

Conference Paper

The Effect of Leadership Style, Organizational Culture and Compensation on Employee Performance at PT Baliwong Indonesia

Yohanes Mario Vianney Imansach and David Sukardi Kodrat

Department of Management and Business, Ciputra University, Surabaya, Indonesia

ORCID:David Sukardi Kodrat: <http://orcid.org/0000-0003-2974-9528>**Abstract**

PT Baliwong Indonesia is a central operating company in Surabaya and East Java which provides HR (Human Resources) services. The purpose of this study was to examine the effect of leadership style, organizational culture and compensation on the performance of employees at PT Baliwong Indonesia. This research used quantitative methods. The data was sourced from a questionnaire filled in by employees of PT Baliwong Indonesia. Data was processed using SPSS with multiple linear regression methods.

Keywords: Leadership Style, Cultural Organization, Compensation, Human Resources Service Provider Company

Corresponding Author:

Yohanes Mario Vianney

Imansach

klikrio.com@gmail.com

Published: 22 March 2021

Publishing services provided by
Knowledge E

© Yohanes Mario Vianney

Imansach and David Sukardi

Kodrat. This article is distributed

under the terms of the [Creative](#)[Commons Attribution License](#),

which permits unrestricted use

and redistribution provided that

the original author and source

are credited.

Selection and Peer-review under

the responsibility of the ICOEN

Conference Committee.

1. Introduction

Either organization, company or institution requires human resources as an important element in its activities. The higher the level of company growth, the demand for the quantity and quality of human resources will also increase. However, the internal parties of the company also experience limitations in managing human resources who are able to meet the competencies of the company to be hired. It becomes a starting point for a company specialized in human resources as a developer and provider of reliable and competent work forces.

PT. Baliwong Indonesia is a company of which headquarter is located in Surabaya and East Java in the field of providing HR services (Human Resources). The HR services include permitted work in accordance with the applicable Operational Permit, namely cleaning personnel, security personnel, marketing personnel, operational personnel, and administrative personnel. Historically, the company was established in 2004 as *commanditaire vennootschap* or CV with the same founder and owner, which eventually

OPEN ACCESS

changed its legal status to a public company (PT). PT. Baliwong Indonesia serves B2B (*Business to Business*) clients dominated by the government (General Hospitals, State Schools/Universities, Government Offices, and other Public Facilities). Based on the data of the company, the turnover of the company from 2013 to 2017 continues to grow, increasing by an average of 10-15% per year.

Human resource management is a means to improve human quality. Organizational leaders play a key role in human resources, since they are most likely to improve performance and discipline maximally. In improving employee performance, it is necessary to analyze the influential factors by identifying the needs of the employees, including the influence of leadership style, the formation of a well-coordinated organizational culture, and the establishment of compensation in accordance with the workload of employees.

Based on the observations through direct observation, several problems were identified, namely: (1) a number of employees remained irresponsible for the tasks assigned to them, many of whom neglected their work and chatted with other employees during working hours; (2) a number of employees remained tardy, but leaving the office during working hours; (3) the employee performance had not met the company expectations. For example, employees had not been able to complete the tasks according to the specified deadline; (4) employees tended to be lazy when there is not any leader around.

Lacking awareness of leaders regarding the importance of organizational culture had an impact on unstable employee performance as exemplified, namely frequent employee turnover at PT. Baliwong Indonesia.

2. Theoretical Framework

2.1. Leadership

Gibson (1997) [1] states that leaders are agents of change in which their behavior will affect others more than the behavior of others affecting them. Boone and Kurtz (1984) [2] suggest that leadership is the act of motivating other people or the act which causes other people to perform certain tasks of which aim is to achieve specific objectives.

2.2. Organizational Culture

Organizational culture is defined by according to Robbins & Coulter (2012) [3] as the values, principles, traditions, and attitudes which influence the way organizational members act. According to Kreitner & Kinicki (2007) [4], organizational culture is shared values and beliefs which underlie organizational identity. Mathis & Jackson (2006) [5] add that organizational culture is a pattern of shared values and beliefs which provide meanings and behavior rules for organizational members. Robbins (2008) [6] also states that organizational culture refers to a system of shared meanings held by members which differentiates one organization from the other organizations. Based on these definitions, it can be concluded that organizational culture is the values, attitudes, and behavior of each member in an organization which reflect the characteristics of the organization and also what distinguishes the organization from the other organizations.

2.3. Compensation

According to Malayu S.P. Hasibuan (2012) [7], it is stated that, "Every revenue in the form of money, direct or indirect goods received by employees as compensation for services provided to the company."

Garry Dessler in Benyamin Molan (2010: 46) [8] states that: "Employee compensation is any form of payment or compensation given to employees and arises from the work of the employee."

Satriowati et al. (2016) [9] summarize that compensation is the financial remuneration provided by an organization to its employees in exchange for their work. Griffin (2013) [10] claims that the employees who perform well in a company should be rewarded by obtaining a salary in accordance with what has been given to the company. If employees do not receive appropriate and timely compensation, the employee performance will not be maximized, which in turn can result in company objectives not being achieved.

2.4. Employee Performance

Tjuju Yuniarsih and Suwatno (2011) [11] convey that performance is "a real achievement that is displayed by a person after they completed their duties and roles in the organization." Meanwhile, Anwar Prabu Mangkunegara (2013) [12] defines employee performance (work performance) as the quality and quantity of work achieved by an employee in carrying out their duties in accordance with the responsibilities assigned.

Furthermore, Bambang Guritno and Waridin in Heny Sidanti (2015) [13] add that performance is the comparison of the work completed by employees with predetermined standards.

In this study, there are three independent variables, namely X1 (leadership style), X2 (organizational culture), X3 (compensation) and one dependent variable, namely Y (employee performance). The analysis model can be described as follows.

H1: Leadership style affects positively on employee performance.

H2: Organizational culture affects positively and significantly on employee performance.

H3: Compensation affects positively and significantly on employee performance.

3. Research Method

The population examined is the permanent employees of PT. Baliwong Indonesia of which position is supervisor. The total population used in this study was 60 employees. The population is relatively small, thus all members of the population selected is used as a sample of 60 people, so the method used in sampling is saturated sampling method or census. Saturated sampling method or census is a sampling technique when all members of the population are used for sampling. The method is usually selected when the population number is relatively small. This study was conducted using a data collection method in the form of questionnaire with an alternative choice of answers in the form of a Likert scale. The questionnaire used was an offline questionnaire on a sheet of paper. In its application, the questionnaire used a Likert scale measurement. This scale is used to measure attitudes, opinions, and perceptions of a person or group of people about social phenomena (Sugiyono, 2014) [14]. The variables used are the independent variables (leadership style, organizational culture, and compensation) and the dependent variable (employee performance). This study used multiple linear regression analysis, as the independent variable is more than one. According to Singgih Santoso (2010) [15] in the parametric statistics book, the use of the regression concept in the SPSS application is to develop a model or equation which explains the relationship among variables (independent or dependent variables).

3.1. Validity Test and Reliability Test

According to Singaribun (1989) [16], researchers measure the validity with the Pearson Correlation measuring instrument. The criterion is if the significance value is <5% (0.05),

it is considered to be valid. The reliability test uses a criterion, namely if the Cronbach Alpha value > 0.6 , it is considered to be good and acceptable (Ghozali, 2013) [17].

TABLE 1: Validity and Reliability Result

No.	Variables	Status	Status
1	Leadership Style (X_1)	Valid	Reliable
2	Organizational Culture (X_2)	Valid	Reliable
3	Compensation (X_3)	Valid	Reliable
4	Employee Performance (Y)	Valid	Reliable

3.2. F-Test Result

The test result shows that the significance value is $0.000 < 0.05$ which indicates that the significance value is smaller than the required significance level (5%); it means that if the significance value is smaller than the significance level used of 5%, it can be concluded that the independent variables, namely Style Leadership (X_1), Organizational Culture (X_2), and Compensation (X_3) simultaneously have a significant effect on Employee Performance (Y) at PT. Baliwong Indonesia.

3.3. t-Test Result

The *t*-test result for the significance value of the Leadership Style variable (X_1) is 0.520. Since the significance value is greater than the required significance level ($0.520 > 0.05$), it can be concluded that the leadership style variable does not have a significant effect on the employee performance at PT. Baliwong Indonesia.

The *t*-test result for the significance value of the Organizational Culture variable (X_2) is 0,000. Since the significance value is smaller than the required significance level ($0.000 < 0.05$), it can be concluded that organizational culture has a significant effect on the employee performance at PT. Baliwong Indonesia.

The *t*-test result for the significance value of the Compensation variable (X_3) is 0.002. Since the significance value is smaller than the required significance level ($0.002 < 0.05$), it can be concluded that compensation has a significant effect on the employee performance at PT. Baliwong Indonesia.

3.4. Coefficient of Determination (R^2) and Correlation Coefficient (R) Result

The test result shows that the coefficient of determination (R^2) generated from the regression model is 0.692 or 69.2%. The coefficient of determination value shows that the independent variables, namely Leadership Style (X_1), Organizational Culture (X_2), and Compensation (X_3) are able to explain the dependent variable, namely Employee Performance (Y) at PT. Baliwong Indonesia of 69.2%, while the remaining 30.8% is explained by other variables not included in this study.

4. Discussion

Result of hypothesis testing in this study indicates that the leadership style variable does not have a significant effect on the employee performance of the company. It means that respondents or employees of PT. Baliwong Indonesia does not consider that the leadership style implemented at PT. Baliwong to be a variable which affects their motivation to work. It is, indeed, in contrast to the prediction in which ideally the higher or the better the leadership style implemented at PT. Baliwong Indonesia, the better the employee performance. The answers of the respondents tended to strongly agree and are homogeneous with each statement regarding leadership style. The main factor is that almost 90% of partners or clients of PT. Baliwong Indonesia are institutions or companies of which structural and location of employees is in the client's location (client-based location) that there is an additional influence on the leadership style from another work environment. The employees of PT. Baliwong Indonesia work almost full-time in the partner's work environment which has its own leadership style, be it directly or indirectly. Therefore, it affects the leadership style that the variable does not have a significant effect on the employee performance at PT. Baliwong Indonesia.

Moreover, there is an organizational culture established by the company for the purpose of employee stability in their performance. The effect of a strong organizational culture allows employees to increase the effectiveness of their performance that an effective organizational culture can create better results, discipline, and quality. This study found that organizational culture has a positive and significant direct effect on the employee performance at PT. Baliwong Indonesia. The better the organizational culture at PT. Baliwong Indonesia, the better the employee performance. A culture in an organization will not develop for the better of the organization without strengthening its

cultural foundations; a strong culture will significantly affect the strategy implemented to achieve the company objectives.

Increased compensation also affects the employee performance at PT. Baliwong. PT. Baliwong Indonesia begins to prepare quality human resources by providing a number of rewards or compensations to improve the employee performance at PT Baliwong Indonesia. Compensation is an important factor for employees to improve their performance and productivity. Besides, compensation also provides employee satisfaction that it encourages them to work better and decrease employee absence.

5. Conclusion

For PT Baliwong Indonesia, the leadership style factor in the company is considered to be unique; since the company in the field of outsourcing which locates their employees in offices or service users (client-based locations), it is necessary to have an advanced leadership style with the servant leadership method that it is more accessible to employees with prioritized deity values by the company leader of PT. Baliwong Indonesia followed by organizational culture.

The existing organizational culture needs to be continuously developed in order to maximize the performance of human resources associated with the current bureaucratic system, as organizational culture is a basic force in employee performance at an outsourcing company, such as PT. Baliwong Indonesia. In order to maintain and increase the performance of the company, it is recommended that the company reflect on an organizational structure with a horizontal structure alongside its hierarchy, so that decisions can be made and information can be disseminated quicker. As a result, the company can grow quickly in an attempt to develop business.

The company is required to focus on compensation or rewards based on the contributions of the employee to the company, working conditions, appropriate administrative systems and organizational policies, well-established working relationships within the company without discrimination. In addition, the company can also provide opportunities for employees to take part in special education and training as needed that their abilities and skills can increase. Satisfied employees tend to give a positive result of their work which in turn produce maximum performance.

Further researchers can add other variables which affect employee performance; for example, work motivation. They can also use other methods in examining employee performance; for instance, using qualitative methods, such as in-depth interviews with company employees. The limitations of this study are that the research objects remain in

the supervisory position and the client-based location factor, so that further researchers have to comprehend the research objects and other supporting factors related to workforce service providers, such as PT Baliwong Indonesia.

References

- [1] Gibson, J. L. (1997). *Organisasi*. Jakarta: Erlangga.
- [2] Boone, L. E. and Kurtz, D. L. (1984). *Principles of Management*. New York: Random House.
- [3] Robbins, S. P. and Coulter, M. (2011). *Perilaku Organisasi* (2nd ed.). Jakarta: Salemba Empat.
- [4] Kreitner, R. and Kinicki, A. (2007). *Pelaku Organisasi*. Jakarta: Salemba Empat.
- [5] Mathis, R. L. and Jackson, J. H. (2006). *Human Resources Management*. New Jersey: Prentice Hall.
- [6] Robbins, S. P. (2006). *Perilaku Organisasi*. Jakarta: Prehallindo.
- [7] Hasibuan, M. (2012). *Manajemen Sumber Daya Manusia*. Jakarta: PT. Bumi Aksara.
- [8] Dessler, G. (2010). *Manajemen Sumber Daya Manusia* (edisi kesepuluh). Jakarta Barat: PT Indeks.
- [9] Satriowati, E., Paramita, P. D. and Hasiholan, L. B. (2016). Pengaruh Gaya Kepemimpinan Transformasional, Kompensasi Dan Komunikasi Terhadap Kinerja Karyawan Dengan Kepuasan Kerja Sebagai Variabel Mediasi Pada Laundry Elephant King. *Jurnal Manajemen*, vol. 2, issue 2, pp. 1-15.
- [10] Griffin, R. W. (2013). *Perilaku Organisasi*. Jakarta: Salemba Empat.
- [11] Yuniarsih, T. and Suwatno. (2011). *Manajemen Sumber Daya Manusia*. Bandung: Alfabeta.
- [12] Mangkunegara, A. A. P. (2013). *Manajemen Sumber Daya Manusia Perusahaan*. Bandung: PT. Remaja Rosdakarya.
- [13] Sidanti, H. (2015). Pengaruh Lingkungan Kerja, Disiplin Kerja Dan Motivasi Kerja Terhadap Kinerja Pegawai Negeri Sipil Di Sekretariat DPRD Kabupaten Madiun. *Jurnal Manajemen Universitas Sam Ratulangi*. Vol. 9(1). Pp, 44-53.
- [14] Sugiyono. (2014). *Metode Penelitian Pendidikan Pendekatan Kuantitatif, Kualitatif Dan R&D*. Bandung: Alfabeta.
- [15] Santoso, S. (2012). *Panduan Lengkap SPSS Versi 20*. Jakarta: PT Elex Media Komputindo.
- [16] Singaribun, M. and Effendi, S. (2000). *Metodologi Penelitian Survei*. Jakarta: LP3ES.

- [17] Ghozali, I. (2016). *Aplikasi Analisis Multivariete Dengan Program IBM SPSS 23* (8th ed.). Semarang: Badan Penerbit Universitas Diponegoro.