple information about the state of the respondent used as the object of the researcher. Respondents in this study were described through age, sex, education and years of service.



## 2) Inferential Analysis

The analytical method in this study uses the Structural Equation Model (SEM). SEM is a multivariate technique that combines aspects of multiple regression (testing for dependency) and factor analysis (describing concepts that cannot be measured by multiple variables) to estimate the relationship of interdependence simultaneously.

There are two approaches in SEM, i.e., covariance-based SEM (CB-SEM) and SEM with variance approach (VB-SEM) with Partial Least Square Path Modeling (PLS-SEM) techniques. Partial Least Square (PLS) is a component-based type of SEM analysis with formative construct properties.

Taking into account the sample conditions and objectives of the study, this study uses the Partial Least Square (PLS) method. PLS is an alternative method of analysis with variance based Structural Equation Modeling (SEM). PLS according to Wold, is a powerful analysis method because it is not based on many assumptions.

### 1. Variable Measurement Model

#### *(Measurement Model)*

Measurement models are often also called outer models. The measurement model specifies the relationship between latent variables and their indicators or manifests. It is also often called outer relations, which defines how each block of indicators relates to the latent variables that they form.

#### 1) Convergent validity

Convergent validity measures the magnitude of the correlation between the construct and the latent variable, which can be seen from the standardized loading factor. The standardized loading factor illustrates the magnitude of the correlation between each measurement item (indicator) and its construct. Correlation is declared valid if it has a loading value above 0.5.

#### 2) Discriminant validity

To assess discriminant validity is to compare the Square root of average variance extracted (AVE) value of each construct with the correlation between constructs and other constructs in the model. If the AVE square root value is higher than the correlation value between the constructs, then good discriminant validity is achieved. The recommended AVE value is higher than 0.5

#### 3) Composite Reliability

Reliability test is done by looking at the composite reliability value of the indicator block that measures the construct. if the composite reliability value  $\rho_c > 0.8$ , it can be said that the construct has high reliability or reliable and  $\rho_c > 0.6$  is said to be quite reliable.

#### 4) Cronbach Alpha

In PLS, reliability testing can also be strengthened with Cronbach's Alpha. Cronbach Alpha is said to be good when  $\alpha \geq 0.5$  and said to be sufficient if  $\alpha \geq 0.3$ .

uses several important stages namely Measurement of the variable model (Outer Model) and measurement of the structure (Inner Model).

#### 1) Measurement of Variable Models/ *Outer Model*.

Measurement of variable models is a step to see the validity and reliability of indicators in the model. A model is declared valid if it has a loading factor above 0.5, or in other words a loading factor lower than 0.5 has a low convergent validity, so a loading factor lower than 0.5 must be dropped from the model, whereas Reliability test seen from the composite reliability, if the value is higher than 0.7, then it shows a satisfactory value, and it is strengthened again by looking at Cronbach's alpha, it is recommended to have a value above 0.5.

#### a) Validity Test

The validity of each construct was tested with Average Variance Extracted (AVE), a construct is categorized as good validity because its value was worth higher than 0.50. From the results of processing, testing the validity of using the loading factor obtained by all item questions meet the recommended value, so the indicators used to measure variables in this study are valid. Here is the loading factor of smart-PLS.

## IV. RESULTS AND DISCUSSION

### A. *Data Analysis with Smart-PLS.*

Data processing techniques in this study uses variance-based Structural Equation Modeling (SEM), namely the Partial Least Square (PLS) method. Analysis by PLS-SEM

TABLE VI. LOADING FACTOR VALUES

Code	Organizational Culture (BO)	Leadership Style (GK)	Employee Engagement (KKP)	Employee Performance (KP)
(1)	(2)	(3)	(4)	(5)
BO1	0,847	-	-	-
BO2	0,926	-	-	-
BO3	0,905	-	-	-
BO4	0,899	-	-	-
BO5	0,944	-	-	-
BO6	0,946	-	-	-
BO7	0,921	-	-	-
BO8	0,894	-	-	-
BO9	0,856	-	-	-
BO10	0,939	-	-	-
GK1	-	0,776	-	-
GK2	-	0,716	-	-
GK3	-	0,639	-	-
GK4	-	0,820	-	-
GK5	-	0,836	-	-
GK6	-	0,858	-	-
GK7	-	0,839	-	-
GK8	-	0,625	-	-
KKP1	-	-	0,938	-
KKP2	-	-	0,951	-
KKP3	-	-	0,859	-
KKP4	-	-	0,869	-
KKP5	-	-	0,903	-
KKP6	-	-	0,875	-
KP1	-	-	-	0,862
KP2	-	-	-	0,953
KP3	-	-	-	0,833
KP4	-	-	-	0,923
KP5	-	-	-	0,889
KP6	-	-	-	0,961
KP7	-	-	-	0,964
KP8	-	-	-	0,918
KP9	-	-	-	0,922

f. Source : primary data analyzed, 2017

Validity testing for reflective indicators uses the correlation between item scores and variable scores. A measurement with reflective indicators shows a change in an indicator of variable if other indicators on the same variable change (or is excluded from the model). Reflective indicators are suitable for measuring perceptions so this study uses reflective indicators. Table 4.1 above shows that the loading factor gives the recommended value above 0.5. It means the indicators used in this study are valid or have fulfilled convergent validity.

**b) Reliability Test**

Reliability test is done by looking at the composite reliability value of the indicator block that measures the

construct. The reliability composite results will show a satisfactory value if it is higher than 0.7. The reliability test can also be strengthened with Cronbach's Alpha; the recommended value is above 0.6. The reliability test results are as follows:

TABLE VII. RESULTS of REALIBILITY TEST

No.	Variable	Average Variance Extracted	Composite Reliability	Cronbach's Alpha
(1)	(2)	(3)	(4)	(5)
1	Organizational Culture	0,672	0,953	0,943
2	Leadership Style	0,456	0,867	0,824
3	Employee Engagement	0,738	0,944	0,928
4	Employee Performance	0,674	0,949	0,939

g. Source : primary data analyzed, 2017

Table VII shows that the value of Average Variance Extracted all variables is above 0.5 which means that all latent variables (organizational culture, leadership style, work engagement, and employee performance) already meet the requirements of convergent validity or in other words all latent variables have represent the indicators in the block. The composite reliability value of all variables above 0.7 means that it can be concluded that the indicator is consistent in measuring its construct. Cronbach's alpha values of all variables are above 0.6, so that all the variables of the study have been shown as fit measurements. This means that all question items that will be used to measure variables are reliable.

The following is a picture of Full Model Fit Research

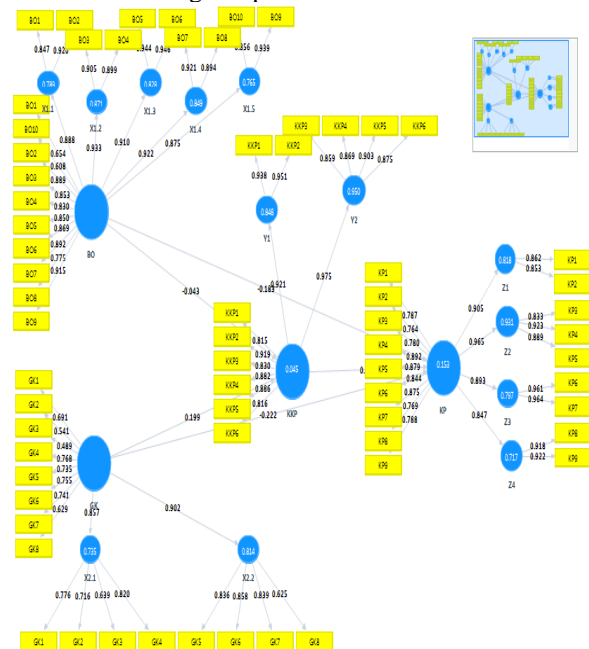


Fig. 2. Full Model Fit Research

Figure 2 shows that the magnitude of the correlation among constructs with latent variables or all loading factors have a value higher than 0.5, which means that the indicators are valid to measure the constructs that they form, so that it can be said to have fulfilled convergent validity.

In the Organizational Culture variable (BO), the highest value is 0.946 for BO6 indicator (on providing the best solution for company problems and customer complaints), and the lowest value is 0.847 for BO1 indicators (on building trust and prejudice and building cooperation among stakeholders).

In the Leadership Style Variable (GK), the highest value is 0.858 for the GK6 indicator (articulates a future picture convincingly), while the lowest value is 0.625 for the GK8 indicator (taking time to teach and train their subordinates).

In the Employee Engagement Variable (KKP), the highest value is 0.951 for the KKP2 indicator (on measuring consistency to convey positive things or happy to tell a solid work team to colleagues), while the lowest value is 0.859 (intending to spend productive age at Bank Mandiri)

In the Employee Performance Variable (KP), the highest value is 0.964 for the indicator KP7 (in the measurement of working with colleagues to serve customers), while the lowest value is 0.833 KP3 (trying to develop their potential). Of the three variables above, the greatest effect on employee performance is the employee engagement variable on the KKP2 indicator, which is consistency in conveying positive things or happy to tell a solid work team to colleagues.

2)..Structure Measurement (*Inner Model*).

Structure measurement / Inner Model is used to see the relationship between variables, through the bootstrapping process. Testing of structural models or inner models is conducted by looking at the R-Square value of the research model, which is a goodness-fit test of the model. Changes in the value of R-Square can be used to assess the effect of certain independent latent variables on the dependent latent variable whether it has substantive influence.

TABLE VIII. R-SQUARE VALUES

Variable	R-Square Value
(1)	(2)
Employee Engagement	0,046
Employee Performance	0,158

Source : primary data analyzed, 2017

Table VIII shows the R-square value of employee engagement variables at 0.046 meaning that the variability of employee engagement can be explained by the construct of organizational culture and the leadership style construct by 4.60 percent. Furthermore, the R-Square value of employee performance variable of 0.158 means that the variability of employee performance can be explained by the construct of organizational culture, the construct of leadership style and the construct of employee engagement by 15.80 percent. The higher the R-square value, the greater the ability of the independent variable to explain the dependent variable so that the better the structural equation.

1. Hypothesis Test

Hypothesis testing on PLS is based on the values contained in the structural model analysis, examining the significance of the influence of exogenous variables Organizational Culture (BO), Leadership Style (GK), and Employee Engagement (KKP) to endogenous variables Employee Performance (KP) by looking at the coefficient

parameters and t-statistical significance values. The level of significance of the path coefficient is obtained from the t-statistic value and the standardized path coefficient value. The limit of the hypothesis testing value is the factor loadings higher than the critical value ( $\geq 1.96$ ). The following are the parameter coefficient values

TABLE IX. PATH COEFFICIENT

Path coefficient	Original Sample	Sample Mean	T-Stat	P-Values
(1)	(2)	(3)	(4)	(5)
BO→KKP	-0,042	-0,030	0,276	0,783
GK →KKP	0,202	0,212	1,973	0,049
BO →KP	-0,186	-0,182	1,461	0,145
GK →KP	-0,235	-0,235	1,961	0,050
KKP→KP	0,332	0,340	3,701	0,000

i. Source : primary data analyzed, 2017

Hypothesis test results through the inner model can be seen in the path coefficient as shown in table 9

Based on the inner model test results shown in table 4.4, it can be illustrated the description of the results of a hypothesis based on t-Statistic and p-Value as shown in Figure 3 as follows:

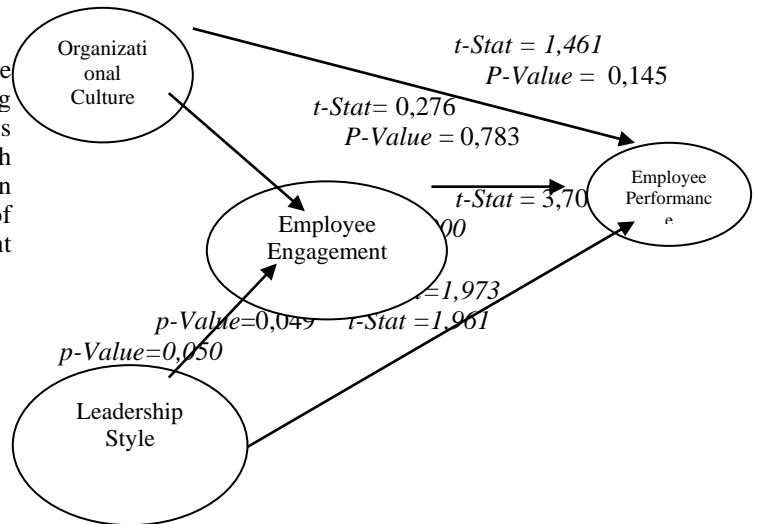


Fig. 3. Hypothesis Conclusion Scheme

Based on table IX and figure 3, then the following hypothesis testing can be submitted as follows:

1) First Hypothesis: Organizational Culture did not affect employee engagement at Mandiri Bank of Baturaja MBC. This first hypothesis was proven to be rejected, because the p-value result was  $0.783 \geq 0.05$  or t-count  $0.276 \leq 1.96$ , so it was concluded that there was no significant influence of organizational culture on employee engagement at Mandiri Bank of Baturaja MBC.

2) Second Hypothesis: Leadership style had a significant positive effect on employee engagement at Mandiri Bank of Baturaja MBC. This second hypothesis was proven accepted, because it had a p-value of  $0.049 \leq 0.05$  or t-Statistic  $1.973 \geq 1.96$ , so it was concluded that there was a significant positive influence of leadership style on the employee engagement of at Mandiri Bank of Baturaja MBC.

3) Third Hypothesis: Organizational culture had no effect on the performance of Mandiri Bank of Baturaja MBC employees. This third hypothesis was proven to be rejected, because it had a p-value of  $0.145 \geq 0.05$  or t-Statistic of  $1.461 \leq 1.96$ , so it was concluded that there was no significant influence of organizational culture on the performance of Mandiri Bank of Baturaja MBC employees.

4) Fourth Hypothesis: Leadership style had a significant positive effect on the performance of Mandiri Bank of Baturaja MBC employees. This fourth hypothesis was proven acceptable, because it had a p-value of  $0.050 \leq 0.05$  or t-Statistic  $1.961 \geq 1.96$ , so it was concluded that there was a significant positive influence of leadership style on the performance of Mandiri Bank of Baturaja MBC employees.

5) Fifth Hypothesis: Employee engagement had a significant positive effect on the performance of Mandiri Bank of Baturaja MBC employees. This fifth hypothesis was proven acceptable, because it had a p-value of  $0,000 \leq 0.05$  or t-Statistic  $3,701 \geq 1.96$ , so it was concluded that there was a significant influence of employee work engagement on the performance of Mandiri Bank of Baturaja MBC employees.

TABLE X. HYPOTHESIS CONCLUSIONS

(1)	Hypothesis (2)	Test Result (3)
1	Organizational culture has a significant positive effect on employee engagement	Not proven
2	Leadership style has a significant positive effect on employee work engagement	Proven
3	Organizational culture has a significant positive effect on employee performance	Not proven
4	Leadership style has a significant positive effect on employee performance	Proven
5	Employee work engagement has a significant positive effect on employee performance	Proven

**2. Result Discussion**

Discussion of the results of each hypothesis is described as follows:

1) In the results of the first hypothesis, it was concluded that there was no significant influence of organizational culture on employee engagement. This research hypothesis is different from the theory put forward by [53], which states that corporate organizational culture has several functions, namely, can facilitate the emergence of a joint commitment to something broader than just prioritizing individual interests, can improve social system stability, and become adhesive system between individuals.

The results of this study can also explain the research results, that when cultural values in organizations have not

been transformed properly, then the application of culture by all human resources in the company cannot be carried out as expected, and emotional ties have not been fully established. This hypothesis is not in line with previous studies.

2) The second hypothesis concluded that leadership style had a significant positive effect on employee work engagement. The leadership style variable influenced employee engagement.

Leadership style is one of the factors forming employee engagement because employees feel valued and involved, employees will respond positively when they have an emotional attachment (emotionally engaged) with their leaders, [22]. So it can be said that the better the leadership style of the leaders in the company, the better the impact on employee engagement.

3) The third hypothesis concluded that there was no significant influence of organizational culture on employee performance at Bank Mandiri Bank of Baturaja MBC. The results of this study prove that the culture of TIPCE (Trust, Integrity, Professionalism, Customer Focus, and Excellence) has not yet been fully implemented into a daily work culture. This does not support some opinions and theories about organizational culture put forward by experts such as; [57], [53].

4) The fourth hypothesis showed that leadership style had a significant positive effect on employee performance. Which concluded that leadership style had a significant effect on employee performance.

5) The fifth hypothesis concluded that employee engagement had a significant positive effect on the performance of Mandiri Bank of Baturaja MBC employees. The significant test results in this fifth hypothesis, are due to employees who are bound to work (engaged) trying to maintain his role in the company, pushing the energy possessed into role behavior (self employment) and presenting himself in a role (self expression).

Employees can be physically, cognitively, and emotionally related. Physical attachment means that employees are involved in their duties either individually or in a team. Cognitive attachment is employees who have more attention to the task and role in the work environment. Emotional attachment is shown by employees being able to build relationships, to empathize and to care about the feelings of other employees.

With the conclusion that employee engagement is the key to improve employee performance. Researchers James K Harter and Gallup also have the same research results that employee engagement affects company performance. In short, employees improve their performance due to their work engagement with the company.

In this study there are 2 influences that will be seen, both of which are:

1. The influence of organizational culture on the performance of Mandiri Bank of Baturaja MBC employees with employee engagement as an intervening variable. Test

results show that employee engagement significantly influences performance. Therefore, the indirect influence of organizational culture on performance through employee engagement is significant, in other words employee engagement is as an intervening variable of the influence of organizational culture on the performance.

2. For the influence of leadership style on the performance of Mandiri Bank of Baturaja MBC employees with employee work engagement as an intervening variable, the test results show that employee engagement has a significantly positive effect on employee performance. So the indirect influence of leadership style on employee performance through significant employee engagement or in other words employee work engagement is as an intervening variable between the influences of leadership style on employee performance.

### 3. Theoretical Implication

Organizational culture does not have a positive effect on employee engagement in contrast which state that organizational culture variables have a positive effect on employee engagement.

Leadership style has a positive and significant effect on employee engagement. Leadership style influences employee engagement.

The results of this research hypothesis that there is no influence of organizational culture on employee performance, where in their studies they examined the effect of organizational culture on employee performance showing that organizational culture has positive influence on employee performance.

### 4. Practical Implication

This study shows that the performance of Mandiri Bank of Baturaja MBC employees can be improved through leadership style, so it is important for decision makers to make policies that can facilitate leaders in their respective branch units in increasing their capacity and leadership style. Being able to create work engagement with subordinates (GK6) is an indicator with the highest loading factor (0.858). Thus, employees are motivated and inspired to improve their performance, the role of the leader is very crucial to articulating a future picture convincingly to subordinates.

Organizational culture has no significant effect on employee engagement and employee performance; however, leadership style and employee engagement have a significantly positive effect on employee performance at Mandiri Bank of Baturaja MBC. In terms of applying the TIPCE (Trust, Integrity, Professionalism, Customer Focus and Excellence) organizational culture, all employees and leaders of Mandiri Bank of Baturaja MBC, need to try to improve and perfect it again. We realize that mindset change is the most difficult thing that is faced in every work culture transformation process.

Mandiri Bank is the result of a merger of 4 government banks that previously had their respective work cultures. This is certainly one of the obstacles in the implementation of TIPCE culture. It is difficult to change the mindset of old employees who already feel comfortable with pre-existing

values and behavior. in addition, it is also not easy to implement consistent behavior because one's life values are often inconsistent and strongly influenced by psychological conditions.

Furthermore, new employees recruited do not know about work culture, there are still a number of human resources who do not know well about the culture itself given that the TIPCE culture was only formed in 2005. Over time in 2015, TIPCE work culture has changed and will certainly make employees who initially did not know about the TIPCE culture increasingly confused by the existence of the main behavior in the new TIPCE culture.

Another obstacle in implementing TIPCE culture is that there are cultural differences from each region. Some of the things mentioned above will certainly greatly affect the application of culture itself. So it can be said, an increase in employee performance is not due to the culture of the organization, but the leadership style possessed by the leader is accompanied by a work engagement between employees and the company or management that has been well implemented.

## V. CONCLUSIONS AND FUTURE WORK

### A. Conclusions

A study conducted at Mandiri Bank of Baturaja MBC with the objectives to find out the influence of organizational culture and leadership style on employee performance with employee engagement as an intervening variable, has concluded 5 (five) hypotheses as follows:

- 1) Organizational culture does not significantly influence employee engagement at Mandiri Bank of Baturaja MBC.
- 2) Leadership style has a significant positive effect on the employee engagement at Mandiri Bank of Baturaja MBC. The better the leadership style there, the better the level of employee engagement.
- 3) Organizational culture has no significant effect on the performance of Mandiri Bank of Baturaja MBC employees.
- 4) Leadership style has a significant positive effect on the performance of Mandiri Bank of Baturaja MBC employees. The better the leadership style there, the better the level of employee performance.
- 5) Employee engagement has a significant positive effect on the performance of Mandiri Bank of Baturaja MBC employees. The better the work engagement of Mandiri Bank of Baturaja MBC employees, the better the performance of its employees.

Furthermore, the conclusions on the influence of intervening variables on employee engagement are as follows:

- 1) Employee engagement has a significantly positive effect on employee performance. Therefore, measuring the effect of employee engagement as an intervening variable on the influence of organizational culture on employee performance can be done.
- 2) Employee engagement has a significantly positive effect on employee performance. Therefore, measuring the influence of employee engagement as an intervening

variable on the influence of leadership style on employee performance can be done.

### B. Suggestions

Based on the conclusions of this study, the writer provides the following suggestions:

1. For the Object of the Study/ Mandiri Bank of Baturaja MBC

It is recommended to the policy makers of Mandiri Bank of Baturaja MBC to make employee performance improvement programs. From the leadership style and employee engagement variables that have a significantly positive effect, employees have a great desire that their leaders at Mandiri Bank of Baturaja MBC are able to create engagement with their subordinates. Accordingly, leaders should be more motivating by inspiring convincing images of the future and seeing problems from many different points of view.

2. For Further Researchers

Employee engagement can affect performance. Employees who are bound will be motivated to improve their performance, willing to accept challenges and feel their work meaningful to themselves. This study was able to prove that employee engagement had a significantly positive effect on employee performance, but organizational culture did not significantly influence employee performance. Therefore, further research can examine the factors that cause organizational culture does not affect employee engagement but affect the performance of employees at Mandiri Bank of Baturaja MBC. In addition, it is necessary to conduct in-depth interviews to reveal other matters beyond the respondents' perceptions as outlined in the questionnaire.

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