

# Transformational Leadership, Organizational Culture, Organizational Commitment, and Employee Performance of Local Government-Owned Banks in West Java Indonesia

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## Abstract

Employee performance is a factor that will determine the success of a business entity at a regional government-owned bank (BPR). So it is essential to maintain employee performance so that the business continues to run according to its objectives. Usually, one factor that determines employee performance is the result of local government policies so that operations become more rigid. Therefore, this study aims to determine the factors that influence the performance of local government-owned bank employees, including transformational leadership, organizational culture, and organizational commitment. This research was conducted on employees of local government-owned banks in West Java as many as 270 people spread throughout BPR. The analysis used is the Equation Model Structure with SMART PLS analysis tool. The results showed that transformational leadership is important in improving bank employee performance. statistics show a positive and significant influence. Then organizational culture is also a positive influence on employee performance. In addition, employee commitment is also another variable that has a positive effect on employee performance.

**Keywords:** employee performance, bank, Smart PLS.

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## BACKGROUND

In Indonesia, the government is divided into central and local governments. Local governments are required to manage regional finances effectively, efficiently and accountably. Regional governments must try to manage regional revenues carefully, precisely, and carefully. The main aspect in managing regional revenue that needs serious attention is local revenue management (let's say: PAD). PAD must be part of the largest source of finance for the implementation of regional autonomy. PAD can come from local taxes, regional levies, the results of separated regional wealth management and other legitimate PAD. PAD originating from the management of separated regional assets is income from Regional Owned Enterprises (BUMD) including in the banking sector (Nasir, 2019). Currently, many local governments in Indonesia have business entities in the form of banking.

BUMD has a role in realizing regional prosperity by contributing to PAD revenues through

dividends or taxes. However, the expectation of the size of the ideal role that BUMD has is hampered by its current performance. One of the challenges that must be faced to increase PAD is by increasing the contribution of BUMD. In the development of the business world, BUMD is faced with a formidable challenge, namely facing increasingly high competition with the entry of the global market. Various problems faced by BUMD, both internal problems related to company management and external problems related to the turbulent level of competition that can threaten the company's survival.

One of BUMD in the banking sector which local governments in Indonesia generally own is the Rural Bank (BPR). Rural Banks are a form of microfinance institution that has roots in the socio-economic aspects of rural communities in Indonesia. In addition, BPR's special character is that it has various forms of savings and loan financial services, primarily aimed at serving micro and small enterprises (MSMEs) in rural communities with simple systems and

procedures following the needs of micro and small businesses. As a result, a solid and mutualistic partnership has emerged which is the advantage of BPRs in Indonesia compared to commercial banks.

The dynamics of the development of business organizations in their efforts to achieve their performance goals will not be able to avoid changes in the environment that are turbulent, especially in the era of industrial competition 4.0. One of them is the readiness of human resources and information technology which are increasingly needed to compete in the business environment. Environmental changes and sharp competition in a particular industry will result in changes in organizational operational policies as well as attitudes and behavior of human resources in their work activities for organizational performance. Community demands are increasingly complex, so every business organization inevitably must have several resource management strategies. human resources so that the demands and needs of the community can be met through the availability of quality and quantity of human resources. According to Anthony & Govindarajan (2016) and George & Garethl (2013), organizations must be able to lay the foundation and philosophy with an organizational vision for all employees as "human capital" in order to effectively manage HR potential to support optimal performance achievement. The results of research by Azeem *et al.*, (2013) stated that effective management factors supported by leadership behavior showed that individual employees were able to carry out and solve work problems that resulted in the achievement of performance. In addition, many things must be done to improve employee performance. For example, the leadership of the company that can support employee performance. Or is it because of organizational culture factors that tend to bring employee habits to work, so that the atmosphere can support increased performance or even worsen employee performance. Other factors such as employee commitment are also important. Usually employees who do not have a good commitment will not work optimally. So that employee productivity is not optimal. Many factors are suspected to affect employee performance, especially in local government-owned banks in Indonesia, so this study aims to re-examine these factors including transformational leadership, organizational culture, and commitment.

## LITERATURE REVIEW

Employee performance will determine the company's performance. That is, the company's performance can be optimal if employees have worked well and have good performance. For this reason, it is important to determine the factors that affect employee performance. One of them is leadership. Mc Shane (2018: 336) explains that leadership is an activity of influencing, motivating, enabling others to contribute towards effectiveness and towards organizational

success in achieving goals, where the people who are influenced become members of the organization. The focus is on influencing, motivating, and enabling others to engage in activities to achieve organizational goals. In addition, Schermerhorn (2011) argues that leadership is a process to influence others and to facilitate individual and group efforts to achieve specified goals. According to research by Advani & Abbas (2015) and Nyakundi *et al.*, (2021), that bank employee performance is influenced by transformational leadership. Likewise Gunasekare (2021) who researched bank employees in Sri Lanka. The results show that transformational leadership style strongly correlates with employee performance.

In addition, many organizations can grow rapidly because their leaders are able to build and develop an organizational culture that is agile in facing external challenges while simultaneously maintaining its internal needs. McShane & Von Glinow (2010) explain that organizational culture is defined as an archetypal pattern of assumptions, values, and values along with beliefs that are considered as the right way of thinking about things and acting on problems and opportunities facing the organization. General organizational culture is seen as a set of key values, assumptions, understandings, and norms held by members of an organization and taught to new members properly.

According to research results, organizational culture is one of the factors that determine employee performance. A comfortable and conducive organizational culture will encourage employees to keep working in a company and always maintain their loyalty at work. So that organizational culture seen as providing comfort for employees will be able to continue to support improving the performance of employees, including bank employees, as has been proven by Cheema and Abbas (2017) research on bank employees in Pakistan. The results show that organizational culture has a significant effect on improving employee performance. Likewise, Opoku *et al.*, (2022) studied bank employees in Ghana. The results show that a good organizational culture will improve bank employees' performance. Imran and Ismail (2021) also conducted research in Pakistan. The results show that organizational culture has a significant relationship to employee performance.

Commitment describes the attitudes and behavior of employees to an organizational goal. Commitment is considered emotional, rational and moral from employees to the goals and ideals of the organization that employees belong to (Nevin, 2013). According to Gibson (2012), organizational commitment is a sense of self-identification, loyalty, and involvement in the organization that employees manifest to the organization or unit of an organization. That is, employees have a sense of identifying with the

organization. Furthermore, Schermerhorn (2011) states that organizational commitment is a person's level of loyalty to his organization. If someone is strongly committed to the company, he will show his best performance in doing work. Hafiz (2017), Basalamah *et al.*, (2019), and Abdullah *et al.*, (2013) have proven that commitment has a positive and significant relationship with the performance of banking employees. In line with the research of Keisidou *et al.*, (2015), Preko and Adjetey (2013), and Rashid (2020) who found that bank employee performance was significantly influenced by employee loyalty.

## METHOD

The research method used in this research is quantitative research, namely descriptive and verification research methods to measure the effect of several independent variables on the dependent variable, then the approach in modeling and the solution technique that will be used as an analytical tool uses the Structural Equation Modeling method.

The population in this study were permanent employees of the people's credit bank owned by the Regional Government of West Java Province, with the population presented in table 1.

**Table 1. Population**

No	Name of Banks	Employees
1	PT. BPR Cianjur Jabar	87
2	PT. Intan Jabar Garut	114
3	PT. Karya Utama Jabar	115
4	PT. BPR Cipatujah Jabar	120
5	PT. BPR Majalengka Jabar	40
6	PT. BPR Artha Galuh Mandiri Jabar	20
7	PT BPR Wibawa Mukti Jabar	46
8	PT. BPR Karawang Jabar	17
9	PD. BPR Parungpanjang Bogor	53
10	PD. BPR Balongan Indramayu	158
11	PD. BPR Astanajapura Cirebon	51
<b>Total</b>		<b>821</b>

Determining the number of samples is done with the right sampling technique. In this study, the Slovin formula was used to determine the sample to take a sample from the population.

By knowing the total population (N) of 821 people and with a precision level of 5%, the number of research samples is as follows:

$$n = \frac{N}{Nd^2 + 1}$$

Describe:

n = Sample

N = Population

D = Precession (5%)

Then the number of samples is:

$$\begin{aligned} n &= \frac{821}{821(0,05)^2 + 1} \\ &= 268,95 \text{ rounded up to } 270 \text{ people.} \end{aligned}$$

Data testing is done by testing the validity and reliability of the data before performing regression analysis. Testing the validity of the data can be seen from the outer loading. The validity condition is that the

outer loading value must be more than 0.7. While the reliability test uses Cronbach's Alpha with the provision that the value is greater than 0.8.

Furthermore, to determine the factors that affect employee performance using the following multiple regression model:

$$Perf = a + b_1 Lead + b_2 OC + b_1 Commit$$

Where:

Perf is employee performance, Lead is transformational leadership, OC is organizational leadership and Commit is commitment.

To analyze the data, using the Smart PLS software.

## RESULT

Based on the results of the study through the distribution of questionnaires to 270 employees of BPR banks belonging to the regional government of West Java Province, a description of the distribution of data by gender, age, and education was obtained as follows:

**Table 2: Respondent**

<b>Gender</b>	Male	189
	Female	81
		<b>270</b>
<b>Age</b>	20 years old	36
	20 to 30 years old	80
	30-40 years old	94
	40-50 years old	36
	More than 50 years old	24
		<b>270</b>
<b>Education</b>	Senior high school	38
	Bachelor	220
	Postgraduate	12
		<b>270</b>

**a. Validity and Reliability Test**

The collected data is then tested for validity and reliability based on the proposed model. The

following is the output of the validity test using SmartPLS.

**Table 3: Outer Loading**

	<b>Employee Performance</b>	<b>Employee Commitment</b>	<b>Organizational Culture</b>	<b>Transformational Leadership</b>	<b>Desc</b>
X1.1				0.850	valid
X1.2				0.791	valid
X1.3				0.757	valid
X1.4				0.921	valid
X2.1			0.731		valid
X2.10			0.809		valid
X2.11			0.864		valid
X2.12			0.877		valid
X2.13			0.161		invalid
X2.2			0.727		valid
X2.3			0.692		invalid
X2.4			0.895		valid
X2.5			0.706		valid
X2.6			0.870		valid
X2.7			0.879		valid
X2.8			0.706		valid
X2.9			0.280		invalid
X3.1		0.817			valid
X3.2		0.863			valid
X3.3		0.871			valid
Y1.1	0.949				valid
Y1.2	0.818				valid
Y1.3	0.764				valid
Y1.4	0.960				valid
Y1.5	0.928				valid
Y1.6	0.786				valid

Of all the questions spread out from 4 variables, there are only 3 variables whose outer loading value is below 0.7. The question is contained in the organizational culture variable.

Values below 0.7 are then omitted so that research data processing is under a valid questionnaire. For this reason, the authors present the results of the disposal of these 3 questions in table 4.

**Table 4: Outer Loading**

	Employee Commitment	Employee Performance	Organizational Culture	Transformational Leadership	Desc.
X1.1				0.850	valid
X1.2				0.792	valid
X1.3				0.756	valid
X1.4				0.921	valid
X2.1			0.746		valid
X2.10			0.788		valid
X2.11			0.880		valid
X2.12			0.873		valid
X2.2			0.742		valid
X2.4			0.888		valid
X2.5			0.725		valid
X2.6			0.880		valid
X2.7			0.867		valid
X2.8			0.717		valid
X3.1	0.817				valid
X3.2	0.863				valid
X3.3	0.871				valid
Y1.1		0.949			valid
Y1.2		0.820			valid
Y1.3		0.762			valid
Y1.4		0.960			valid
Y1.5		0.927			valid
Y1.6		0.786			valid

Based on table 4. it can be seen that there is no longer any value for each variable that is below 0.7 so that all questions are declared valid. The reliability test can be explained by table 5.

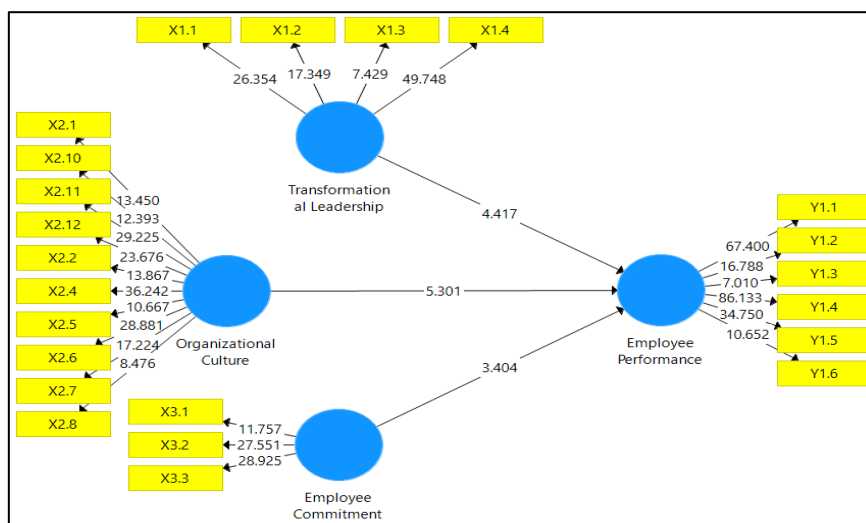
**Table 5: Reliability test**

Variable	Cronbach's Alpha
Employee Commitment	0.810
Employee Performance	0.934
Organizational Culture	0.942
Transformational Leadership	0.850

Table 5 shows that all variables in the Cronbach's Alpha column are greater than 0.8 so the data is declared reliable.

**b. Hypotesis Test**

Before testing the hypothesis, this study found a score of the coefficient of determination to see the magnitude of the influence of all independent variables in predicting the dependent variable. The results found that Transformational Leadership, Employee Commitment, and Organizational Culture can predict Employee Performance by 97.4%. This value is very large and shows a very strong influence of all independent variables.



**Figure 1: Model Fit**

- a. **The effect of transformational leadership on employee performance:** The test results show that the p value is smaller than 0.05 so transformational leadership significantly affects employee performance. The coefficient value is positive at 4.417 so it can be concluded that transformational leadership has a significant positive effect on employee performance. Therefore, the first hypothesis is accepted.
- b. **The effect of organizational culture on employee performance:** The test results show that the p value of 0.000 is smaller than 0.05 so organizational cultures significantly affects employee performance. The coefficient value shows a positive value of 5.301 so that it can

be concluded that organizational culture has a significant positive effect on employee performance. Therefore, the second hypothesis is accepted.

- c. **The effect of employee commitment on employee performance:** The test results show that the p value of 0.000 is smaller than 0.05 so employee commitment significantly affects employee performance. The coefficient value shows a positive value of 4.417 so that it can be concluded that employee commitment has a significant positive effect on employee performance. Therefore, the third hypothesis is accepted. For more details can be seen in table 6.

**Table 6: Partial test Output**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV)	P Values
Employee Commitment -> Employee Performance	0.183	0.183	0.054	3.404	<b>0.001</b>
Organizational Culture -> Employee Performance	0.508	0.514	0.096	5.301	<b>0.000</b>
Transformational Leadership -> Employee Performance	0.325	0.317	0.073	4.417	<b>0.000</b>

### C. DISCUSSION

The results of this study found that transformational leadership has a significant effect on employee performance at Provincial Government-owned Bank BPR employees. In dealing with work situations, transformational leadership can encourage several people to carry out activities in a directed manner following the objectives. This study's results align with Mubarak and Darmanto (2016) research, which states that transformational leadership significantly affects employee performance. Kartono (2008) argues that performance can be successful if the leader is wise, sets an example, is disciplined, and applies all procedures consistently. In addition, one of the duties of a leader is to enforce rules, prohibitions, discipline and group norms to achieve group or organizational goals. The strict SOP in banking requires a firm leader to achieve high performance, the leaders in each BPR must work optimally.

Organizational culture is also important in improving BPR employees' performance. The study's results indicate that organizational culture significantly influences a positive coefficient. This means that the organizational culture in the provincial government's BPR supports improving employee performance. This study supports previous research, namely Cheema and Abbas (2017), Opoku *et al.*, (2022), and Imran and Ismail (2021). Wibowo (2013) argues that organizational culture is the basic philosophy of an organization that contains shared beliefs, norms, and

values that are the core characteristics of how to do things in an organization. These beliefs, norms, and values become the grip of all human resources in the organization in carrying out their performance. So the rhythm of management must be maintained as well as possible. Therefore, a good organizational culture can encourage increased employee performance.

Employee commitment is also an important part of banking. The results of this study prove that employee commitment positively influences the performance of BPR employees belonging to the West Java provincial government. In accordance with what was conveyed by Schermerhorn (2011), employees will show their loyalty in the form of a commitment to work seriously. In the end, employees with a high commitment will show good performance in supporting the company's goals. Therefore, this study supports previous research (Hafiz, 2017; Basalamah *et al.*, 2019; Abdullah *et al.*, 2013) which found a positive relationship between commitment and performance of banking employees.

### CONCLUSION

Based on the research and discussion above results, it can be concluded that transformational leadership positively influences bank employees' performance. The importance of leaders having a firm soul, straightforward, forward thinking, innovative, and providing strong motivation to employees will support the achievement of optimal employee performance.



Organizational culture also has a positive influence on the performance of bank employees. Culture will create good habits in maintaining the atmosphere while working, so a good culture is needed because it will support employee performance improvement. Commitment also has a positive influence on the performance of bank employees. It takes a genuine commitment from employees to work wholeheartedly in carrying out their duties as part of a banking business organization, because it will encourage employee performance. These results indicate that all tested variables significantly improve the performance of BPR bank employees belonging to the West Java provincial government.

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