

Effect of Leadership Styles, Organizational Culture, and Employees Development on Performance (Studies in PT. PG. Gorontalo of Tolangohula Unit)

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ABSTRACT : *This study objective is to find the effect of leadership style, organizational culture, and employees' development on industrial performance of PT. PG. Gorontalo. Sample of this study consists of 266 employees at PT. PG. Gorontalo. Data collection techniques are interview with questionnaire model and observation technique. In order to test model correlation, it is used analysis tool which capable to explain simultaneous correlation by Structural Equation Model (SEM) with AMOS program. This study result has proved that leadership style has significant effect on organizational culture with coefficient value of 0.908,. Leadership style has also significant effect on employee development with coefficient value of 0.398,. Organizational culture has significant effect on employee development with coefficient value of 0.952. Leadership style has significant effect on performance with coefficient value of 0.250. Organizational culture has insignificant effect on performance with and coefficient value of 0.174. It showed that organizational culture has indirect contribution on performance. It is seen from analysis result that organizational culture has indirect effect on performance through employee development with coefficient value of 0.774. Employee development has significant effect on performance with coefficient value of 0.250.*

KEYWORDS: *Leadership style, organizational culture, employees' development, employees' performance*

I. INTRODUCTION

The main elements to determine the group success is leadership (Robbins, 2003). Leadership is always associated with ability to affect employee's behavior in a group toward goal achievement. Leadership is always about something to handle the change. Leaders role affect on behavior of subordinates to get a role in organization progress (Bass, 1990). This is supported by Fiedler in Robbins (2003) that effective group performance depends on leadership style of a leader within organization Leadership style will greatly affect on working conditions, employee motivation and confidence and lead to increased performance. The opposite can cause performance degradation if the application is not adapted to working behavior conditions of organization members (Gibson et al, 2000). Low performance in leadership perspective is interesting to study. It is about how far behavior leadership is able to describe the leadership style and managerial abilities of a leader. It is a value-productive output of a system in form of goods or services and can meet the performance objectives of organization (Samsi, 2007). Individual employee's performance will be achieved if the employee has a working maturity. Maturity of this work will be achieved when there is a will of them and get referrals from their leaders through leadership model. One variable at organization level that can determine the success of organization in achieving its goals is organization culture (Robbins, 2003). Organizational culture is a product of interaction between the value of selection process, function of managerial and organizational behavior (Gibson et al. 2000).

Employee's development is the most important aspect in company. Employee development means to prepare individuals to be responsible for the work in future. Human resource development as a learning experience that is organized at period of time to determine possible changes in performance or generally improve the ability of individuals, through learning in general. Therefore, the results of human resources development can be seen from the change in individual's performance in periods of time. The obtained data show that a sugar production target has decreased, while the number of employees has increased over the last five years. This condition indicates that employee's performance of PT. PG Gorontalo decreased. This is evident from the number of production tends to decrease while the number of employees has increased every year. The figure above shows that overall company performance is not optimal. This requires company to have an efficient organization and management to be able to thrive. Departing from various theoretical and empirical research results, it will develop a research model to assess the effect of leadership style, organizational culture, and employee's development on employee performance. The uniqueness of this study is on several things: 1) although the variables in this study have common with variables in previous studies, but there are indicators different used to measure the variables research.

Indicators difference specifically contained in variables of leadership, 2) Most of analytical methods used in earlier study is multiple regression, correlation and factor analysis, while this study will uses SEM. This analysis is expected to be able to analyze the relationship between the variables studied. The research objective to be achieved is to know weather leadership style, organizational culture, and employee development affect on performance of PT.PG Gorontalo, Gorontalo district, Tolangohula Unit, which includes: the effect of leadership style on organizational culture, leadership style on employee development, organizational culture on employee development, leadership style on performance, organizational culture on employee performance, and employee development on performance.

To understand leadership, main thing to note is the totality to distinguish between leadership and management. Classic management is defined as a process of planning, organizing, implementation, and controlling. Third step execution needs a person that able to maintain continuity in implementation of four main points of management. Without their role, planning and controlling will difficult and may not be achieved. In management they are called as leaders/managers/directors etc. In relation with leadership terms, management experts has provided following definition:

- [1]. George R. Terry (Hersey and Blanchard in 1977) said that “*Leadership is the activity of influencing people to strive willingly for group objectives*”.
- [2]. Harold Koontz and Cyril O'Donnell argues that “*leadership is influencing people to follow in the achievement of common goal*”.
- [3]. Robert Tannenbaum, Irving R. Weschler, and Fred Messarik (1961) defines “*leadership as interpersonal influence exercised in situation and directed, through the communication process, toward the attainment of a specialized goal or goals.*”
- [4]. Joseph L. Massie/John Douglas (in Winardi, 2000) suggests that: “*... Leadership occurs when one person induces others toward some predetermined objective*”
- [5]. Stephen P. Robbins defines leadership as “the ability to affect a group to achieve targets”.

Leadership definition above show that leadership definition is process to direct, to move, and to affect activities in relation with duties of members of group/organization in order to achieve the goals set. Goleman (2000) states that there are six characteristics or dimensions of leadership style in this study: 1) coercion), 2) autocracy, 3) affiliate, 4) democracy, 5) Speed, and 6) coach.

II. METHODS

Population and Sample : This study population are all employees with total 800 workers. Sampling calculation was carried out by using a formulation of Slovin (1960) cited in Selvilla (1994) and in Husein (2004). The minimum number of samples obtained are 266 respondents.

Data Collection : Data was collected by interview questionnaire and observation techniques. To examine the association in models, it is used analytical tool that able to simultaneously explain the relationship by using Structural Equation Model (SEM) using AMOS program

III. THE RESULTS

PT. PG Gorontalo (formerly known as PT. PG Rajawali III) is a subsidiary of PT. RNI with operation in Tolangohula, Gorontalo, and North Sulawesi. In 1990, private entrepreneurs of Gorontalo built sugar mill with a capacity of 8,000 tcd with name of PT Nagamanis Plantation. This project is funded by several Banks as Bank Bumi Daya, Bank Dagang Negara and other Financial Institutions. In 1996, company had financial difficulties because the from 18,000 ha needed area, only 4,600 ha available. Banks can not increase lending to continue clearing because shareholders does not increase investments. Consequently, the plant can not get enough raw material supply. To improve the capital structure, Bank Bumi Daya loans was restructured by redemption of unpaid interest and some principal debt is converted into shares, so the ownership composition of Bank Bumi Daya is 66.6% with option right and RNI 33.3%. RNI has share 33.3% and also appointed as holder of management, based on a 20-year management agreement. RNI become shareholders of Nagamanis Plantation which was then renamed as PT Rajawali III and Sugar Factory in Gorontalo was renamed to PG Tolangohula.

Leadership style (X1) : Leadership style variable is measured by six indicators, namely: autocratic coercion style, affiliation style, democratic style, speed style and coach style. Respondents' perceptions of leadership style can be seen in Table 1 below:

Table 1. Frequency/Percentage Indicator of Leadership Style

Indicators	Respondent answer score										Mean
	1		2		3		4		5		
	F	%	F	%	F	%	F	%	F	%	
X1.1	4	1,5	3	1,1	34	12,8	157	59,0	68	25,6	4,06
X1.2	0	0,0	1	0,4	6	2,3	191	71,8	68	25,6	4,23
X1.3	0	0,0	3	1,1	17	6,4	173	65,0	73	27,4	4,19
X1.4	6	2,3	7	2,6	46	17,3	150	56,4	57	21,4	3,92
X1.5	8	3,0	18	6,8	52	19,5	144	54,1	44	16,5	3,74
X1.6	15	5,6	39	14,7	69	25,9	111	41,7	32	12,0	3,4
Mean Variables											3,91

Source: Data processed in 2013

Table 1 show the perceptions of leadership style has average of 3.91. It means that respondents gave good value/importance. It indicates that PT.PG Gorontalo of Tolangohula unit has leadership style in according to perceptions of employees . According to employees, visionary leadership style has highest value of 4.23, which means very good. It means that leadership has been very well to do his duties as a mentor for his subordinates. While the indicators with smallest value 3.4 is speed style that is still at level sufficient. Leadership role related to speed style should receive serious attention in order to improve the employee's performance .

Cahn, et al (2004) examined the effect of leadership style on employee performance and research results shows that leadership style affect positively and significantly on employee performance. Employee performance increases when the leader is able to provide good support to employees. Leader role affect on employees behavior to get progress in organization.

Organization Culture (X2)

Organizational culture variables measured by nine indicators, namely: Innovation & risk taking, attention and detail, team orientation, people orientation, results orientation, aggressiveness, stability. Respondents' perceptions of organizational culture can be seen in Table 2 below:

Table 2. Frequency/Percentage Indicator of Organizational Culture

Indicator	Respondents Answer Score										Mean
	1		2		3		4		5		
	F	%	F	%	F	%	F	%	F	%	
X2.1	0	0,0	2	0,8	20	7,5	178	66,9	66	24,8	4,16
X2.2	3	1,1	9	3,4	68	25,6	142	53,4	44	16,5	3,81
X2.3	2	0,8	10	3,8	58	21,8	148	55,6	48	18,0	3,86
X2.4	2	0,8	6	2,3	38	14,3	172	64,7	48	18,0	3,97
X2.5	1	0,4	0	0,0	27	10,2	185	69,5	53	19,9	4,09
X2.6	0	0,0	4	1,5	34	12,8	172	64,7	56	21,1	4,05
X2.7	1	0,4	16	6,0	70	26,3	145	54,5	34	12,8	3,73
Mean of Variable											3,98

Source: Data processed in 2013

Table 2 above shows organizational culture has average of 3.98. It means that respondents gave good value/importance. It indicates that organizational culture at PT.PG ,Gorontalo Tolangohula unit, according to perceptions of employees, has been relatively good as well able to act as one of factors to affect on company progress. According to employees, innovation and risk-taking are indicator that has the highest value of 4.16, which means very good. It means that company has planted itself on each employee so that employee is responsible for carrying out the routine and non-routine tasks.

There is no longer a sense of indecision or doubt in minds of employees because doubts will become fatal for the employees and company. The work team is built and nurtured by values of together, trusting, cohesive relations, conducive atmosphere, and empowered citizens will motivate the team, participatory spirit and in turn improve the superior performance (EOH, 2001).

Employee Development (X3) :Employee development variable is measured by three indicators of quantity, quality and error rate. Respondents' perceptions about employee development can be seen in Table 3 below:

Table 3. Frequency/Percentage Indicator of Employee Development

Indicator	Respondent Answer Score										Mean
	1		2		3		4		5		
	F	%	F	%	F	%	F	%	F	%	
X3.1	1	0,4	3	1,1	16	6,0	183	68,8	63	23,7	4,14
X3.2	2	0,8	7	2,6	48	18,0	159	59,8	50	18,8	3,93
X3.3	1	0,4	5	1,9	41	15,4	173	65,0	46	17,3	3,97
Mean Variable											4,01

Source: Data processed in 2013

Table 3 shows that respondent perceptions for employee’s development variable has average of 4.01. It means that respondents gave good value/importance to indicate that at PT.PG Gorontalo, Tolangohula Unit, employees always want to increase ability and insight through a program in company as well as cooperation partner’s premises. According to employees, education and training are variables with highest value of 4.14. It means very good, education and training as an employee development program has done quite well, so that in end it will be able to improve the individual’s performance and organizations.

Performance (Y)

Performance is defined as work result and manifestation of duty realization in accordance with position in organization or company. It is measured by three indicators, namely: education and training, work experience, and career development. Respondents' perceptions about performance can be seen in Table 4 below:

Table 4. Frequency/Percentage Indicator of performance

Indicator	Respondent answer score										Mean
	1		2		3		4		5		
	F	%	F	%	F	%	F	%	F	%	
Y1.1	1	0,4	2	0,8	23	8,6	182	68,4	58	21,8	4,11
Y1.2	0	0,0	6	2,3	24	9,0	170	63,9	66	24,8	4,11
Y1.3	3	1,1	3	1,1	25	9,4	182	68,4	53	19,9	4,05
Mean Variable											4,02

Source: Data processed in 2013

Table 4 show that perception respondents of performance is good/important, it is seen from the average value of 4:02. It indicates that employee’s performance in PT.PG Gorontalo at Tolangohula unit is more dominant as shown by work quality.

Hypothesis Testing : Empirical model of this study can be tested by proposed hypothesis using path coefficients in structural equation models. Table 5 shows hypothesis testing by looking at p value. If the p value less than 0.05, it means there is significant relationship between the variables. Test results are presented in following table:

Table 5. Hypothesis Testing

HIP	Independent variables	Dependent variables	Direct Effect		
			Standardize	p-value	Description
H1	Leadership Style	Organization culture	0,908	0.000	Significant
H2	Leadership Style	Employee development	0,398	0,045	Significant
H3	Organization culture	Employee development	0,952	0.000	Significant
H4	Leadership Style	Performance	0,250	0,039	Significant
H5	Organization culture	Performance	0,174	0,737	Insignificant
H6	Employee development	Performance	0,813	0,011	Significant

Source: Data processed in 2013

Of overall model of six significant path are significant, one path is not significant. Interpretation of Table 5 can be described as follows:

- Leadership style has a positive and significant effect on organizational culture with $p = 0.000$ (<0.05) and a coefficient of 0.908. This coefficient indicates that better leadership style adopted by leader will increase organization's culture at PT.PG.Gorontalo, Tolangohula unit.
- Leadership style has a positive and significant effect on employees development with $p = 0.045$ (<0.05) with a coefficient of 0.398. It coefficient indicates that more appropriate leadership style adopted by leader more likely to make employee be able to develop in accordance with employee development programs on PT.PG. Gorontalo at Tolangohula Unit.
- Organizational culture has a positive and significant effect on employees development with $p = 0.000$ (<0.05) with a coefficient of 0.952. This coefficient indicates that better organization culture can increase employee's development in accordance with employee development programs in PT.PG.Gorontalo at Tolangohula Unit.
- Leadership style has a positive and significant effect on performance with $p = 0.039$ (<0.05) with a coefficient of 0.250. This coefficient indicates that right leadership style adopted by leader will increase employee's performance.
- Organizational culture has a positive effect on performance and not significant with $p = 0.737$ (> 0.05) with a coefficient of 0.174. This coefficient indicates that organizational culture does not contribute directly to improve performance, but the culture is able to improve performance through employee development. This is evident from the analysis results that organizational culture has indirect effect on performance through the employees development with coefficient of 0.774
- Employee development has a positive and significant effect on performance with $p = 0.039$ (<0.05) with a coefficient of 0.250, this coefficient indicates that higher employee development program will increase performance

IV. DISCUSSION

Effect of Leadership Style on Organizational Culture

Looking at critical ratio (CR) the effect of leadership style on organizational culture, first hypothesis which states that leadership style has significant and positive effect on organization culture can be accepted. This conclusion is based on implied minimum CR of 2.00 and probability (p) of $0.000 > 0.05$. It indicates that two variables have a significant causal relationship. This study also showed a positive effect of leadership style on organizational culture characterized by a positive path coefficients that can be seen from the Standardized regression weigh value of 0.908. It can be concluded that leadership style provides a direct role on organizational culture. The results of this study support previous research that found that leadership style affects on organizational culture.

Effect of Leadership Style on Employee Development : Results result prove that leadership style has significant and positive effect on employee development. This conclusion is based on critical ratio of 0.045 and probability (P) smaller than 0.05. It means that two variables have a significant causal relationship. This study also showed a positive effect of leadership style on employee development is characterized by a positive path coefficients that can be seen from the value of standardized regression weigh of 0.398. It can be concluded that leadership style encourages the employee's development to improve employee's ability at this company. This study results support previous research that found that leadership style affect on employee development.

Effect of Organizational Culture on Employee Development : Organizational culture has a positive effect on employee's development at 0.952. It means that organizational culture with result orientation is dominant indicator of latent variable that able to provide employees development (career development, training and work experience) significantly. This reflects that PT.PG Gorontalo at Tolangohula Unit grow in value a shared belief

as reference of thinking and employees behavior and this is a potential strategic value of company in process to achieve goals. In order growth and development of organizational culture among employees affect to increase employee's ability through employee development, it needs approach through the actions of top management and socialization process.

The effect of leadership style on Performance : Research results prove that hypothesis of leadership style has significant and positive effect on organization culture can be accepted. This study also showed a positive effect of leadership style on organizational culture that characterized by a positive path coefficients that can be seen from the Standardized regression weigh value of 0.908. It can be concluded that leadership style provides a direct effect on organizational culture, where visionary leadership style is dominant indicator to form latent variables among other indicators provide a positive contribution to organization's culture. This study results support previous research that leadership style affects on organizational culture.

Effect of Organizational Culture on Performance : Looking at critical ratio (CR) the effect of organizational culture on performance, hypothesis 5 which states that organizational culture positive and significant effect on performance is rejected. This conclusion is based on CR calculation and probability (P) of 0.737 is greater than 0.05. This study also showed a positive effect of organizational culture on employee performance that characterized by a positive path coefficients that can be seen from the value of standardized regression weight of 0.174. It can be concluded that organization culture does not provide a direct effect on employee's performance . Therefore, hypothesis 5 which states that organizational culture has positive and significant effect on employee performance is not proven or not supported by facts. These results do not support previous research which found that organizational culture affect on individuals performance , groups, and organizations. Organizational culture has no significant positive effect on employee performance due to innovation and risk-taking, attention to detail, team orientation, human orientation, results orientation, aggressiveness. Stability does not provide an optimal contribution to organization culture that also does not effect on employee performance.

Effect of Employee Development on Performance : Looking at critical ratio (CR) the effect of employee development on performance, hypothesis 6 which states that employee development has positive and significant effect on performance is accepted. This conclusion is based on results of CR calculation and probability (P) of 0.011 is smaller than 0.05. It means that two variables have a significant causal relationship. This study also showed a positive effect of employee development on employee performance that characterized by a positive path coefficients that can be seen from the Standardized regression weigh of 0,813. It be concluded that employees development effectively improve employee performance.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion : Looked from every dimension of leadership style, dominant leadership style in Gorontalo PT.PG at Tolangohula unit is visionary leadership style. This proves that leadership carry out activities by encourage employees to achieve goals with much attention to dimensions of visionary style to assign tasks to employees. This means that leadership style is effective to improve employee performance. Organizational culture does not contribute directly to improved performance, but the culture is able to improve performance through employee development. This is evident from the analysis results to indicate that organizational culture has indirect effect on performance through employee's development

Suggestion :Referring to this study findings, advice that can be given is to improve employee's motivation to improve their performance, leader role is needed to achieve organization or individual goals.

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