

Effect of Transformational Leadership Style and Cultural Organization on Employees Performance (Case Study in Palm Oil Company in Gunung Mas Regency, Central Kalimantan Province)

Yunikewaty

Lecturer in Faculty of Economics and Management Master of Science University of Palangkaraya, Indonesia

Abstract

Plantations of palm oil, has an important role in the economy of Indonesia for its contributions as a provider of raw materials for the palm oil industry. This study aimed to analyze effect of transformational leadership style and organizational culture on employee performance in palm oil plantations in Gunung Mas Regency. Data collection was conducted using a survey of 216 employees. Data were collected through interviews with these respondents edited, tabulated and then presented in tabular form and described. The influence of transformational leadership style and organizational culture on employee performance was done with path analysis. The results showed that transformational leadership style and organizational culture have a significant influence on employee performance. Therefore, both of these factors need to be created by the top management in palm oil plantations that operating at Gunung Mas Regency so that the company's goals can be achieved.

Keywords: transformational leadership style, organizational culture, employee performance, path analysis

1. Introduction

Plantations of palm oil in Indonesia provide a relatively large contribution on national economy through its function as a provider of key raw material in palm oil industry. Resulting production of palm oil plantations, but to depend on factor of natural resources, it also depends on human factor. Human resources until now continues to be recognized as one of factors that are important and focus of many companies. Company grew and develops starts on human resources, where its performance is largely determined by the dynamics of the surrounding environment.

Business environment is changing very fast and difficult to estimate. Attempts to recover from the economic downturn since the crisis in the late 1990s was overall improvement in the company's palm oil in Central Kalimantan Province. Gunung Mas Regency is one area in Province of Central Kalimantan which has largest palm oil plantations and generated foreign exchange (exports) great. In order to face increasing competition, palm oil companies in Gunung Mas Regency perform a variety of human resource management efforts.

An effort to improve quality and quantity of these employees performance by Gomes (2000) was influenced by several factors, among others, leadership style and organizational culture. A good and proper leadership style should understand the personal characteristics of employees. Leadership style preferred by subordinates in part be determined by their personal characteristics. There are three factors that affect leadership style that favored subordinates, namely 1) the nature of subordinate tasks, such as when the task is unpleasant, then the attention of leadership will increase satisfaction and motivation of subordinates; 2) the formal authority system organization, that describes which actions are approved and not approved by leadership; 3) working group of subordinates, for example, less compact groups will benefit from leadership styles that support and understanding. The most effective leadership style includes three elements, namely leaders, subordinates and the overall situation.

Bass and Avolio (1994) stated that transformational leadership is an effort a leader to transform their followers needs that are low in the hierarchy of needs towards higher needs. When subordinates are willing to change attitudes, values and commitments assuming such a way that aligned with organizational objectives, it is believed that they have a high confidence on the integrity and credibility of the leadership. Transformational leadership is expected to have an impact on employee performance.

Organizational culture as a provision or action that govern the behavior of employees, will determine the

performance of employees. When these factors work together with the transformational leadership style that is used by top management, so how the impact on employee performance was the goal of this research.

2. Transformational Leadership

Bass et al (2003) suggests that transformational leadership is a process in which leaders and followers improving morality and self-motivation to a higher level (a process in which leaders and followers raise to higher levels of morality and motivation). This kind of leadership style will be able to bring awareness of the followers to come up with ideas productive, synergistic relationships, responsible, caring education, and a common goal. Transformational leadership is a leadership style that promotes fulfillment on highest levels of Maslow's Hierarchy of the need for self-esteem and self-actualization.

Transformational leadership is essentially a leadership that motivates followers to achieve collective goals, vision, or mission. Transformational leader is described as a leader that makes vision and urged his followers to pursue the vision, while they attempt to change system to accommodate this organization. Transformational leaders can raise awareness and interest in the group or organization, and to increase confidence of subordinates. Transformational leaders will mobilize their followers to the point where the followers will be able to take a leadership role and do a standard or exceeded the goals set (Bass and Avolio, 1990, 1993).

Based on the opinion of various experts, transformational leadership can be defined as a leadership that has a vision for the future and be able to identify changes in the environment and is able to transform these changes into the organization, pioneered a change and provide motivation and inspiration to individuals employees to be creative and innovative, as well as building a solid team work, work ethic bring renewal in management performance, brave and responsible to lead and control the organization.

3. Organizational Culture

Culture that is intended in this case is values, beliefs, assumptions, expectations and so on. Organizational culture is often portrayed as something shared. Patterns of beliefs, symbols, rituals and myths that developed over time and serves as a glue that holds an organization. Different organizational cultures between organizations or companies by various forms of organization or company. This is reasonable because of different environmental organizations to service companies, manufacturing and trading. Culture is a form of characteristics interaction that affect the habits of people groups in their environment.

According to Beach (1993), organizational culture contains what should be done or not to do so can be a guideline that used to run the organization's activities. Kreitner and Kinicki (1995), suggests that organizational culture is a social cohesion for members of an organization. According to Robbins (1996), organizational culture, where there is a perception and the same agreement of members of organization on a system that shared by members of organization, will be the difference between an organization and other organizations.

Considering the organizational culture is an agreement with the members of an organization or company that facilitate the realization of a wider agreement for the benefit of individuals. The virtue of organizational culture is control and direction in shaping attitudes and behavior of people who get involved in an organization's activities. Individually or in groups, one will not be released to the culture of the organization and in general will was influenced by the diversity of existing resources as a stimulus someone in the act. Reksodiprodjo and Handoko (2001) concluded that the nature of an organization (including companies) are the ones that efforts should be coordinated; composed of a number of subsystems that are interconnected and interdependent; work together on the basis of division of labor, roles and responsibilities; and has a specific goal.

Organizational culture is a "spirit" because there dwells the organization's philosophy, mission and vision of organization that would become an important force for competition. Many researchers about organization stated that organization's culture as one of most difficult organizational strengths imitated by competitors as they relate to process of interaction and process time.

4. Performance of Employee

Mangkunegara (2004) mentions that performance is the result of quality and quantity of work achieved an employee in performing their duties in accordance with responsibilities given to him. Performance by Gomes (2000) related to two main factors, namely: willingness or motivation to do in accordance with initiative posed by employee and employee's ability to carry it out.

Performance parameters can be measured by effectiveness, efficiency and productivity. This relates to (Drucker,

1997) suggests that performance of employees that affects how much they contribute to the organization could include (1) quantity of output, (2) quality of output, (3) timelines of output, (4) presence at work and (5) cooperativeness. Bernardin and Russell (1993) states that a dimension of performance include (1) quality of work, is degree to which a process or a result of implementation of activities closer to expected goals. (2) quantity of work, amount produced, for example, amount of IDR, number of units, cycle activities completed (3) timeliness, an extent to which an activity is completed at a desired time to pay attention to coordination of other outputs, as well as time available for other activities (4) cost effectiveness, an extent of using organizational resources (human, financial, technological, material) is maximized to achieve a highest yield or reduction of loss from each unit of resource use (5) the need for supervision, the level of the extent to which a worker can perform a function jobs without requiring the supervision of a supervision to prevent acts that are less desirable (6) interpersonal impact, an extent of employees have a degree of dignity, good name and cooperation among peers and subordinates.

Based on explanations that have been presented, performance can be defined as the degree of work that can be measured using established standards. The instrument was developed to measure performance according Sastrohadiwiryo (2003), include (1) quantity of labor (2) quality of work (3) knowledge of work, (4) work plan, (5) cooperation, (6) dependency, and (7) disciplinary.

Performance assessment (Soeprihanto, 2001) for the purpose of: (a) know the skill and ability of each employee, (b) basic planning areas of personnel, especially improvement of working conditions, improving quality and performance (c) basis for development and utilization of employees as optimal as possible so that, among others: can be directed career ladder or career planning, promotion and advancement, (d) encouraging a creation of reciprocal relationship healthy between superiors and subordinates (e) determine the condition of a company as a whole of a field of personnel, especially achievements of employees in work (f) employee can know the strengths and weaknesses of each so as to spur development. In contrast to a leader who judge would pay more attention and get to know the employees, so as to motivate employees to work, (g) results of performance assessment can be useful for research and development in the field of personnel as a whole (h) see to what extent human factor can be support organizational goals. Through performance assessment, organizations can select and place right person to occupy a certain position objectively.

Although the assessment of performance has many benefits, but many leaders that not willing to do it. According to (Mangkuprawira, 2003) this is due to, among others: (1) assessor did not feel ownership, (2) leadership was reluctant to give a bad value to employees, (3) employees are reluctant to accept poor judgment, (4) leaders and subordinates realize that adversely affects the assessment of one's career. In fact, a results of performance appraisal are not being used to determine the wisdom and awards, and leadership hesitated to give poor ratings to employees.

5. Methodology

Research population is all employees whose working in oil palm plantations in Gunung Mas Regency, Central Kalimantan Province. These plantations are Kalimantan Harapan Sawit, Mulia Sawit Agro Lestari, Archiplego Timur Abadi, and Tantahan Panduhup Asi. Population in palm oil companies at Gunung Mas Regency was 2610 employees. Samples were randomly selected and set at 10% of total population. Thus, sample size in this study was 261 employees.

In order to achieve this research objectives, data needed to measure variables of transformational leadership style, organizational culture and employee performance in oil palm company. Primary data collection was conducted using interviews. The instrument used was a structured questionnaire. Transformational leadership consists of four dimensions are charismatic, inspirational motivation, intellectual stimulus and individual consideration. This endogenous latent variables have sixteen questions. Organizational culture consists of three dimensions namely discipline, competitiveness, and transparency. Exogenous latent variables have nine questions. Employee performance consists of three dimensions, quantity of work, quality of work and timeliness of work. The exogenous latent variables have nine questions, too.

Questionnaire contains 34 questions items was sent directly to palm oil company employees. Having researched and edited in the field, data that has been collected subsequently tabulated, were presented in tables and statistically analyzed with path analysis.

6. Results and Discussion

Palm oil plantations in Gunung Mas Regency started operating since 2004. These company as a major supplier

of raw materials for palm oil industry it continues to develop over time until now. Company continues to strive to improve performance of employees so that company's production of palm oil is maintained. How was influence of transformational leadership style and organizational culture management created using structural path analysis will be described below.

Employees generally assume that transformational leadership style according to the situation of plantation and expectations of employees. Transformational leadership style that applied to oil palm plantation in Gunung Mas Regency based employee assessment are: 1) leadership aspires to realize the objectives of the company, 2) leader has managed to provide exemplary to employees, 3) a leader respected by employees because of the way its leadership and 4) how was leadership managed to cultivate employee loyalty.

Organizational culture that is focused on the aspects of disciplinary by employees of palm oil plantations has been running according to the provisions. Noteworthy in the future is consistency in the work culture of discipline that is not degraded. Organizational culture that has been running for this: 1) employees know the company with clear objectives, 2) employees understand the importance of obeying the work procedures and safety so that labor productivity in accordance with the company's expectations, and 3) employees has worked in accordance with the direction of the company leadership.

Test results effect of transformational leadership style (KT) and organizational culture (BO) on employee performance (KK) can be shown in Figure 1 and Table 1. Figure 1 is obtained by structural equation: $KK = a + b_1KT + b_2BO + e_2$. The second path coefficients of exogenous variables that transformational leadership style (KT) and organizational culture (BO) of the endogenous variable is the performance of employees, respectively 0.251 and 0.279. This means that transformational leadership style and organizational culture has a direct influence on employee performance.

Meanwhile influence of transformational leadership style and organizational culture on employee performance was presented in Table 1.

Based on the analysis results that shown in Table 1 it can be argued that the transformational leadership style (KT) and organizational culture (BO) significantly affects employee performance in palm oil company in Gunung Mas Central Kalimantan. This can be shown by the probability value (p) for the variables of transformational leadership style of 0.000 and the variable of organizational culture for 0.000. Thus we can conclude that transformational leadership style and organizational culture influence on performance of employees in palm oil company in Gunung Mas Regency, Province of Central Kalimantan. Here is an explanation about exogenous variables effect.

Effect of transformational leadership style on employee performance

Mangkunegara (2004) mentions that performance is a result of quality and quantity of work achieved an officer in carrying out duties in accordance with responsibilities given. Employee performance is measured by three indicators, namely, the quantity, quality and timely work. Descriptive analysis of the perception respondents in all three indicators showed that the indicator on time is better than the other indicators. This shows that the majority of employees of palm oil companies in Gunung Mas Regency has a good performance, especially in timeliness. The results are consistent with the thinking of Drucker (1997) that performance is a feat that can be demonstrated and achieved by a person based on certain criteria.

Transformational leadership style has a significant effect on employee performance. Empirical evidence shows that leadership style applied by top management in palm oil company cause employees to feel comfortable and motivated to further improve quality and provide best service for the company. Results support was the findings of Bass et al. (2003) that transformational leadership positively affects on organizational performance. A studies that conducted by Bass and Steidlmeier (1998) also found that transformational leadership model was able to improve performance of a number of small and large organizations in a sustainable manner.

Leadership is one of key elements is quite important in implementation of management so that a company can operate effectively and efficiently. Research results prove that transformational leadership has not been optimally implemented in companies that was studied. Transformational leadership in this research was reflected in four characteristics, namely: charisma, inspirational, intellectual stimulation and individual attention. Characteristics most influence on transformational leadership is characteristic of intellectual stimulation. In this case, the leader seeks to create a condition that is aimed at development of innovation and creativity of organization's members. It can raise self efficacy on members of organization that will lead to development of creative ideas to improve performance of individual employees. This situation will automatically realize improvement in organizational

performance.

According the research by Veiseh et al. (2014), there was a meaningful relation between transformational leadership and organizational culture. Moreover, organizational culture was affected by factors such as hopeful influence, inspirational motivation and personal observations. On the other hand, intellectual encouragement has no influence on organizational culture. Sumarto and Subroto (2011) in their research found that leadership has a strong role in improving organizational performance and in shaping organizational culture. While strong organizational culture cannot be proved to improve organizational performance. Thamrin (2012) found that transformational leadership has a positive significant influence on employees' performance.

Effect of organization culture on performance employee

Performance measurement is an activity undertaken management or supervisors to assess the results of employee. One easy way to measure performance is to compare job description in a given period based on a predetermined standard.

Organizational culture significantly influence employee performance of palm oil companies in Gunung Mas Regency, Central Kalimantan Province. Therefore, management must create a conducive organizational culture in order to meet expectations of employee performance management of palm oil plantations. Results of the study in accordance with the findings of other studies.

Awadh and Saad (2013) show that certain dimensions of culture have been identified so far and research shows that value and norms of an organization were based upon employee relationship. The goal of an organization is to increase level of performance by designing strategies. Performance of management system has been measured by balance scorecard and by understanding nature and ability of system culture of an organization have been identified. But, Uddin et al. (2013) found that organizational culture significantly influences employee performance and productivity in the dynamic emerging context. Wambugu (2014) also found that managers should focus on the factors that have a significant effect on employee performance, if they want to enhance their businesses. Based on the results, this study was able to revealed that organizational values has a more significant effect to employee's job performance at Wärtsilä, than the organisation climate as is mostly assumed as a vice versa relationship. Overly a positive relationship between organisation culture and employee performance was established, however the effect diversely varied amongst the variables with work processes and systems in Wärtsilä having more effect to employees performance. A study by Wanjiku and Agusioma (2014) concluded that organization culture has a great influence on performance as it dictates how things are done, organization's philosophy, work environment, performance targets and organizations stability.

Research Implication

This study provides a practical contribution to the company and further research related to development of palm oil company employee performance, i.e.:

- 1) Leadership is applied on palm oil companies is leadership that has a vision of the future, be able to identify changes in the environment, able to transform these changes into the organization, pioneered a change and provide motivation and inspiration to employees to be more creative and innovative, and build team work solid, bring renewal in management work ethic, brave and responsible for directing and controlling an organization that will be able to generate an increase in organizational performance. In addition, it takes a firm stance that emphasizes leadership, innovative and positive behavior in order to create transparency in palm oil plantations. Periodically, leadership development can be done through education and leadership training. Education and leadership training should be done before the leaders not occupy a certain position level after taking office. This is done so that a leaders really understand a scope of work, duties and responsibilities to be carried.
- 2) In connection with organizational culture, need for increased effectiveness in planning, implementation and accountability of activities in order to increase efficiency and effectiveness of organizational culture.
- 3) In order to improve performance of employees in the scope of palm oil companies need to reform continuously in aspects of performance planning, performance measurement, performance reporting, performance evaluation, and achievement of the company's performance.

Limitation of the research

The limitations of this study were as follows:

- 1) This research was conducted in palm oil company which is operating in Gunung Mas Regency of Central Kalimantan Province and can not generalized another organization because of differences in the

- characteristics of organization.
- 2) Instrument that was used in this study was a questionnaire enclosed so it is not yet fully able to control the honesty and accuracy of answers performance is in accordance with the actual reality.
 - 3) Research has not been able to measure employee performance bias palm oil companies who are not willing to participate in this study.

7. Conclusions

Transformational leadership style can be applied in palm oil plantations because according to the situation and expectations of employees. Organizational culture, especially with regard to disciplinary is a necessity and have followed the employee voluntarily. Transformational leadership style and organizational culture has a significant influence on employee performance at palm oil companies which is operating in Gunung Mas Regency, Central Kalimantan Province.

Management of palm oil companies can apply transformational leadership style to improve employee performance. Things that can be done by leadership of palm oil company was explaining company's vision clearly, how this vision can be achieved, always shows the attitude upbeat and confident, be able to express the trust of subordinates, instilling key values to providing a good illustration for subordinates, as well as providing a good example for his subordinates.

Reference

- Awadh, A.M. and Saad, A.M. 2013. Impact of Organizational Culture on Employee Performance. *International Review of Management and Business of Research*. Vol. 2. Issue 1, March 2013.
- Bass B.M., Avolio B J, and Berson Y, 2003. Predicting unit performance by assessing transformational and transactional leadership. *Journal of applied psychology* 88(2), 270-218.
- Bass B.M., and Avolio B.J. 1990. Transformational Leadership development: Manual for the multifactor Leadership questionnaire. Palo Alto, CA: Consulting Psychologists Press.
- Bass BM, Avolio BJ. 1993. Transformational Leadership: A response to critiques. In Chemers MM, Ayman R (Eds.), *Leadership theory and research: Perspectives and directions* (pp. 49-80). San Diego, CA: Academic Press.
- Bass and Steidlmeier. 1999. Ethics, Character, and authentic transformational Leadership behaviour. *The Leadership quarterly*, 1999 – Elsevier.
- Beach, L. R. 1993. *Making The Right Decision Organizational Culture, Vision and Planning*. United States of America; Prentice-Hall Inc.
- Bernardin and Russel. 1993. *Human Resource Management. An Experimental Approach*. International Edition. Eight Edition.
- Drucker, P. F. 1997. *People and Performance: The Best of Peter Drucker on Management*. London: Heinemann
- Gomes, F. C. 2000. *Manajemen Sumber Daya Manusia*. Andy Offset, Yogyakarta.
- Kreitner, R. and Kinicki, A. 2000. *Organizational Behavior*, The Mc Graw Hill Companies, Inc.
- Mangkunegara, A.P. 2004. *Manajemen Sumber Daya Manusia Perusahaan*. PT. Remaja Rosdakarya. Bandung.
- Mangkuprawira, T.S. 2003. *Manajemen Sumber Daya Manusia Strategik*. Ghalia Indonesia. Jakarta.
- Reksohadiprojo, S. dan Handoko, T.H. 2001. *Organisasi Perusahaan: Teori Struktur dan BPFE*. Yogyakarta.
- Robbins, S. P. 1996. *Organizational Behaviour Concepts Controversies, and Applications*. New Jersey: Prentice Hall International, Inc.
- Sastrohadiwiryo. 2003. *Manajemen Tenaga Kerja Indonesia*. Bumi Aksara. Jakarta.
- Soeprihanto. 2001. *Penilaian Pelaksanaan Pekerjaan dan Pengembangan Karyawan*. BPFE. Yogyakarta.
- Sumarto and Subroto, A. 2011. Organizational Culture and Leadership Role for Improving Organizational Performance: Automotive Components Industry In Indonesia. *International Journal of Innovation Management and Technology*, Vol. 2, No. 5, October 2011.
- Thamrin, H.M. 2012. The Influence of Transformational Leadership and Organizational Commitment on Job Satisfaction and Employee Performance. *International Journal of Innovation, Management and Technology*, Vol. 3, No. 5, October 2012.

Uddin, M.J., Luva, R.H. and Hossian, S.Md.M. 2013. Impact of Organizational Culture on Employee Performance and Productivity: A Case Study of Telecommunication Sector in Bangladesh. International Journal of Business and Management; Vol. 8, No. 2; 2013.

Veisheh, S., Mohammadi, E., Pirzadian, M, and Sharafi, V. 2014. The Relation between Transformational Leadership and Organizational Culture (Case study: Medical school of Ilam). Journal of Business Studies Quarterly. Volume 5, Number 3.

Wambugu, L.W. 2014. Effects of Organizational Culture on Employee Performance (Case Study of Wartsila - Kipevu Ii Power Plant). European Journal of Business and Management. Vol.6, No.32, 2014.

Wanjiku, N.A. and Agusioma, N.L. 2014. Effect of Organisation Culture on Employee Performance in Non Governmental Organizations International Journal of Scientific and Research Publications, Volume 4, Issue 11, November 2014.

Figure 1. Path Coefficient

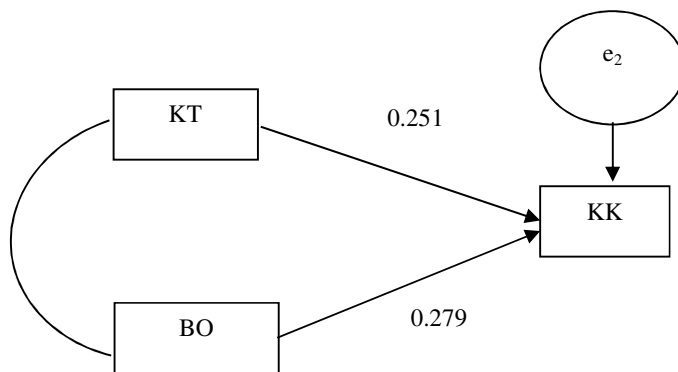


Table 1. Effect of Transformational Leadership Style and Culture Organization on Employee Performance

Regression Weights				
Variable	Estimate	S.E.	C.R.	P
KT → KK	0.251	0.032	7.843	0.000
BO → KK	0.279	0.072	3.896	0.000

Source : analysis results, 2015