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## The Role of Corporate Culture and Employee Motivation as a Mediating Variable of Leadership Style related with the Employee Performance (Studies in Perum Perhutani).

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### Abstract

The aims of this research are to determine the influence and role of the independent variables, namely leadership style, corporate culture and employee motivation on employee performance. Furthermore, another purpose of this experiment is to determine the role of corporate culture and employee motivation as a mediating variable of leadership style related with the employee performance.

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*Keywords:* Corporate culture, employee motivation, leadership style, employee performance.

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### Introduction

#### *Background*

Perhutani is a state-owned enterprise which assigned by the government to manage production forests and protected forests in Java island. The forest management budget obtained by the results of the utilization of forest areas in the form of the sale of timber and non-timber. After the Indonesia political reform in 1998, the potential of forests decreased significantly as the result of looting and land occupation. This resulted in a decrease in productivity performance degradation of forest areas, a decrease in the company's revenue, decreased quality of ecological as well

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as an increase in social conflicts between officers and forest communities. One of the measurement of the success of the company management is an ongoing performance improvement. The forest management performance is influenced by internal factors and external factors. Some studies suggest, that the internal factors associated with human resource attribute significantly affect the company's performance.

There is inconsistency results of the research, that is, there is no significant relationship between transactional leadership style with the performance (Shahhosseni, Silong and Ismail, 2013 ). Transformational leadership style is more effective than transactional leadership variable in predicting the performance of the company (Aziz, Abdullah, Tajudin and Mahmood, 2013). Leadership styles have no effect with the motivation of employees (Mehta, Dubinsky and Anderson, 2003). Dysfunctional organizational culture is a significant negative effect on the performance of companies (Fleet and Griffin, 2006).

The purpose of this study was to determine the role of the independent variables and the pattern of relations, namely leadership styles, corporate culture and employee motivation to variable employee performance. In addition, to determine the function of corporate culture and employee motivation as mediating variables of leadership style influence on employee performance.

## **2. Literature Review**

### *2.1. Leadership Style*

Leadership is an attempt to influence a lot of people through communications in order to achieve its intended purpose, the way it affects a lot of people is done through instructions or orders (Dubrin, 2005). Leadership is a process that is done by a leader to influence and motivate others to voluntarily be willing to do as he pleases (Nimran, 1997; Gibson, 1995). Leadership style is a model of the interaction between two or more in a group that resetting of the situation , perceptions and expectations of its members (Bass, 1990) .

Leadership style affects the motivation and behavior of employees in doing their works. Thus the leadership style can serve as a positive influence or even to inhibit or degrade the performance of employees.

Transactional theory presented by Weber (1977) and Bass (1981), states that this theory is based on a system of reward and punishment, the employee will be rewarded in case of success and will be reprimanded or punished for breaking the rules agreed.

Transformational theory presented by Burns (1978) and Bass (1981), stating that the leader is obliged to motivate and inspire people whom he led in order to see the benefit of duty. Transformational theory or the theory of relationship, focus on the pattern of the relationship between leaders and followers.

In carrying out the tasks of leadership, every leader has a different style or type of a leader with other leaders. Every leader in carrying out its leadership shows the type of leadership, respectively, in general, these types can be grouped into three, namely:

1. Leadership style oriented tasks ;
2. Leadership style oriented cooperative relations ;
3. The results-oriented leadership to achieve.

Good leadership does not arise from a particular leadership style, but usually arises from a combination or a combination of several styles of leadership and flexible on its application.

### *2.2. Organizational Culture*

According to Schein (1992), organizational culture is a basic pattern received by the organization to act and solve problems, form the employees who are able to adapt to the environment and to unite the members of the organization. Duncan (1985), organizational culture is the application of values in a society that is concerned, working under the auspices of an organization. Wheelen and Hunger (1986), organizational culture is values that are shared by members of the organization and passed down from one generation to the next. Luthans (2006), states, culture as acquired knowledge to interpret experience and generate social behavior.

Organizational culture is one of the important variables taken into consideration in determining the direction and strategy of an organization. There is a lot of understanding about organizational culture, for instance organizational culture is a form of beliefs, values, ways which can be learned to cope and live within the organization and the organizational culture tends to be interpreted by the members of the organization (Brown, 1998).

### *2.3. Employee Motivation*

Motivation is a process that explains the intensity, direction and persistence of an individual to achieve a goal (Robbins and Judge, 2007). According to Gibson (1996) motivation is the force that drives a person which raises and directs their behavior.

Human needs are not only material needs, but also psychological needs, mental, intellectual and spiritual. Human needs run simultaneously or concurrently to the different levels of needs.

Alderfer theory emphasizes, that the fulfillment of human needs gratification tends to be pursued simultaneously. According to the theory of Alderfer the more needs which not met certain expectation, the greater the desire to satisfy. Likewise, if certain needs have been satisfied, hence the desire to satisfy the needs of the higher level will be stronger. If the higher level needs can not be satisfied, then the desire to satisfy more basic needs will be stronger .

### *2.4. Employee Performance*

Organizational performance is an achievement that can be accomplished from the behavior of members of the organization, through the stages of input, process and output Hyndman and Anderson (1987). The performance of the organization is the desired result of the behavior of members of the organization (Gibson, 1998).

Leadership is one of the organizations variable which has been investigated that the leadership significantly affect employee performance (Cummings and Schwa,1973). Many research results stating that transformational leadership generates greater performance compared to transactional leadership (Burns 1978; Bass 1990; Hater and Bass 1988; Howell and Avolio 1993).

A strong culture of an organization is helping the achievement of employee performance also means that the achievement of goals and performance improvement of the organization (Deal and Kennedy, 1982). Performance standards are the conditions that will exist when the satisfaction of the employees is formed, which includes the volume of work that can be achieved or generated, order completion time, the accuracy of the results of the work (Alder, 2001).

### *2.5. Method*

The Primary data was collected from questionnaires which filled by employees or respondents working in the upstream sector. Respondents were asked to answer or select one of the numbers from 1 to 5 (Scale Linkert) according to their expectations or thoughts which is appropriate with the field condition.

The number of population in this study are 8000 employees. Sampling was done by Slovin formula over 550 respondents. SEM using WarpPLS 3.0 was used to determine the correlation between dependent variables and independent variables. Moreover, this study also implemented Partial Least Square Analysis in order to examine:

1. Linearity Test;
2. Outer models Test;
3. Inner models Test (structural test models)

## **3. Research Result**

Based on the results of the convergent validity testing, the value of loading factor is more than 0.60. Furthermore, the discriminant validity testing shown that the value of Average Variance Extracted (AVE) is qualified, Its value is more than the value of correlation variables. VIFS value is below 3.3, It means there is no multicollinearity.

Reliability testing describes that the composite reliability values is more than 0.90 and Cronbach's alpha value is more than 0.90. It means the data reliability is eligible.

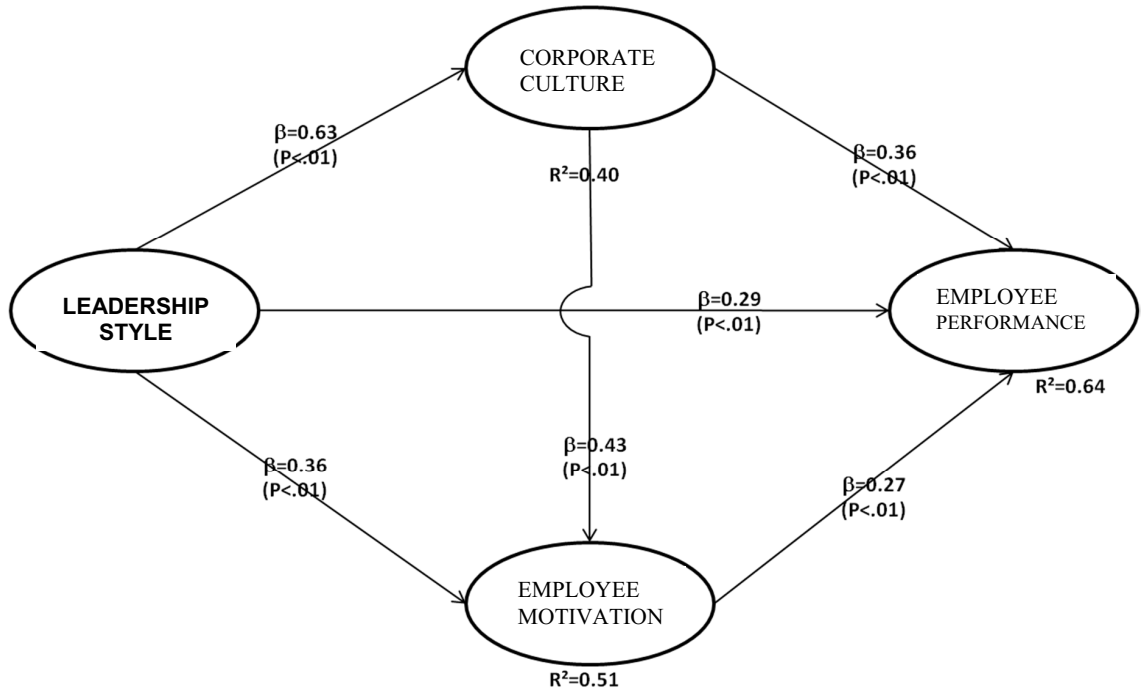


Figure 1. The results and output analysis of PLS.

The Results of hypothesis testing can be seen in Table 1.

Table 1. Direct Influence Hypotheses Test.

Independent Variables	Dependent Variable	Path Coeff	P Value	Explanation
Leadership Style	Employee Performance	0.29	P < 0.01	Significant
Leadership Style	Organizational Culture	0.63	P < 0.01	Significant
Leadership Style	Employee Motivation	0.36	P < 0.01	Significant
Organizational Culture	Employee Performance	0.36	P < 0.01	Significant
Organizational Culture	Employee Motivation	0.43	P < 0.01	Significant
Employee Motivation	Employee Performance	0.27	P < 0.01	Significant

The Results of mediation analysis results can be seen in Table 2.

Tabel 2. Mediation analysis Result.

Relation	Indirect effects	P Values	Explanation
Leadership Style-Organizational Culture- Employee Performance	0.227	<0.001	Significant
Leadership Style-Employee Motivation- Employee Performance	0.097	<0.001	Significant
Leadership Style-Organizational Culture- Employee Motivation-Employee Performance	0.397	<0.001	Significant

Based on the results of the output of PLS, the direct path coefficient values of leadership style on employee performance are  $\beta = 0.68$  and P value  $< 0.01$  which mean leadership style significantly affect the performance of employees, however if the culture of the company is included as a mediation variable, the value of the direct path coefficient of leadership style on employee performance could be  $\beta = 0.38$ , P value  $< 0.01$  and the effect remained significant. Thus the company culture serves as a partial mediation of leadership style on employee performance.

In addition, If the employee motivation variable is included as mediation variable of leadership style on employee performance, the value direct path coefficient of leadership style on employee performance would be  $\beta = 0.42$ , P value  $< 0.01$  and the effect remained significant. Therefore the motivation variable employee also serves as a partial mediation of the influence of leadership style on employee performance.

Based on table 2, the value indirect effects of leadership style on employee performance are 0.397 and P value  $< 0.001$  which mean corporate culture and employee motivation significantly as a mediation variable.

#### 4. Discussion

Leadership style consists of transformational leadership and transactional leadership which have a significant effect on employee performance. Transformational leadership has a superior influence than transactional leadership. This theory is not supported by the results of the study of the predecessor researchers (Shahhosseni, Silong and Ismail, 2013) but it is supported by the other predecessor researchers (Aziz, Abdullah, Tajudin and Mahmood, 2013).

The Corporate culture and employee motivation has a function as a partial mediation of the influence of leadership style on employee performance. It is obvious that if all the independent variables participate in a significant role, the performance of employees will increase. Therefore in order to improve employee performance, the variable leadership style, corporate culture and employee motivation should be to reform together.

#### 5. Conclusion

There are three variables that significantly affect on employee performance, those variables are leadership style, corporate culture and employees motivation.

Leadership style significantly influences corporate culture and employee motivation. Corporate culture also has a significant effect on employee motivation.

Corporate culture and employee motivation act as a mediating variable against the influence of leadership style on employee performance. Mediation role is a partial mediating.

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