

# The Influence of Leadership Competencies, Organizational Culture, Employee Motivation and Performance (Studies in PDAM Malang, East Java, Indonesia )

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## ABSTRACT

The purpose of this study is to examine the influence of leadership competencies and organizational culture on the motivation and performance of employees. The study population is the fixed employees of local water supply company (PDAM) Malang using interview technique and purposive sampling approach, a sample of 72 employees on the basis of who agreed to be interviewed only. Partial Least Square (PLS) software is used to analyze data. The results showed that there is no significant direct influence between leadership competencies and organizational culture on employee performance, but there is an influence of leadership competencies and organizational culture on employee motivation and also there is a significant influence of motivation on employee performance. The research findings indicate that the motivation variable has a full mediating role on relationship between leadership competencies and organizational culture on employee performance. It means that in order to improve the performance of employees, must be built high motivation in order to improve employee performance.

**Keywords:** Leadership Competencies, Organizational Culture, Motivation, Employee Performance

## INTRODUCTION

Regional water supply company of Malang Muncipal is a regional government owned company demanded to conduct a good corporate governance in order to achieve a high growth and competitive advantages. In doing so, it is needed an extra effort to realize through implementation of vision, mission, as well as goals in an effective and efficient way. This effort should be accompanied by appropriate internal resources allocation to ensure a successful objective of the company. Based on this background, it is urgently needed a research on how to measure employee's performance related to leadership, organizational culture, and employee's motivation.

Previous research on causalities relationship between leadership and employee's performance by Sharkie, 2009; Cools K., 2010; Salman, 2011; and Xu, Zhong, 2013) found a positive and significant impact of leadership on employees' performance. Their performance will be rise up if a leader has an expected capability, high integrity, as well as directive capability accepted by organization members. A contrary result revealed by Minh Ha & Nguyen (2014) and Yang et al. (2012) that leadership is unable to increase employees' performance.

Valensi E. (2008), Ahmad (2009), Li, et al. (2012) examined an effect of leadership on employees' motivation, and found that there is a positive and significant impact of leadership character on employees' motivation. Another study conducted by Cools (2010) and Chaudhry, et al (2012) in Pakistan demonstrated a similar result that transformational and transcational leadership have a positive and significant effect on employees motivation.

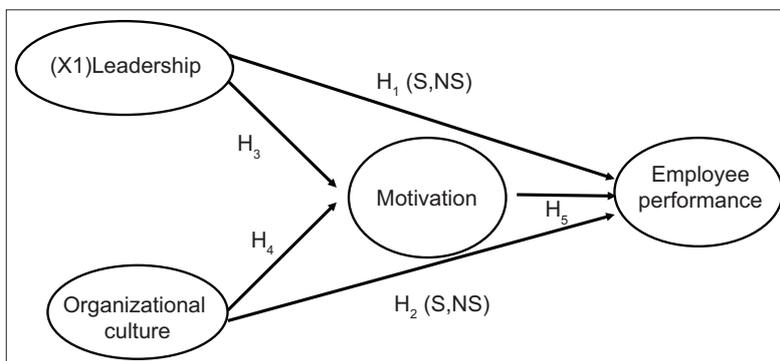
A good climate of work should appear in an organization in order to keep every employee fully dedicates his/her ability to execute all of their tasks. It will be achieved if there exist a strong motivation of an employee in an organization. A positive and significant relationship between work motivation and employees' performance shown in research conducted by Hayati & Chaniago (2012) and Cools, K. (2010). A strong influence of a leader is a must in an organization in order to maintain a worker voluntarily to work hard and to give all of their potential for working. It is a challenging duty for a leader who required a good skill to motivate an employee.

A study of leadership impact on employee's performance in real estate companies conducted by Li, Tan, Teo et al. (2012), and Cools K. (2010) based on 118 of 187 responses have shown that leadership competencies have a positive impact on employees' performance

through mediating role of motivation. A further research by Cools K. (2010) demonstrated a good mediating role of motivation in relationship between organizational culture and employees' performance. This research will be done based on those finding.

### Research Conceptual Framework

Based on previous research findings and literature reviews, it can be described a following conceptual framework as shown by picture below:



### HYPOTHESES

#### Impact of Leadership on Employee's Performance

Achieving vision, mission, and objectives effectively and efficiently by proper allocation of internal resources are main goals of such organization. A leader requires high competencies and capability to direct employees to accomplish their tasks based on strong motivation. Xu, Zhong (2013), Sharkie (2009), and Cools K. (2010) found a positive and significant impact of leadership on increasing performance of employees, where employees' performance will rise up if a leader has high competency, integrity, and capability to direct his/her followers to achieve organizational goals. On the other hand, Minh Ha & Nguen (2014) show that leadership capability solely is not enough to increase employees' motivation, there is also a mediating role of work satisfaction to leverage employees' morale to accomplish their work (Yang et al., 2012). This is a research gap that could be filled in this study.

H1: A high leadership competency will increase employees' performance.

#### Impact of Organizational Culture on Employee's Performance

A conducive organizational culture will trigger employees to work more productive and creative, especially in the developed technological information era where transfer and access of knowledge between countries is easier. However, a high adaptability of employees is a must in order to adopt rapid changes of technological information. An organizational culture could be viewed as competitive advantages when it is valuable, rare, unimitable, and non-substitutable (Barney, 2001). Several researches demonstrated a positive and significant impact of organizational culture on employees' performance (Gajendran & Brewer, 2007; Yunus, 2010; Haerani, et al. (2012), Cools K. (2010), and Oemar (2007). But, a contrary result is shown by Liem B. (1995), and Basrie & Fariansyah H. (2008) that organizational culture decreases employees' performance. Based on this statement, it can be proposed the second hypothesis:

H2: A better organizational culture may increase employees' performance.

#### Impact of Leadership Competencies on Employee's Motivation

A study by Li et al (2012), Ahmad (2009), and Valensi E. (2008) show that leadership characteristics have a positive and significant impact on employees' motivation. A similar result also revealed by Cools K. (2010) and Chaudhry et al. (2012) who conduct research in Pakistan that both transformational and transactional leadership influence employees' motivation positively and significantly.

In public sector organizations, a leader is demanded to have a professional attitude, provide prime services for societies from all levels of administrative government. In addition, a good leader is not only required to have a good vision, wise, honest, creative, and innovative but also mastering excellent competencies and capabilities in leadership. Based on this explanation, it can be stated that:

H3: A high level leadership competencies may increase employees' motivation.

### The Impact of Organizational Culture on Employees' Motivation

A profit oriented organization could absorb such values and believes in its social environment and then implement it for a code of conduct in order to create a good work climate. Valensi E., (2008), Cools K. (2010), and Cucu-Ciuhan & Guita-Alexandru (2014) proved that there is a positive and significant effect of organizational culture on increasing employees' motivation to work. A similar result revealed by Panagoitis, et al. (2014) who conduct research in state universities of Athena that clan organizational culture increase work motivation of employees, but contrary influence shown by both hierarchy and bureaucracy culture.

H4: A better organizational culture may increase employees motivation.

### The Impact of Employees Motivation on Employees Performance

A good organization will maintain a positive value as a code of conduct of all employees in accomplishing their tasks. Every member of an organization is expected to complete all his/her job based on job allocated. It will be realized when an employee has a strong motivation to do his/her task. Hayati & Caniago K. (2010) found a positive and significant influence of motivation on employees performance.

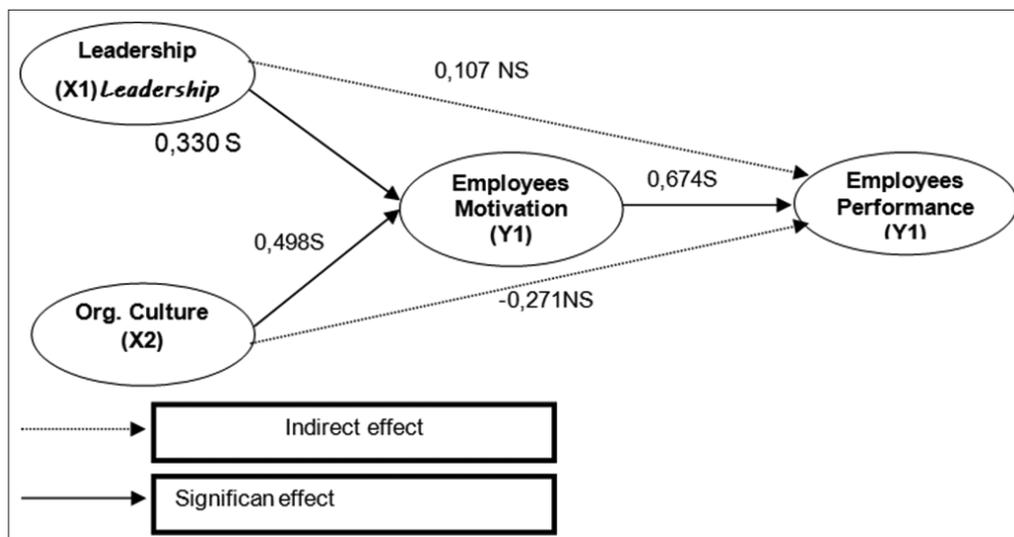
Motivation is a natural driving force to satisfy and to survive (Clayton Y., 2000). A motivation produced by employee's attitude to cope with working environment. Motivation can also be seen as condition and energy to direct an employee moving toward organization's objectives. Soeroso (2002) said that motivation is a set or collection of behaviors as a base or reason to reach a specific goals. A work motivation can be divided into two: 1. An extrinsic motivation; 2. Intrinsic motivation.

Based on the definitions above, it could be said that a motivation objective is to rise an employee willingness to work, to exploit his/her internal potential, to behave that force a better performance. According to this, it can be proposed further hypotheses.

H5: A higher or stronger employees' motivation may increase employees' performance.

### Hypotheses Testing

Variables' relationship	Path coefficient	T-test	P-value	Description
Leadership ->employees' performance	0,107	1,090	0,275	NS
Organizational culture ->employees' performance	-0,271	1,486	0,137	NS
Leadership ->employees' motivation	0,330	4,133	0,000	Sign
Organizational culture ->employees' motivation	0,498	6,698	0,000	Sign
Employees motivation ->employees' performance	0,674	5,243	0,000	Sign



## **DISCUSSION**

### **The Impact of Leadership on Employees' Performance**

The results show that leadership does not influence significantly on employees' performance. In other words, a higher leadership competencies can not directly affect an increasing of employees' performance. A direct impact analysis of leadership on employees' performance reveal path coefficient value of 1,107 with t-statistic 1,090 and P-value 0,275. It describes that relationship between leadership and employees' performance does not exist. It also mean that leadership competencies in regional water supply company (PDAM) can not rise up employees' performance. In other words, there exist another variables that could increase employees' performance, such as work motivation in term of material or non material. It can be concluded that leadership competencies is less considered in leveraging performance by employees.

This result also proved that a dominant indicator that contribute to leadership is individual capability with highest loading factor 0,868. It is accordance to internal condition in the company in general that employees' view of leader with a good individual capability, self confidence, high intelligent, and mature personal will easily be followed by organization members in executing their jobs.

### **The Impact of Organizational Culture on Employees Performance**

Organizational culture has not significant influence on employees' performance. It is mean that although a better organizational culture exist in the company there is no guarantee that an increasing employees performance appears. An anylisis direct impact of leadership on employees' performance shows a negative path coefficient -0,271 with t-statistic 1,486 and P-value 0,137. These numbers describe that organizational culture in the company does not have effect on employees' performance because they consider a less risk task in the company.

Based on descriptive analysis that organizational culture considered as a good viewed by responden due to a high average score of aggresivity indicator 4,03 of 5,00 Likert scale. This number shows employees' viewed that an aggressive organizational culture to optimalize job can increase employees' performance.

Hypotheses testing shows that the dominant indicator that contribute to organizational culture is team orientation with loading factor 0,818. This result is in accordance with internal climate of PDAM organization that team orientation may increase employees' performance because work environment is built upon family based.

### **The Impact of Leadership on Employees' Motivation**

Leadership has a positive and significant effect on employees' motivation that a higher leadership competencies will automatically increase his/her motivation. The direct and indirect effect analysis of leadership on employees motivation revealed by path coefficient value 0,330, t-statistic 4,133 and P-value 0,000. These numbers indicate that there is a positive and significant impact of leadership on employees' motivation. In other words, an increase in leadership competencies will cause a higher working motivation for employees.

Based on descriptive analysis, employees motivation is viewed as a good matter by responden in term of highest average score of socialization need indicator 4,08. This number indicate that a good communication need and a support climate amongst employyes and between employees and leaders are viewed as added value to increase working motivation in organization.

The study result proved that the dominant indicator contribute to employees' motivation is a safety needs with loading factor 0,844. This number demonstrate that employees consider safety needs in term of safety assurance and protection on job risk may increase employees' motivation to work.

### **The Impact of Organizational Culture on Employees' Motivation**

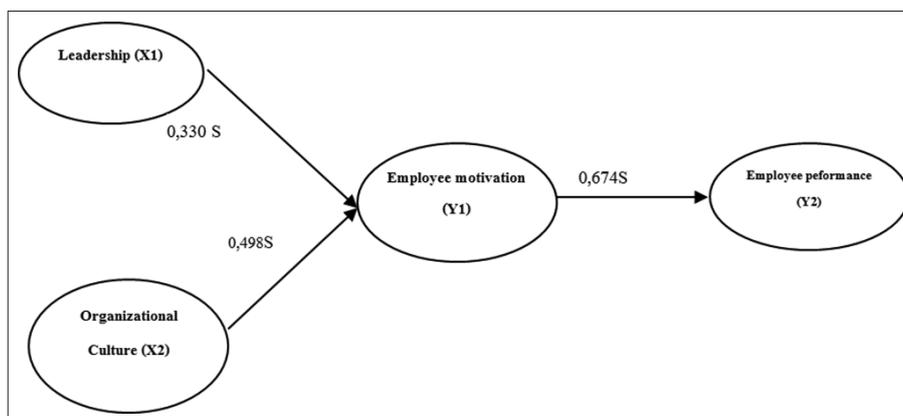
The research demonstrate that a good organizational culture in terms of innovative, result orientation (Deresky, 2008), human orientation, aggressive and concern with stability will increase employees' motivation. This result support previous research found by Valeri E. (2008), Cools K. (2010), and Cucu & Guita (2014).

## The Impact of Motivation on Employees Performance

The empirical results have proved that a high work motivated employees always show an excellent performance. This findings also demonstrate that motivation may increase employees' performance in regional water supply company (PDAM) of Malang Municipal. This result is in accordance with previous research by Cools (2010), and Hayati & Caniago (2012).

## Findings

This research found that in order to increase employees' performance of PDAM Malang Municipal through leadership and organizational culture, it must be preceded by forming a high work motivated employees. The motivation in this study is fully mediated the relationship between leadership and organizational culture on employees' performance. In the long term, it will rise up organizational performance. An appropriate research conceptual model for the PDAM is as shown in the picture below.



## Limitations

This research has limitations in terms of sample respondent consists of fixed employees in Malang Municipal PDAM and data collected is a cross section data. So, the result have low generalization to describe another regional water supply companies.

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