



The Influence of Transformational Leadership and Organizational Culture on Employee Performance at PT. Krakatau Bandar Samudera

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Abstract. This study aims to analyze the influence of transformational leadership and organizational culture on employee performance at PT. Krakatau Bandar Samudera (KBS). Business processes must be run professionally and accountable. Transformational leadership and organizational culture play an important role in improving employee performance. The total number of respondents was 89 people. The sampling technique used a purposive approach. The analysis tool used Partial Least Square (PLS). The study's results show that transformational leadership has no effect on employee performance. Transformational leadership has an important role that must be improved as part of employee performance. The organization's direction is in line with the vision and mission set by the company. The business competition requires transformational leadership. This is part of the evaluation of the organization. Organizational culture affects employee performance. The process of implementing organizational culture has a great contribution to the performance of employees. Organizational culture can produce high-quality business processes. Employees, as the frontline, always adhere to the work culture expected by the organization. This study recommends adding several variables of organizational performance, human development, and core organization. Companies must continue to adapt to fast, adaptive, and solutive business changes.

Keywords: Transformational Leadership · Organizational Culture · Employee Performance

1 Introduction

PT. Krakatau Bandar Samudera (KBS) is a company that runs Cigading port services. This company was deliberately established in 1996 to carry out the restructuring strategy of PT. Krakatau Steel on the management of Cigading Port. Initially, Cigading Port was established to provide loading and unloading facilities for all raw materials, products, and spare parts of PT Krakatau Steel. Cigading Port has been further developed so the company can now handle cargo and logistics services for the public based on concessions obtained from the government since 2016.

Employee performance can be explained as results achieved and completed in the workplace and evaluated to ensure conformity between the target and the realization

obtained [1, 2]. The level of employee productivity/performance is influenced by some factors, namely: 1) work attitude; 2) skill level; 3) the relationship between labor and organizational leaders; 4) productivity management; 5) labor efficiency; and 6) entrepreneurship [3, 4]. The relationship between labor and leadership is inseparable from the leader's leadership style. In facing a dynamic organizational and competitive environment, leaders who can guide employees, demonstrate good morals and values, and have high standards of behavior are needed [5]. This type of leadership is known as the transformational leadership style. This study analyzes the influence of transformational leadership and organizational culture on employee performance at PT. Krakatau Bandar Samudera (KBS). The study results are expected to provide positive recommendations on employee performance produced through transformational leadership and organizational culture. These two variables have an overriding of the company's business.

2 Literature Review and Hypothesis Development

2.1 Employee Performance

Employee performance is the result of work or output, both quality and quantity, achieved in a certain period following responsibilities and abilities [6]. The definition of work is emphasized the results of work that can be achieved by a person or group of people in an organization, in accordance with their respective authorities and responsibilities, in order to achieve the goals of the organization concerned legally, not violating the law, and in accordance with norms and ethics [7, 8]. Employee performance can be measured by comparing the results of the implementation of tasks and the responsibilities that the organization gives in a certain period and are relatively used to measure work performance [9, 10]. In general, employees work based on their job description. However, it is not enough just that because it also requires behavior that is more than expected in the form of other duties that are not listed in the job description, where the behavior is the character that the organization needs in the formation of organizational behavior. Companies that want to succeed need employees who can do work more than just their formal duties and are willing to provide performance that exceeds the target [11]. In addition, employees' motivation to achieve good performance is inseparable from how the leader or manager can see the employee's potential and provide the necessary encouragement [12].

2.2 The Effect of Transformational Leadership on Employee Performance

Leadership style is a key factor that determines how a person feels in the company he works for and how motivated they are [13]. Leadership style is a key factor that determines how a person feels in the company he works for and how motivated they are (Fries et al., 2021). If the leadership style displayed by a leader makes the employee comfortable and motivated, it will positively impact the employee's performance. On the contrary, if the behavior or leadership style displayed by the boss does not make the employee comfortable and decreases workers' motivation at work, it will undoubtedly

have a bad effect on workers' performance. One of the leadership styles that can motivate employees to work is the transformational leadership style. Several studies have shown a positive influence of transformational leadership on employee performance [14, 15]. The formulation of the hypothesis is as follows:

H1: There is an influence between transformational leadership styles on employee performance.

2.3 The Effect of Organizational Culture on Employee Performance

Organizational culture is a value and symbol that helps employees to understand acceptable and unacceptable actions or behaviors in the organization [16]. A strong organizational culture can encourage employees to have a high level of motivation and encourage employees to work optimally. Some indicators of organizational culture are participation, respect for individuals, attitude to risk, action orientation, trust, openness, and distance of power [17]. Organizational culture has to do with how employees prepare for the characteristics of an organization's culture, rather than with whether they like that culture or not. Organizational culture expresses a shared perception embraced by the members of that organization. A strong organizational culture will encourage employees to improve their performance [18, 19]. Several studies reveal the positive influence between organizational culture and employee performance [20, 21]. The results showed that organizational culture has a positive and significant effect on employee performance. The process of employee performance in a company can be improved by implementing the organizational culture. So the second hypothesis of this study is:

H2: There is an influence between organizational culture on employee performance.

3 Method

This research applied a quantitative method by taking a research setting at PT. Krakatau Bandar Samudera (KBS). The research began by analyzing transformational leadership styles, organizational culture and employee performance based on the results of questionnaires from respondents. The research framework is based on a study of literature related to previous research (Fig. 1).

The data analysis technique in this study used a Partial Least Square (PLS) approach with the help of SmartPLS. PLS is a type of regression that calculates the influence

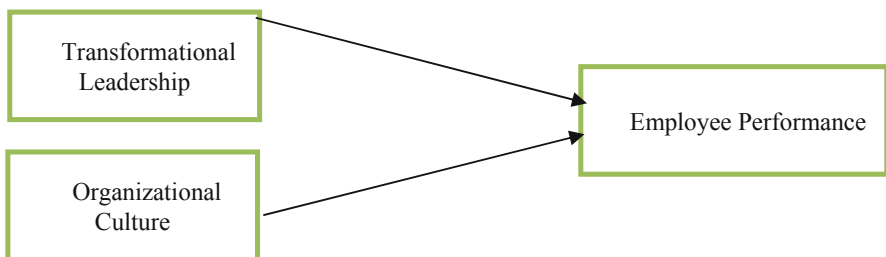


Fig. 1. Model Framework

between one variable and another. PLS does not require classical assumptions such as normality, multicollinearity, heteroskedasticity, autocorrelation, and linearity so it is a non-parametric statistical test [22]. Data collection was carried out with primary data in the form of a questionnaire survey conducted from May – June 2021, with the study's respondents being PT employees. KBS with staff to senior managers positions. The number of respondents in this study was 89 people. The questionnaire contains indicators of questions related to latent variables in this study, namely transformational leadership style, organizational culture, and employee performance. Data collection in this study used a questionnaire with a 5-point Likert scale with 1 being strongly disagree to 5 being strongly agree.

4 Results and Discussion

4.1 Statistical Results

4.1.1 Evaluation of the Outer Model

The outer model is evaluated by measuring convergent validity, discriminant validity, and reliability. An individual reflective measure is said to be high if it correlates more than 0.70 with the construct to be measured. However, for the early stage research of the development of a measurement scale, the loading value of 0.50 to 0.60 is considered sufficient [23]. The results of the outer model evaluation resulted in one variable not meeting the loading factor value, which is a value lower than 0.6, so it must be issued and re-evaluated after the variable is issued.

In this study, convergent validity, discriminant validity, and reliability meet the requirements. Table 1 shows the loading factor values of each indicator on the transformational leadership style model, organizational culture, and employee performance.

Based on the measurement model above, all indicators are analyzed on research variables with a loading factor greater than 0.60 so that they are declared significant or meet the requirements for convergent validity. The construct is considered to meet convergent validity if the AVE value is above 0.50, the processing results show the entire variable has an AVE value above 0.60. All composite reliability variable values above 0.70, the minimum criterion of a construct, are said to be reliable. The next check of convergent validity is the reliability of the construct by looking at the output composite reliability or Cronbach's Alpha. The criteria are said to be reliable if the value is above 0.70 (Table 2).

4.1.2 Inner Model Evaluation

The evaluation of the inner model aims to see the R-square value on the endogenous variable and the path coefficient parameter. The relationship between transformational leadership and organizational culture on employee performance has an R-square of 0.80. This shows that employee performance can be explained by 80.1% of transformational leadership and organizational culture and other variables outside the scope of this study explain the remaining 19.9%.

Based on Table 3, it can be seen that all variable dimension indicator values are below 10. This means that all indicators on variable dimensions do not have a multicollinearity

Table 1. Outer Loading Results of PLS Algorithm

Indicator	EP – Employee Performance	OC – Organizational Culture	TL – Transformational Leadership
EP1	0.845		
EP2	0.743		
EP3	0.864		
EP4	0.888		
EP5	0.845		
EP6	0.883		
EP7	0.854		
EP8	0.704		
EP10	0.769		
OC1		0.851	
OC2		0.679	
OC3		0.619	
OC4		0.849	
OC5		0.887	
OC6		0.716	
OC7		0.807	
OC8		0.86	
OC9		0.817	
OC10		0.849	
OC11		0.835	
OC12		0.634	
TL1			0.775
TL2			0.825
TL3			0.871
TL4			0.853
TL5			0.792
TL6			0.887
TL7			0.867
TL8			0.678
TL9			0.805

relationship to employee performance. Hypothesis testing is carried out by looking at the relationship between one variable and another through the magnitude of the original sample value and the T-statistical value as a statement of the degree of the signification

Table 2. Construct Reliability and Validity

	Cronbach’s Alpha	Composite Reliability	Average Variance Extracted (AVE)
EP – Employee Performance	0.940	0.950	0.679
OC – Organizational Culture	0.943	0.951	0.622
TL – Transformational Leadership	0.938	0.948	0.671

Table 3. R-Square

	R-Square	R-Square Adjusted
EP – Employee Performance	0.801	0.796

of the relationship between one variable and another. The significance level is taken at an error level of 0.05 or 5% or is at a T above 1.96. If the result of the P-Value value is less than 5%, then the hypothesis is accepted, and vice versa; if it is higher than 5%, then the hypothesis is rejected (Table 4).

Based on data processing using SmartPLS software, the hypothesis supported is H2 with a P value below 5%. While H1 is not supported with a P-value of 0.05. This research shows that transformational leadership has no effect on employee performance at PT KBS. Meanwhile, H2 states that organizational culture has a positive effect on employee performance at PT KBS.

Table 4. Hypothesis Testing

Hypothesis		Original Sample (O)	T Statistics (O/STDEV)	P Values	Signification	Conclusion
H1	Transformational Leadership > Employee Performance	0.18	1.914	0.056	No influence	Rejected
H2	Organizational Culture > Employee Performance	0.748	8.466	0.000	There is a significant and positively valuable influence	Accepted

5 Discussion

Based on the data from the study, it turns out that transformational leadership did not significantly influence PT's performance. Krakatau Bandar Samudera (KBS). This study's results differ from a number of previous studies on the influence of transformational leadership styles on employee performance. The results of this study are inversely proportional to those that find that transformational leadership has a positive impact on employee performance dimensions [24–26]. Transformational leadership emphasizes the development of employee collectivism and helps employees achieve outstanding goals, then becomes a reference for employees to deliver the expected performance. Another study that shows the absence of a relationship between transformational leadership is a study by [27], where transformational leadership cannot improve employee performance. The results of the analysis show that transformational leadership does not have a direct effect on employee performance. Transformational leadership may require other variables, or mediation variables to improve employee performance. [14] stated that transformational leadership is not directly related to employee performance but somewhat indirectly through employee engagement mediation and organizational identification. Organizational culture influences employee performance with a loading factor value of 0.748, meaning that employee performance can be improved by applying organizational culture. Based on this data, the application of organizational culture in PT. Krakatau Bandar Samudera (KBS) has become the cornerstone of the behavior of all company members. Therefore, improving company performance can be encouraged with the right organizational culture and consistently applied to stabilize the work environment.

6 Conclusions and Recommendations

Based on this study's results, further research is recommended to be carried out related to the causes of the lack of influence of leadership style in improving employee performance. This is needed to analyze further the factors or variables that cause transformational leadership styles to have less influence on employee performance. In addition, companies can add new values to the organizational-corporate culture to further optimize the potential of human resources that impact employee performance. In strengthening organizational cultural values, reward & punishment schemes and providing incentives as a stimulus to improve performance also need to be carried out in line with the implementation of these cultural values. This is expected to maximize the company's potential to achieve optimal revenue. Research with a more significant number of respondents and a wider variety of methods is strongly recommended in order to be able to take a thorough picture of the company's condition, including during normal conditions after the pandemic. The results of this research can be a reference in formulating company policies to encourage the advancement of organizational productivity.

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