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THE EFFECT OF TRANSFORMATIONAL LEADERSHIP STYLE AND ORGANIZATIONAL CULTURE ON EMPLOYEE PERFORMANCE OF PT. SIERAD PRODUCE TBK

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ABSTRACT

PT. Sierad Produce Tbk is one of the companies engaged in the poultry industry. The existence of business development in the poultry industry requires PT Sierad Produce Tbk continue to improve company performance. However, currently, the company is experiencing a decline in net sales from 2012 to 2016. It is inversely proportional to the rising chicken population rate. The decline in net sales in the company can be indicated due to the company performance. One of the factors affecting company performance is employee performance. There are several factors that can affect employee performance, one of which is transformational leadership style and organizational culture factors. This research was conducted to analyze the effect of transformational leadership style and organization culture on employee performance. Census was carried out by surveying 77 employees on supervisor position. The data analysis was performed by using the correlation analysis of spearman's rank and Structural Equation Modeling – Partial Least Squares (SEM-PLS). The findings of this research indicated that there was a positive and significant effect between transformational leadership style and organization culture on employee performance where transformational leadership styles had greater effect compared to organizational culture.

KEY WORDS

Employee, performance, organizational culture, transformational leadership style.

Poultry industry is one industry that plays an important role in encouraging the economy in Indonesia. This is because the poultry industry is able to produce self-sufficiency of poultry and eggs. Poultry commodities, especially chickens, are the main drivers of national animal protein supply, so this good prospect should be utilized through more optimal utilization of resources (Pusdatin 2016). The development of consumption of animal protein, especially from the Indonesian poultry per capita, tends to keep increasing by 7.44% per year which is also supported by the growth of the average population of 1.34% per annum (Ministry of Agriculture 2016). The number of chicken population in the past few years has increased. The number of chicken population in Indonesia from 2012 - 2016 can be seen in Table 1 below.

Table 1 – Number of Chicken Population in Indonesia in 2012-2016

Year	The number of chicken population (tail)
2012	1.383.119.768
2013	1.490.812.618
2014	1.590.009.532
2015	1.683.336.571
2016	1.754.720.664

Source: Badan Pusat Statistik 2016 (processed).

Due to the increase in chicken population, companies engaged in the poultry industry such as PT Sierad Produce Tbk and several other companies compete to improve the company's performance optimally. PT Sierad Produce Tbk is one of the companies engaged in the industry of poultry, animal feed, and processed frozen foods. Performance of PT Sierad Produce Tbk can be seen from the company's success rate in managing the company's resources, especially human resources, because the performance achieved by

human resources or employees will ultimately contribute greatly to the company's performance. One of the company's performance indicators can generally be measured by the information on the net sale. The net sales of PT Sierad Produce Tbk can be seen in Table 2 below.

Table 2 – Data on Net Sales of PT Sierad Produce Tbk

Year	Net Sales (Billion Rupiah)
2012	4.354
2013	3.854
2014	2.505
2015	2.113
2016	2.427

Source: *The Annual Report of PT Sierad Produce Tbk.*

The existence of business development in the poultry industry requires PT Sierad Produce Tbk continue to improve their company's performance. However, what is currently happening is the company's net sales decline from 2012 to 2016. This is inversely proportional to the rising chicken population rate. The decline in net sales in the company indicates that the company's performance is still not appropriate. One of the factors affecting company performance is employee performance. There are several factors that can affect employee performance which one of them is a factor of leadership style. Based on previous research conducted by Dania (2012), PT Sierad Produce Tbk implements a transformational leadership style. During 2012 to 2016, the company has experienced three major directors turnover. It was predicted to affect employee performance. Based on the reviews in the annual report of PT Sierad Produce Tbk, the company will make improvements to each employee to improve their performance. In addition to making improvements to employees, the company also makes improvements to the leadership in the company. One effort to make improvements to the leadership is to evaluate the application of leadership style. The applied leadership style must be in accordance with the environment and the demands of the company itself. In addition to the leadership style, the company also makes improvements to the organizational culture that is applied by the company in order to create a familial and harmonious environment. Thus, every employee who works in the company does not experience too much pressure in carrying out the task and can perform their duties properly. Based on the above background, it is necessary to conduct research at PT. Sierad Produce Tbk on the effect of organizational culture and leadership style on employee performance especially in the field of poultry industry business.

LITERATURE REVIEW

Transformational Leadership Style. A transformational leader is a leader who is able to inspire the employees to prioritize organizational progress rather than personal interests, pay good attention to employees and change employees' awareness in viewing old problems in new ways (Robbins 2008). According to Yukl (2009), by having transformational leadership, subordinates will have the trust, admiration, and respect for the leader and they will do more than what is expected. Transformational leaders transform and motivate their employees by (1) making them more aware to the importance of the end result of a work, (2) encouraging the employees to transcend their own personal interests to the interests of the organization or team, and (3) activating their higher-order needs.

Bass and Avolio (1994) suggest that transformational leaders typically exhibit behaviors associated with the following four characteristics (dimensions):

1. **Idealized Effect.** It is illustrated when a leader can set an example for the employees and encourage them to share a common vision and goal by providing a clear vision and a strong sense in achieving the goal.

2. Inspirational Motivation. It represents behavior when a leader tries to express the importance of a desirable goal in a simple way, communicates high expectations and convinces the employees that the work is meaningful and challenging.
3. Intellectual Stimulation. It refers to leaders who challenge the ideas and values of their employees to solve the problems.
4. Individualized Consideration. It refers to leaders who spend more time developing their employees and paying attention to their employees on the individual basis of the employee.

Organizational Culture. According Wibowo (2011), organizational culture is the basic philosophy of the organization that contains the beliefs, norms, and shared values that become core characteristics of how to do something in the organization. These beliefs, norms and values become the guidance of all human resources in carrying out its performance. Based on Robbins' opinion (2003), there are seven important elements that show the characteristics of organizational culture, namely:

1. Innovation and risk taking; a level where employees are encouraged to be innovative and risk-taking.
2. Attention to detail; where employees are expected to show accuracy, analysis and attention to detail.
3. Outcome orientation; where management focuses on results or benefits rather than on the techniques and processes used to derive those benefits.
4. People orientation; it is the management decision in considering the effect of its benefits on others in the organization.
5. Team orientation; where work activities in the organization are based on teams rather than individuals.
6. Aggressiveness; where people tend to be more aggressive and competitive than easy-going.
7. Stability; where organizational activity emphasizes maintaining the status quo as opposed to development.

Employee Performance. According Mangkunegara (2009), performance is the work performance or work output both quality and quantity achieved by human resources with the timeliness in carrying out its work duties in accordance with the responsibilities given to him. According Bangun (2012), performance appraisal can be done by comparing the work achieved by employees with work standards. If the work has reached or exceeded the standard of work, it is considered that the performance of an employee included in a good category. On the other hand, an employee whose work results do not reach the standard of work, it is considered to be included on performance that is not good or low. The employee performance can be measured through:

1. Number of Works. Each work has different requirements that require employees to be able to meet these requirements with the appropriate knowledge, skills, and capabilities. This dimension shows the number of works produced by an individual or group as a requirement that becomes the standard of work.
2. Work Quality. Each employee must meet certain requirements to be able to produce work in accordance with the quality demanded of a particular work. Employees perform well if they can produce works according to the quality requirements that the work demands.
3. Timeliness. Certain types of work must be completed on time because the work has dependence on other work. Thus, if work on a particular part is not completed on time, it will hinder work on other parts and affect the quantity and quality of the work.
4. Presence. A certain work requires the presence of employees to do it in accordance with the time specified. There is a type of work that requires an employee's Presence for eight hours a day and five working days a week. Employee performance is determined by the presence of employees in the process of the work.
5. Cooperative Skill. There is a job that cannot be completed by one employee only, but must be completed by two or more employees so that it requires cooperation among employees.

METHODS OF RESEARCH

This research was conducted by taking research setting at Head Office of PT Sierad Produce Tbk. The data collection was conducted since November until December 2017. The respondents of this research were all employees of the head office of PT Sierad Produce who had a supervisor position. The method used in the selection of respondents was census method. The number of respondents in research was 77 employees.

CONCEPTUAL FRAMEWORK

The research started by analyzing leadership styles, organizational culture and employee performance based on the opinions of respondents. Furthermore, testing was carried out to measure the effect of leadership style on employee performance and organizational culture. Testing was also conducted to measure the effect of organizational culture on employee performance. Measurement of effect on the three variables was conducted by using correlation analysis of spearman's rank and structural equation modeling. The results of these analyzes were then used as the basis for recommendations for the organization on employee performance. The recommendations were also based on literature studies related to research. The conceptual framework of this research can be seen in Figure 1.

Figure 1 – Conceptual Framework of the Research

Based on the conceptual framework above, the proposed research hypotheses are:

H₁: The transformational leadership style has a positive and significant effect on organizational culture.

H₂: The transformational leadership style has a positive and significant effect on employee performance

H₃: The organizational culture has a positive and significant effect on employee performance.

RESULTS AND DISCUSSION

Respondent Characteristics. Respondent characteristics of this research consisted of age, work period and last educational degree. The majority of respondents of this research were employees aged 21-30 years with the last educational level of S1, had worked for 1-5 years and had a position as a supervisor.

Correlation between Respondent Characteristics and Employee Performance Variable. Correlation analysis of spearman's rank was performed to see the correlation between respondent characteristics and employee performance variable; namely the number of works, quality of work, timeliness, Presence and cooperative skill. Based on Table 10, all respondent characteristics have a significant relationship to employee performance.

Table 3 – Calculation Results of Spearman's Rank Correlation

Respondent Characteristics	Employee Performance				
	Namely the number of works	Quality of work	Timeliness	Presence	Cooperative skill
Age	-0.194	-0.269*	0.010	0.031	-0.131
The work period	0.001	-0.144	0.237*	0.135	0.040
The last educational level	0.311**	0.465**	0.148	0.062	0.254*

Notes: * significant at 5% level, ** significant at 1% level.

Age was negatively correlated with the quality of work with a coefficient value of -0.269. The correlation showed that the more age, the lower the performance. The correlation between age and performance of this research fell into the low category. It was because by the increase of the age, the problems will be more complex. It was possible that things outside the work affect performance such as health factors. As the age grows, stamina, vitality and fitness will decrease, which will affect the quality of work.

The work period was positively correlated with the timeliness with the coefficient of 0.237. The correlation indicated that the longer the work period, the higher the performance. The correlation between work period and performance in this research was included in low category. It was because the increase of employment will increase the timeliness of employees in completing the work. As the employees work in the company, they will have more experience and better skills in accomplishing their work in a more effective and efficient time.

Furthermore, the last educational level was positively correlated with the number of works, the quality of work and the cooperative skill. The last educational level was positively correlated with the number of works with a coefficient of 0.311. The closeness of the correlation between the last educational level and the performance in this research was included in the low category. It was because the higher last educational level of the employee will make them perform a number of works more appropriately. The workload provided by the company has different requirements that require employees to meet the requirements of appropriate knowledge, skills, and competence. Therefore, with the higher last educational level, the employees will be more qualified in completing the number of works provided by the company.

The last educational level also had a positive correlation with the quality of work. The relationship between the last educational levels with the quality of work had a coefficient value of 0.465. The correlation between the last educational levels with the performance of this research was included in the medium category. It indicated that the higher last educational level of the employee will make the quality of work better. Highly educated employees have better mindsets and knowledge that affect the quality of the work they produce.

The correlation between the last educational levels with the cooperative skill had a positive correlation with the coefficient value of 0.254. The correlation between the cooperative skill and performance in this research was included in the low category. It showed that the higher last educational level of the employee will make the cooperative skill among their colleagues better. The last educational levels can affect a person in the way of

thinking and communication well so as to interact and work with colleagues in a team to produce optimal work in achieving organizational goals.

The Evaluation of the Outer Model. The evaluation of the outer model was performed by measuring convergent validity, discriminant validity and reliability. In this research, all provisions of convergence validity, discriminant validity and reliability had been met the requirements. Figure 2 shows the value of the loading factor of each indicator on the construct of transformational leadership style, organizational culture and employee performance.

Figure 2 – The value of loading factor in the outer model

Intellectual stimulation (0.763) had the greatest effect on transformational leadership styles. Leaders play a role in growing creative ideas that can create innovation and able to encourage employees to be more solutive in solving problems that arise in the company. It showed that intellectual stimulation was the most determinant factor in measuring transformational leadership. Team orientation (0.794) had the highest effect on organizational culture. In carrying out the tasks assigned by the company, the employees help each other in the process of completion of these tasks. It will certainly have an effect on employee productivity that raises a good and harmonious relationship among employees. With the increase of employee productivity, it will of course directly imply on improving employee performance. It indicated that team orientation was the most determinant factor in measuring organizational culture. In employee performance, the quality of work (0.817) had the greatest effect. The company had certain requirements in every job that every employee was required to produce work in accordance with the standards. The better the quality of work produced by an employee the better the performance they make. It indicated that quality of work was the most determinant factor in measuring the employee performance.

The Evaluation of the Inner Model. Evaluation of the first inner model aimed to see the value of R-square on endogenous variables and path coefficient parameters. The path of transformational leadership relationships and organizational culture had an R-square value of 0.482. It showed that organizational culture could be explained by 48.2 percent by transformational leadership, while the other 51.8 percent was explained by other variables outside the scope of the research. The path of transformational leadership relationship and organizational culture on employee performance had an R-square value of 0.534. it showed that employee performance could be explained by transformational leadership variables and organizational culture of 53.4 percent, while the other 46.6 percent was explained by other variables outside the scope of the research. The second evaluation was hypothesis testing

performed by bootstrapping method. The result of bootstrapping on the inner model can be seen in Figure 3 below.

Figure 3 – Bootstrapping Result of Structural Model

The bootstrapping results that had been processed before showed that the three relationship paths had a larger t-statistic value than t-tables so that all previously assumed hypotheses are acceptable (Table 3).

Table 3 – Conclusions of Hypothesis Testing

	<i>Loading Factor</i>	T-statistic	T-table ($\alpha=5\%$)	Conclusions
Transformational leadership style → Organizational Culture	0.694	11.334	1.960	H ₁ accepted
Transformational leadership style → Employee Performance	0.467	4.586	1.960	H ₂ accepted
Organizational Culture → Employee Performance	0.325	3.328	1.960	H ₃ accepted

Transformational leadership affected organizational culture. The value of positive loading factor (0.694) indicated that the application of organizational culture in the company can be improved through transformational leadership. It was because a transformational leader has a high role in creating an organizational culture. Based on the above findings of the research, it could be concluded that the transformational leadership style in PT Sierad Produce Tbk affected its organizational culture; namely achievement oriented, innovation and beneficial to the community environment. These values served as the bounding and could be used as a behavior reference in the organization to achieve organizational goals that have been established and must be upheld by all levels of management and employees. Leaders have placed the employees according to their capacities and competencies and provide opportunities for employees to provide creative ideas for the purpose of increasing production. It was in accordance with research conducted by Garini (2016) and Parashakti (2016) where transformational leadership affected organizational culture.

Transformational leadership affected employee performance. The value of positive loading factor (0.467) showed that the employee performance in the company can be improved through transformational leadership. It was because the success of the company in creating employee performance and achieving the goals cannot be separated from the role of leader. A leader must be able to affect, move and direct an action on a person or group of people to achieve certain goals in certain situations. The change of directors from 2012 to 2016 had a little impact on employee performance because the application of leadership style remained the same to the organization's basic values. Leaders can affect employees to

always find new ways to solve problems, give new ideas or opinions, solve problems for logical reasons and invite employees to be always creative and innovative. As a company engaged in integrated poultry farming business, it is important for a company to have high performance of human resources. Companies always pay attention to the quality of work produced by its employees. It enables the company to continuously strive to facilitate the development of employee competencies to improve employee performance through various trainings and skills upgrades in line with measurable and planned needs covering the aspects of formal education, technical and managerial training as well as courses and other general capacity building. Research conducted by Riana (2014) and Muhsin *et al* (2017) supported the findings of this research that transformational leadership affected employee performance.

Organizational culture affected employee performance. Positive loading factor value (0.325) showed that employee performance in the company can be improved through the application of organizational culture. Implementation of organizational culture in PT Sierad Produce Tbk became the basis of understanding for all members of the company in behaving and acting in accordance with the values of the organization. A good and conducive organizational culture was vital in driving the level of employee performance. The company realizes that the increasingly competitive world of business today encourages companies to anticipate it through the improvement of the entire process line to be more efficient, effective and productive. The company created a program called Quality Control Circle (QCC). The QCC program consisted of groups of 4 to 10 employees who meet regularly to discuss and cope with the problems they face in a sustainable way. The QCC program was supported by learning tools to improve the knowledge and ability of employees by practicing the knowledge in order to create a pleasant workplace. Research conducted by Primary (2015) and Irwan (2018) supported the findings of this research that the organizational culture affected the employee performance.

Managerial Implications. Employee performance can be optimized by increasing the application of transformational leadership styles and organizational culture. Leaders must enhance their ability to generate internal motivation within the employees so that they realize that their work behaviors are meaningful and provide maximum benefit for themselves, for groups and for companies so that the employees will do their best for the company. Leaders can conduct monitoring or supervision periodically on employee performance by providing direct guidance in the implementation of the work. Leaders can reward employees who excel in their work so that they are more motivated to work optimally.

Company management can conduct Focus Discussion Group activities regularly by involving leaders and employees to discuss the latest development issues especially in the field of chicken poultry in which hopefully it will come up creative ideas or innovations that will be able to improve employee performance. Leaders must continue to be active in encouraging employees to increase their potential by engaging them in internal and external corporate trainings which are in accordance with the employee's field.

CONCLUSION

The transformational leadership style positively affected organizational culture. This positive effect indicated that the application of organizational culture in a company can be enhanced through transformational leadership. The transformational leadership style also positively affected employee performance. This positive effect showed that employees' performance in the company can be improved through transformational leadership. The transformational leadership style had a greater effect on organizational culture than its effect on employee performance. It was because the role of the leader can strengthen the organizational culture by instilling the values of organizational culture to employees to be used as a behavior reference in the organization to achieve the organizational goals. Organizational culture had a positive effect on employee performance. The positive effect showed that employee performance in the company can be improved through the application

of organizational culture. It was because the values and behaviors in organizational culture performed by the employees can improve employee performance.

RECOMMENDATIONS

Based on the research findings, employee performance can be improved through transformational leadership style and organizational culture. The management of PT Sierad Produce Tbk can implement the managerial implications of this research; namely by conducting regular monitoring or supervision on employee performance and giving awards to employees who excel in the field of work. The company needs to develop things that have been achieved so far such as issuing policies on a more effective working system to improve the results that are going to be achieved by the company. For further research, it is recommended to increase the number of samples that is going to be used to improve the limitations in this research. Furthermore, it is also advisable to add and use other variables that affect employee performance in the analysis process, such as motivation, job satisfaction, and organizational commitment and so forth to get more comprehensive research findings.

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