The Impacts of Transformational Leadership Style, Organizational Environment and Organizational Culture on Employees’ Performance: A Study at STKIP Muhammadiyah Sorong - West Papua Province of Indonesia

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Abstract

Using an explanatory method, this quantitative research was aimed to test and explain the impacts of transformational leadership style, organizational environment and organizational culture on employees’ performance at STKIP Muhammadiyah Sorong, West Papua Province of Indonesia. Among variables of the data taken from 140 respondents, the statistical analysis for hypotheses testing was used by applying Structural Equation Modelling (SEM). The results show that five out of six hypotheses of the direct impacts among variables in accordance with the problems and objectives of the study had significant impacts and one did not have significant impacts. The impact of transformational leadership style on employees’ performance had a positive insignificant impact with \[ P = 0.812 > 0.05 \] and coefficient value of 0.027 which showed that transformational leadership style did not affect the value of employees’ performance. This research also found that the variable of transformational leadership style did not have significant impact on employees’ performance since transformational leadership style did not guarantee improvement of employees’ performance. Based on the fact analyzed, employees’ performance would improve more due to the impacts of environmental motivation in organizational environment and organizational culture that create tranquility and comfort for employees at work.

Keywords: transformational leadership style, organizational environment, organizational culture, employees’ performance

1. Introduction
   1.1. Background of Study

Robbin (2006) stated that organization is a social entity that consciously coordinated, with a relatively identifiable boundary and working continuously to achieve the goals. The condition of an organization can be characterized by personal characteristical interaction of each organization member as well as a lot of interests that make up the lifestyle, behavior and work ethic. In turn, each individual in the organization will not be separated from the essence of the cultural values espoused, which eventually will synergize with the organization, technology, systems, strategy and leadership lifestyle. So that the interaction pattern of human resources in the organization must be balanced and aligned in order to put the organization on adjustable, survival and sustainable track.

STKIP Muhammadiyah Sorong is a private university as well as an educational organization along with other private and public schools that meant to be the leader in improving Papua people educational level. As a social entity, STKIP Muhammadiyah Sorong, since first established in 2004 has continuously grown either in managerial and student number. The managerial growth was not as fast as the student number growth submitted each year. This made the ratio of managerial and student number exponentially unbalanced. In the academic year of 2005/2006, 89 employees were on charged to serve 600 students (ratio: 0.15) or in another word that every employee served 6 to 7 students. But in the academic year of 2011/2012, 140 employees were pointed to serve 2,327 students (ratio: 0.06) or in another word that every employee had to serve 16 to 17 students.
This condition makes the workload carried by employees increase year by year. The effect is clear, providing appropriate services to the needs of the students will be a difficult job. The symptom has showed the tendency of decreased or diminished services provided to students. In respect of the matter, the job becomes a little less meaningful that can make the declining of employee working morale. Therefore, the employee work satisfaction tends to decline as well. The consequences are: for employees who are more satisfied with their jobs, they were never absent (Hackeeet and Guioon, 1985); for employees who are not satisfied try with their jobs, they would not care about the job (Carsten and Spector, 1987); for those were more than happy to show personality (Organ and Kanovsky, 1989); and to become more satisfied with their lives in overall (Judge and Watanabe, 1993).

The situation should not be allowed to continue happen by the management. If so, according to Robbin (2001), it can lead to the actions such as: employees’ disloyalty, employees ignorance (e.g. absent or come to work late, reduce the quality and quantity of work and increase error rates on the job. Ultimately, it will affect the organization performance.

STKIP Muhammadiyah Sorong, as an organization that emphasizes the formalization, structured place under coordinated with formal rules or policy, rarely evaluates its employees performance. One of the most important thing to do is to improve the human resources to support the performance of STKIP Muhammadiyah Sorong. Related to this, several variables affecting the employees’ performance of STKIP Muhammadiyah Sorong should be reconsidered. Based on previous researches on the related issue, the relationship of transformational leadership styles, environment organizational, and organizational culture are the affecting variables to the employees’ performance in an organization such as STKIP Muhammadiyah Sorong. Thus, the phenomenon occurred in STKIP Muhammadiyah Sorong, can be studied with those variables to determine the employees’ performance so that the improvement policy can be made.

1.2. Problem Statements
Research on organizational elements such as leadership styles, organizational culture, and organizational environment are independently associated with the employees’ performance. In order to achieve organizational goals, those elements can not stand alone but jointly contribute to the achievement of competitive advantage(s) that will ultimately help to achieve the organization's primary goal. To that end, based on studies done by Harris and Ogbonna (2001), Bass and Avolio (1993), Daulatram (2003), Odom, Boxx, and Dunn (1990), Nystrom (1993), and Baker and Associates (1992), for further research on employees’ performance, through an empirical study of employees at STKIP Muhammadiyah Sorong, the problem statements can be proposed as the following:
1. The extent of the influence of transformational leadership style on organizational culture at STKIP Muhammadiyah - Sorong West Papua Province?
2. The extent of the influence of transformational leadership style on employees’ performance t STKIP Muhammadiyah - Sorong West Papua Province?
3. The extent of the influence of organizational environment on organizational culture at STKIP Muhammadiyah - Sorong West Papua Province?
4. The extent of the influence of organizational environment on employees’ performance at STKIP Muhammadiyah - Sorong West Papua Province?
5. The extent of the influence of organizational culture on employees’ performance at STKIP Muhammadiyah - Sorong West Papua Province?
6. The extent of the influence of transformational leadership style, organizational environment and organizational culture on the employees’ performance at STKIP Muhammadiyah - Sorong West Papua Province?

2. Materials and Research Method
This study was designed to address issues that have been formulated, research objectives and hypotheses testing by using a quantitative approach. An explanatory method was chosen to answer the problem statements. The data are cross sectional data variables on transformational leadership style, organizational environment, organizational culture and employees’ performance. The data were collected by questionnaire from 140 respondents which are employees of STKIP Muhammadiyah - Sorong West Papua Province of Indonesia during April to September 2013. The tailored interviews are also col to strengthen the result of questionnaire. The data were analyzed by using the Structural Equation Modeling (SEM) by grouping them into two analyses, namely descriptive statistics and inferential statistical analysis before hand.

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3. Conceptual Framework and Hypotheses

3.1. Conceptual Framework for Research

Sugiyono (2004) suggested that a framework of thinking is a conceptual model of how the theory relates to several variables that have been identified as important issue(s). Theories of leadership style are growing from year to year. Transformational leadership style is the style of leadership adopted by an organization that aims to hold transformation or change(s) in the organization to achieve better organizational performances. The idea of transformational leadership style was stated by Elenkov (2002) which examined the impact of leadership on employee’s performance. Further thoughts of Daulatram (2003) suggested about the relevance of organizational culture which can affect employees in the organization. Brewer (1993) also showed that the bureaucratic work environment often appear in negative commitment but in the contrary supportive work environment appear in a commitment to greater involvement so as to improve the performance of employees in the organization.

Hence, conceptual framework constructed in this research is based on theoretical studies as well as supported by the results of previous studies. Related to those theoretical and previous studies, employee's performance is influenced by several variables, namely: organizational culture, transformational leadership style, and organizational environment. Conceptual framework used in this research provided an overview of the conducted research. This research was aimed to examine the performance of the employees of STKIP Muhammadiyah – Sorong, West Papua Province of Indonesia. Based on the results of the constructed conceptual framework of this research, a model can be obtained by explaining the factors that can increase the effectiveness of employee performance especially at STKIP Muhammadiyah Sorong. The conceptual framework was built on one exogenous and three endogenous variables. The exogenous variable is the transformational leadership style and the three endogenous variables are organizational environment, organizational culture, and employee performance. The conceptual framework is illustrated in Figure 1.

![Figure 1. Conceptual Framework for Research](image)

Notes:
(2). Grindle (1997), Yukl (2001)
(3). Grindle (1997), Yukl (2001)

3.2. Hypotheses

According to Kerlinger (1996), hypothesis is a statement of allegations (conjecture about the relationship between two or more variables). It is simply a temporary answer to the problem to be solved. In another words, it can be said that hypothesis is a logical answer or allegations about the existence and effect relationship of independent variable(s) on dependent variable(s). Thus, there are 6 (six) hypotheses verbally formulated as follows:

H1 : There is a strong degree of influence of transformational leadership style on organizational environment
H2 : There is a strong degree of influence of transformational leadership style on organizational culture
H3 : There is a strong degree of influence of transformational leadership style on employees’ performance
H4: There is a strong degree of influence of organizational environment on organizational culture
H5: There is a strong degree of influence of organizational environment on employees’ performance
H6: There is a strong degree of influence of organizational culture on employees’ performance

3.3. Analytical Framework
Analytical framework was drawn to describe the research variables without stating any generalization. Form of causal relationship like in this research requires an analytical tool which simultaneously capable to explain the relationship. The inferential statistical method used in data analysis of this research study is Structural Equation Modeling (SEM). To that need, the path diagram of the analytical framework and measurement model can be seen in Figure 2.

Figure 2. Path diagram of SEM and Measurement Model

Description of indicators:

Transformational Leadership Style (TLS):
TLS1: have a clear vision
TLS2: have the ability to affect by setting example
TLS3: have the ability to appreciate
TLS4: have the ability to motivate
TLS5: have the ability to maintain relationship(s)
TLS6: have the ability to distribute the work

Employees’ Performance (EP):
Y.1: prepare work reports
Y.2: skills and technical knowledge
Y.3: enhance initiatives
Y.4: guided by organizational policy
Y.5: provide information
Y.6: controlling costs
Y.7: provide independence services

Organizational Culture (OC):
X2.1: Process Oriented
X2.2: Open System
X2.3: Loose Control
X2.4: Normatic
X2.5: Oriented Employee
X2.6: Parochial

Organizational Environment (OE):
X3.1: vision, mission, and regulations
X3.2: support from the leader for employee’s innovation
X3.3: atmosphere of kinship among employees
X3.4: tolerance for risk
X3.5: political support for change
X3.6: technological transformation
4. Results and Discussions

4.1. Hypothesis Testing

Based on the proposed analytical model, the hypotheses can be tested by path coefficients in Structural Equation Models (SEM). Table 1 shows the hypotheses testing indicated by each P-value. The hypotheses’ P-value tested indicated the significance of relationship between variables. If P-value is smaller than 0.05 then the between variables relationship is significant, otherwise it is non-significant. The test results are presented in Table 1.

Table 1. Results of Hypothesis Testing

<table>
<thead>
<tr>
<th>HIP</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
<th>Direct Effect</th>
<th>Standardize</th>
<th>P-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TLS</td>
<td>OE</td>
<td>0.340</td>
<td>0.006</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H2</td>
<td>TLS</td>
<td>OC</td>
<td>0.302</td>
<td>0.012</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>TLS</td>
<td>EP</td>
<td>-0.027</td>
<td>0.812</td>
<td>Non-Significant</td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>OE</td>
<td>OC</td>
<td>0.295</td>
<td>0.025</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H5</td>
<td>OE</td>
<td>EP</td>
<td>0.328</td>
<td>0.015</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H6</td>
<td>OC</td>
<td>EP</td>
<td>0.382</td>
<td>0.006</td>
<td>Significant</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HIP</th>
<th>Indirect Effect</th>
<th>Independent Variable</th>
<th>Intervening Variable</th>
<th>Variable</th>
<th>Standardize</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TLS</td>
<td>OE</td>
<td>OC</td>
<td>0.100</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H2</td>
<td>TLS</td>
<td>OE</td>
<td>EP</td>
<td>0.112</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H3</td>
<td>TLS</td>
<td>OC</td>
<td>EP</td>
<td>0.115</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td>H4</td>
<td>OE</td>
<td>OC</td>
<td>EP</td>
<td>0.113</td>
<td>Significant</td>
<td></td>
</tr>
</tbody>
</table>

Based on the results presented in Table 1, it can be drawn several research results as follows:

1. There is a significant influence of transformational leadership style on organizational environment. It can be seen from the P-value of 0.006 < alpha / error rate (0.05). The coefficient is positive, indicating the same direction of the relationship that the higher the value of transformational leadership style the higher the value of organizational environment;
2. There is a significant influence of transformational leadership style on organizational culture. It is drawn from the P-value of 0.012 < alpha / error rate (0.05). The coefficient is positive, indicating the same direction of the relationship which mean that the higher the value of transformational leadership style the higher the value of organizational culture;
3. There is no significant influence of transformational leadership style on employees’ performance. This can be said from the P-value of 0.812 > alpha / error rate (0.05). It means that whether the higher or the lower the value of transformational leadership style did not give any affect on the value of employees’ performance;
4. There is a significant influence of organizational environment on organizational culture. We can see it from P-value of 0.025 < alpha / error rate (0.05). The coefficient is positive, indicating the same direction of the relationship. It means that the higher the value of organizational environment the higher the value of organizational culture;
5. There is a significant influence of organisational environment on employees’ performance. It is showed from P-value of 0.015 < alpha / error rate (0.05). The coefficient is positive, indicating the same direction of the relationship. The meaning is that the higher the value of organizational environment will further enhance the value of employees’ performance; and
6. There is a significant influence of organizational culture on employees’ performance. It can be seen from P-value of 0.006 < alpha / error rate (0.05). The Coefficient is also positive, indicating the same direction of the relationship. In another word, the higher the value of organizational culture will further increase the value of employees’ performance.

Thus, from the hypotheses testing, the influence of testing variables can be grouped into two relationships, as follow:
I. Hypotheses which are empirical data supported and accepted
Among the hypotheses suggested, five of six hypotheses are proven to have significant relationship and influences between variables. Those five hypotheses are:

H1: There is a strong degree of influence between transformational leadership style and organization's environment
H2: There is a strong degree of influence between transformational leadership style and organizational culture
H4: There is a strong degree of influence between organizational environment and organizational culture
H5: There is a strong degree of influence between organizational environments and employees’ performance
H6: There is a strong degree of influence between organizational culture and employees’ performance

II. Hypothesis which is no empirical data supported and rejected
Another hypothesis is proven to have non-significant relationship and influences between variables which is hypothesis H3, as follow:

H3: There is a strong degree of influence between transformational leadership styles and employee performance

In addition to testing the direct effect, indirect effect can also be tested by using SEM. The indirect effect is the result of multiplying two indirect effects. Indirect effect is said to be significant if both of the direct effects developed it are significant. The results of the indirect effects are also presented in Table 1, as follow:

1. Indirect effect of transformational leadership style (X1) on organizational cultural (X3) through organizational environment (X2) has coefficient of 0.100. Both direct effects of (X1 to X2) and (X2 to X3) are significant. It means that the higher the value of X1, the higher the value of X3 if the value of X2 is also high. Thus, it can be concluded that there is a significant indirect effect between transformational leadership style on organizational cultural through employees’ satisfaction.

2. Indirect effect of transformational leadership style (X1) on employees’ performance (Y1) through organizational environment (X2) has coefficient of 0.112. Both direct effects of (X1 to X2) and (X2 to Y1) are significant. It means that the higher the value of X1, the higher the value of employees’ performance if the value of the organizational environment is also high. It can be concluded that there is a significant indirect effect between transformational leadership style on employees’ performance through organizational environment.

3. Indirect effect between transformational leadership style (X1) on employees performance (Y1) through organizational culture (X3) has coefficient of 0.115. Both direct effects of (X1 to X3) and (X3 to Y1) are significant. In another word, it can be said that the higher the value of X1, the higher the value of Y1 if the value of X3 is also high. It can be concluded that there is a significant indirect effect between transformational leadership style on employees’ performance through organizational culture.

4. Indirect influence between organizational environment (X2) on employees’ performance (Y1) through organizational culture (X3) has coefficient 0.113. Both direct effects of (X2 to X3) and (X3 to Y1) are significant. The meaning is that the higher the value X2, the higher the value of Y1 if the value of X3 is also high. It can be concluded that there is a significant indirect effect between organizational environment on employees’ performance through organizational culture.

4.2. Discussion
4.2.1. Relationship between Transformational Leadership Style and the Organizational Environment
Testing the hypothesis of the relationship between transformational leadership style and organizational environment is graphically presented in Figure 3.
4.2.2. Relationship between Transformational Leadership Style and Organizational Culture

Based on the analysis, the coefficient of the relationship between transformational leadership style and organizational culture is equal to 0.302 with P-value of 0.012. P-value < 0.05 indicates that the transformational leadership style significantly influence organizational culture. The coefficient is positive, indicating the strong effect level of the relationship direction which also means that the higher the value of transformational leadership style will lead to the higher value of organizational culture.

4.2.3. Relationship between Transformational Leadership Style and Employees’ Performance

Hypothesis testing between leadership style transformational and employees’ performance can be graphically seen in Figure 5.

Based on the analysis, the coefficient of the relationship between transformational leadership style and employees’ performance is equal to -0.027 with P-value of 0.812. P-value > 0.05 indicates that the transformational leadership style had no effect on employees’ performance. It means that the value of transformational leadership style will have no impact on employees’ performance. However, the hypothesis can be traced by examining its indirect effect. The hypothesis of the influence of transformational leadership style on employees’ performance can further be tested through organizational environment which graphically presented in Figure 6.
Based on the analysis of the indirect effect of transformational leadership style on employees’ performance through organizational environment, the indirect effect coefficient is 0.112. Because the direct effect (transformational leadership style to organizational environment and organizational environmental to employees’ performance) are both significant, it can be drawn that there is a significant indirect effect between transformational leadership style and employees’ performance through organizational environment. This means that the higher the value of transformational leadership style, the higher the value of employees’ performance on one condition only if the value of organizational environment is higher as well.

Another hypothesis testing of the effect of transformational leadership style on employees’ performance through its indirect effect of organizational culture is graphically presented in Figure 7.

Based on the analysis of the indirect effect of transformational leadership style on employees’ performance through organizational culture, it is obtained the indirect effect coefficient of 0.115. Because the direct effect (transformational leadership style to organizational culture and organizational culture to employees’ performance) are both significant, it can be stated that there is a significant indirect effect between transformational leadership style on employees performance through organizational culture. In another word, it can be said that the higher the values of transformational leadership style the higher the value of employees’ performance only if the value of organizational culture is also high.

4.2.4. Relationship between Organizational Environment and Organizational Culture

Testing the hypothesis on the relationship between organizational culture Organizational Environment is graphically presented in Figure 8.

Based on the analysis, the coefficient of relationship between organizational environment and organisational culture is 0.295 with P-value of 0.025. P-value < 0.05 indicates that the organizational environment significantly influence organizational culture. The coefficient is positive, indicating the strong degree of influence of the relationship direction, meaning that the higher the value of organizational environment will lead to the higher value of organizational culture.
4.2.5. Relationship between Organizational Environment and Employees’ Performance

Testing the hypothesis of the relationship between organizational environment and employees’ performance is presented in Figure 9.

Based on the analysis, the coefficient of relationship between organizational environment and employees’ performance amounted to 0.328 with P-value of 0.015. P-value < 0.05 indicates that the organizational environment significantly influence employee performance. The coefficient is positive, indicating the strong influence degree of the relationship direction, stating that the higher the value of organizational environment the higher the value of employees’ performance.

4.2.6. Relationship between Organizational Culture and Employees’ Performance

Testing the hypothesis of the relationship between organizational culture and employees’ performance can be graphically presented in Figure 10.

Based on the analysis, the coefficient of the relationship between organizational culture and employees’ performance is equal to 0.382 with P-value of 0.006. P-value < 0.05 indicates that organizational culture significantly influence employees’ performance. The coefficient is positive, indicating the strong influence level of the relationship direction. Thus, it can be said that the higher the value of organizational culture the higher the value of employees’ performance.

4.3. Study Findings

Originality of this research is to enrich the performance measurement model using a modified variable to predict employees’ performance measurement in which test variables are transformational leadership style, organizational environment, organizational culture, and employees’ performance. This research found that transformational leadership style had insignificant influences on employees’ performance which indicates that the high and low values of transformational leadership style did not affect the value of employees’ performance. Therefore, it can be argued that the actual leadership style did not affect employees’ performance. Results of this research found that 44.3 % of employees at STKIP Muhammadiyah Sorong West Papua income is range between 2 to 4 Million IDR. This suggests that the level of employee benefits has been noticed by the STKIP Muhammadiyah Sorong leaders, with in turn, was expected to level up the commitment and loyalty of the employees in order to improve employee's performance. The performance improvement is to be expected in line with the organization's goals of providing quality education services to the community.

In general, it can be argued that the results of this research differs from previous studies, particularly relating to the identification of variables to measure the performance of an educational institution such as transformational leadership style, organizational environment and organizational culture. Especially for the organizational environment and organizational culture, it was derived from the non-native employees whom were able to adjust to the native Sorong West Papua who have different customs and habits.
5. Concluding Remarks

5.1. Conclusion

Based on the results and discussions, several important notes from this research can be concluded as follows:

1. There is a significant impact of transformational leadership style on organizational environment. The impact is that the higher the values of transformational leadership style the higher environment organization.
2. There is a significant impact of transformational leadership style on organizational culture as seen from the higher the value of transformational leadership style the higher the organizational culture.
3. There is no significant impact of transformational leadership style on employees’ performance which mean that transformational leadership style did not give any impact affect to employees’ performance.
4. There is a significant impact of organizational environment on organizational culture as seen from the higher the value of organizational environment the higher the value of organizational culture.
5. There is a significant impact of organizational environment on employees’ performance which mean that the value of organizational environment will further enhance the value of employees’ performance.
6. There is a significant impact of organizational culture on employees’ performance which can be seen from the relationship that the value of organizational culture will further increase the value of employees’ performance.

5.2. Recommendation

This research has shown that organizational environment and organizational culture gave significant impact on employees’ performance while transformational leadership style gave no significant impact on employees’ performance. Any further research with similar variable(s) should also include other leadership styles, organizational performance as well as external factors of an organization e.g. demographic, socio culture etc in order to lift the more specific characteristic of an organization.

References


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